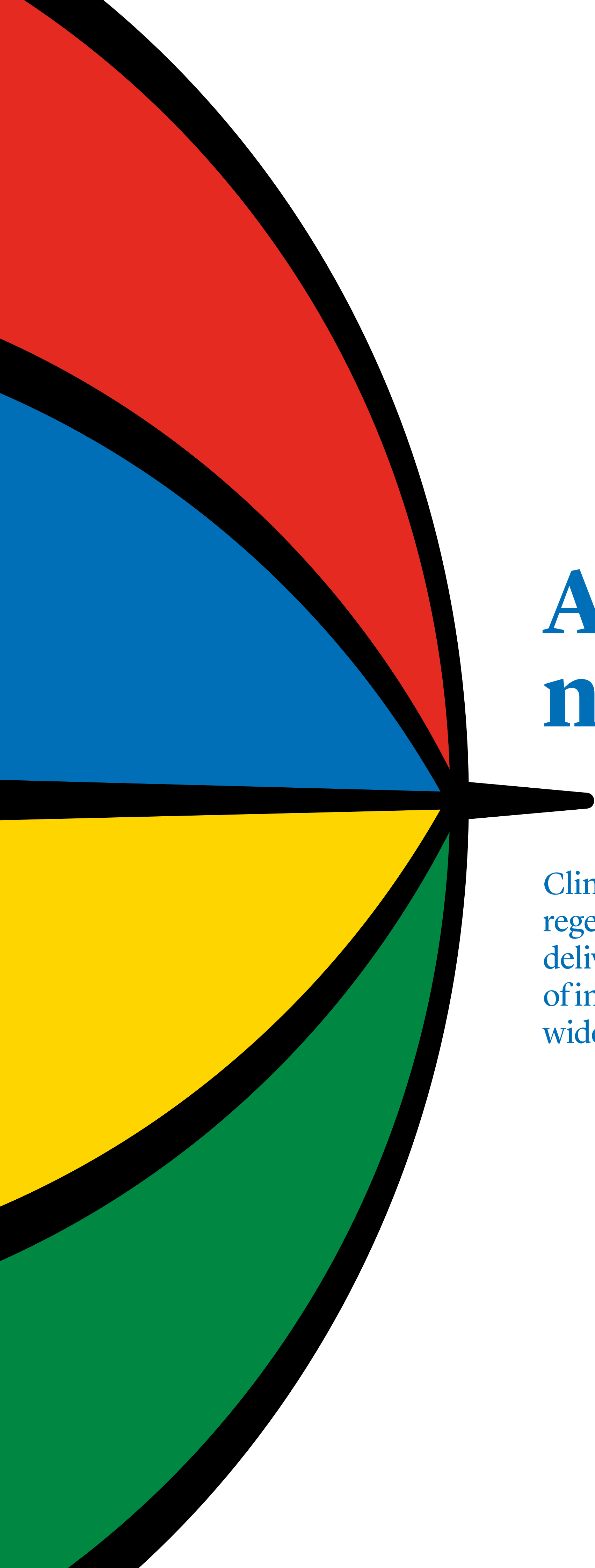
We're handling it

Legal & General Group Plc
Annual Report and Accounts 2021

Legal & General



Actions, not words

Climate, technology, housing, regeneration, wellbeing: we are delivering at pace on a range of initiatives to address these wide-reaching challenges.

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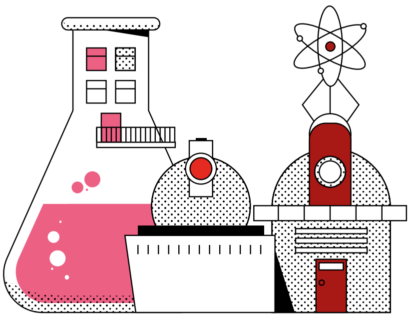
Strategic report

How we bring our vision of inclusive capitalism to life

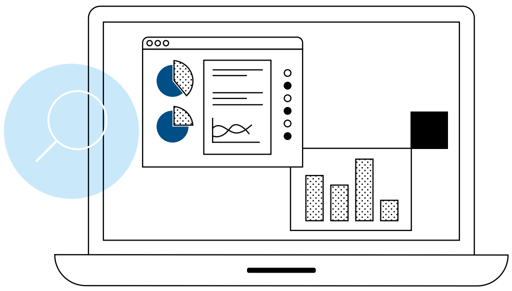
Governance

How we grow our business responsibly



Financial statements

Our financial statements for the year ended 31 December 2021



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

Gender pay gap report
group.legalandgeneral.com/reports

Tax supplement
group.legalandgeneral.com/reports

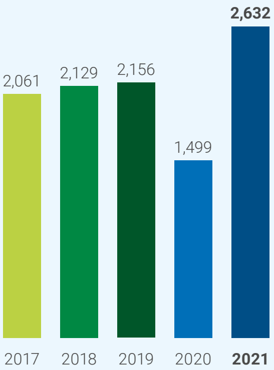
Risk supplement
group.legalandgeneral.com/reports

At a glance

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.

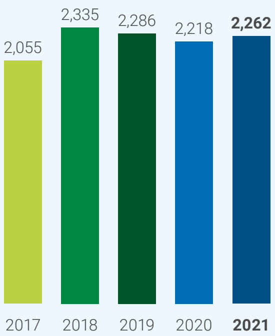
Financial measures

Profit before tax £m



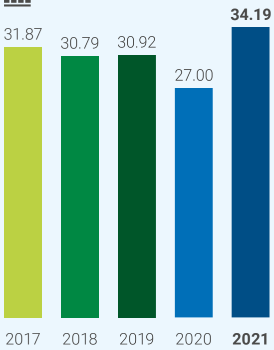
Profit before tax comprises all items of income and expense recognised in profit or loss (excluding tax).

Adjusted operating profit £m



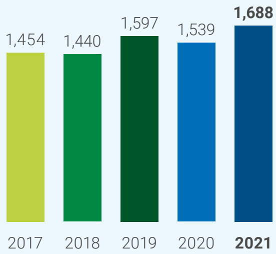
Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. The measure enhances the understanding of the group's operating performance over time by separately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

187%

(2020: 175%)

Solvency II capital coverage ratio (on a proforma basis), which shows own funds divided by the solvency capital requirement including the impact of the final salary pension scheme, 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

20.5%

(2020: 17.3%)

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 (unaudited)

76%

(2020: 77%)

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)

30,706 tCO_2e[1]

(2020: 31,640 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 100 to 101 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 240.

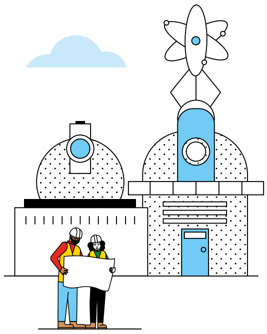
Full definitions of the financial metrics above are included in the glossary on page 241.

1. Our total Scope 1 and Scope 2 (location) emissions have been subject to independent limited assurance by PwC. The basis of preparation (or reporting criteria) for our group carbon footprint is available at group.legalandgeneral.com/sustainabilityreports and PwC's assurance report is available in our 2021 climate report at group.legalandgeneral.com/reports.

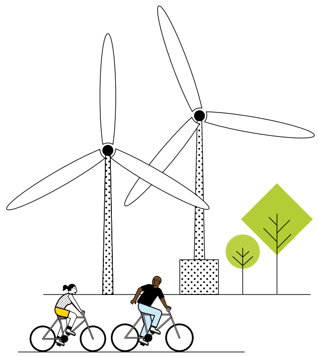
We aim to:

Be a leading provider of retirement and protection solutions

Be one of the world's largest asset managers



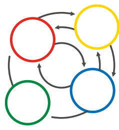
Be an innovative asset creator



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.

£7.2bn pension risk transfer premiums

Retail retirement ('LGRR')[2]

See page 34

- We help our customers accumulate pensions savings and transform them into the income they need to have a colourful retirement.

£957m individual annuity sales

Investment management ('LGIM')

See page 36

- 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 scheme clients.

£1.4tn assets under management

Capital investment ('LGC')

See page 38

- 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.

>2,900 homes sold

Insurance ('LGI')[2]

See page 40

- We are the UK's number one individual life insurance provider and we offer 'level-term' life insurance in the US.
- Our group protection business in the UK offers life insurance and income protection products to individuals through their employers.

>9 million number of customers

2. As of 1 January 2022, LGRR and LGI (our two retail businesses) have come together to form Legal & General Retail. Under the leadership of Bernie Hickman, this division will focus on serving the savings, protection and retirement needs of our retail and workplace customers.

Chairman's statement

Social purpose is at the centre of everything we do.

Introduction
2021 was a year in which Legal & General's resilience and sound business model enabled us to return to growth and play our part as broader society continued to absorb and address the consequences of Covid-19. No one company can address these challenges on its own, but we can be proud of Legal & General's contribution to the progress made in 2021. We continue to be thankful for the service of key workers and our thoughts are with all those who have suffered during the pandemic, especially those who have lost loved ones.

Our customers rely on Legal & General to pay their pensions, protect their income and manage their assets. We have worked through two years of challenging circumstances and I would like to thank everyone at Legal & General for their hard work and dedication to make sure that we maintained the quality of our service during this time.

In the complex circumstances of 2021, we have continued to focus on our long-term strategy. Our five growing businesses are building new homes, de-risking pension schemes, providing annuities, protecting customers, and creating and managing socially and environmentally useful investments. We will continue our £33 billion programme of direct investments, which includes investments into key sustainability fields, such as renewables and clean energy.

The climate decade

COP26 in Glasgow was convened to coordinate and progress the international effort to limit global warming to 1.5°C or less. It was more successful than some expected, but less successful than others hoped. We continue to advocate urgent action from both governments and the private sector, and we will continue to use our influence as a large investor to promote the transition to a low carbon economy.

This transition requires diligent and determined approaches to solving all the challenges of decarbonisation. We continue to regard engagement as opposed to divestment as a more effective way of managing the whole spectrum of these challenges. We will not simply leave the toughest issues to others.

We are committed to decarbonising both the assets on our balance sheet and our operations to align with the 'Paris' Agreement. We will validate our targets through setting science-based targets.

Financial resilience

During 2021, our business achieved balanced and profitable growth, and we saw the group return to the growth trend rate achieved in the last decade, following the 'pause year' of 2020. Legal & General operated throughout 2021 without accessing any furlough scheme or other Covid-19 business support.

Our adjusted operating profit was £2.3 billion and profit for the year of £2.0 billion was up 30% compared with 2020, reflecting a recovery from the prior year impact of Covid-19. Earnings per share was 34.19 pence compared with 27.00 pence in 2020. We achieved a return on equity of 20.5% and our Solvency II coverage ratio was 187% on a proforma basis.

The interim dividend of 5.18 pence and the recommended final dividend of 13.27 pence are consistent with our stated ambition. The Board's intention is to maintain its progressive dividend policy.

Stakeholders

In the Governance section of this report, we report on our wider engagement with stakeholders.

In October 2021, we hosted a capital markets event focused on our capital investment business (LGC), with presentations of LGC's strategy, our approach and investment capability, financial performance and ambitions.

In May 2021 our Annual General Meeting (AGM) was held in our office in London. While, due to Covid-19, shareholders were not able to attend in person, all were invited to join virtually via an online video platform. The Board was delighted to provide shareholders with the opportunity to ask questions live during the meeting.

The Board is looking forward to welcoming shareholders to our first hybrid AGM this year. Full details of the 2022 AGM and any special arrangements that may be in place in light of Covid-19 will be included in the Notice of AGM that will be sent to shareholders.

The Board

I would like to congratulate Sir Nigel Wilson on his knighthood; it is a reflection of his extraordinary leadership of the company and of the wider social purpose he puts at the centre of everything we do.

Julia Wilson stood down from the Board on 31 March 2021 following a nine-year tenure. Philip Broadley, Chair of the Audit Committee, has taken on the position of Senior Independent Director following Julia's departure from the Board. We have also recently announced that Toby Strauss will be standing down from the Board at the end of April 2022 following his recent appointment as the Chair of Age UK. I would like to thank Julia and Toby for their immense contributions to Legal & General during their time with us.

Nilufer von Bismarck OBE was appointed to the Board as an independent non-executive director in May 2021. Laura Wade-Gery was appointed to the Board in January 2022, bringing extensive knowledge of digital transformation and customer experience. We are also delighted that Tushar Morzaria will be joining the Board in May 2022.

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 experience to the setting, and oversight of delivery, of the group's strategy.

Outlook

Whilst Covid-19 remains very much with us, we nevertheless maintain a confident business outlook for 2022.

The preparations we made, both before the pandemic and those we have implemented over the last year, have ensured that we have been well placed to play an important role in an investment-led economic recovery and to contribute further to addressing critical societal challenges, especially long-term investment in the infrastructure required to reach net zero by 2050.

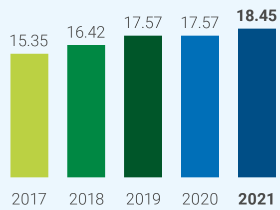
Sir John Kingman
Chairman

Annual General Meeting 2022

The AGM will be held on 26 May 2022.

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

Full year dividend p



Final dividend to be paid on 1 June 2022

13.27p

(2020: 12.64p)

What are we investing in?

5,100

energy-efficient homes will be constructed through our JV with NatWest

Rethinking retirement
We help people live better in their later years by investing in innovative later-living communities and funding research that will improve the way we all live as we age. For example, our joint venture (JV) partnership with NatWest will invest £500 million to build later-living communities.

For more details, refer to pages 31 to 33

The virtuous circle of

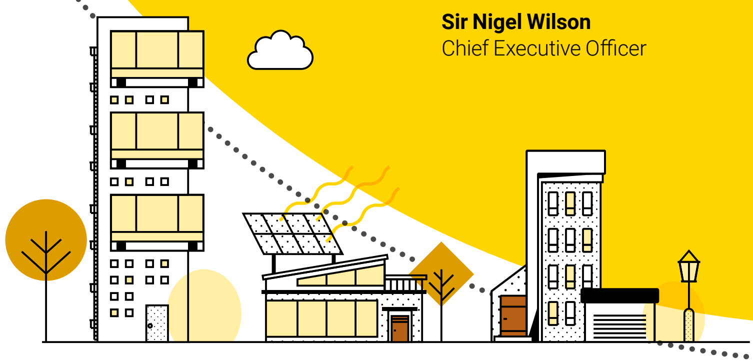
inclusive capitalism

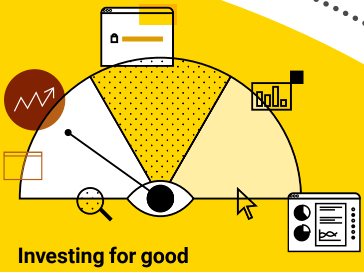
Future-proofing society
We invest billions of pounds to help to build a better society for all. This includes infrastructure, affordable homes and support for small businesses; making money work harder than ever before.

For more details, refer to pages 38 to 39

> "A long-term patient capital injection can completely transform towns and cities, creating real jobs whilst generating income to pay pensioners. This is inclusive capitalism at its best."

Sir Nigel Wilson
Chief Executive Officer



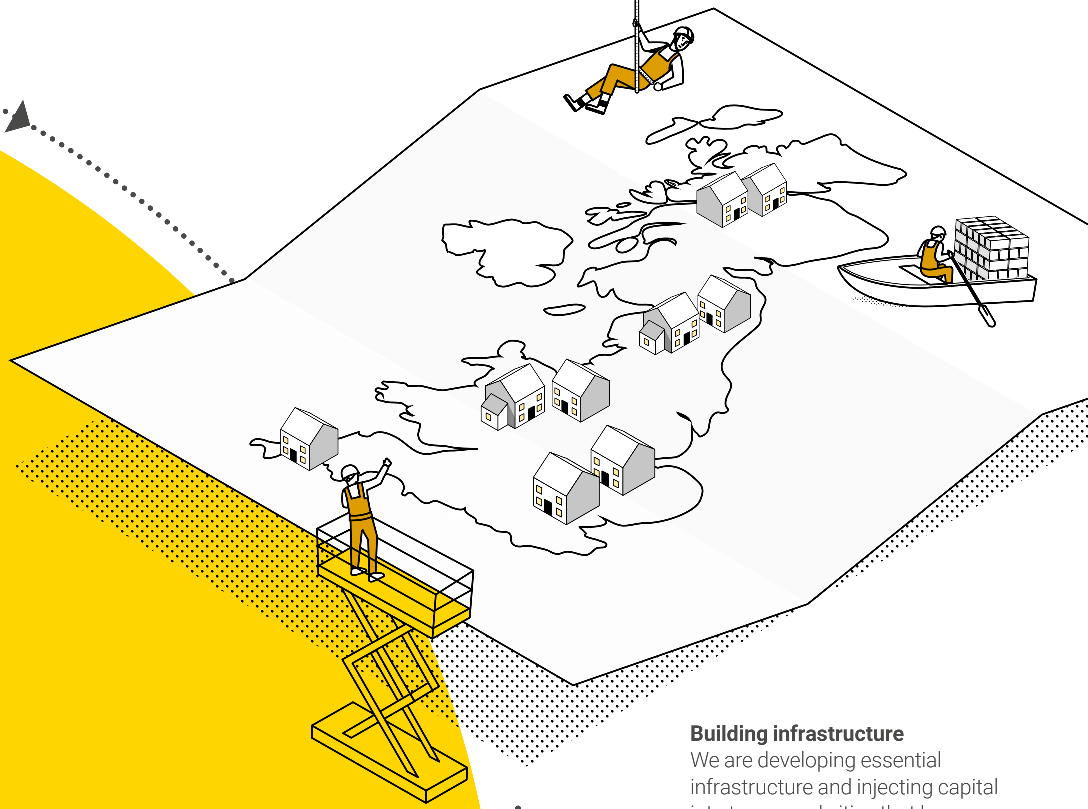


Investing for good
As one of the world's biggest asset managers, we use our scale to encourage the companies we invest in to behave responsibly and in a way that benefits everyone.

For more details, refer to pages 36 to 37

>5,000

directors' elections we opposed due to governance concerns



Building infrastructure
We are developing essential infrastructure and injecting capital into towns and cities that have suffered long-term under-investment to ensure they thrive in the years ahead.

For more details, refer to pages 38 to 39

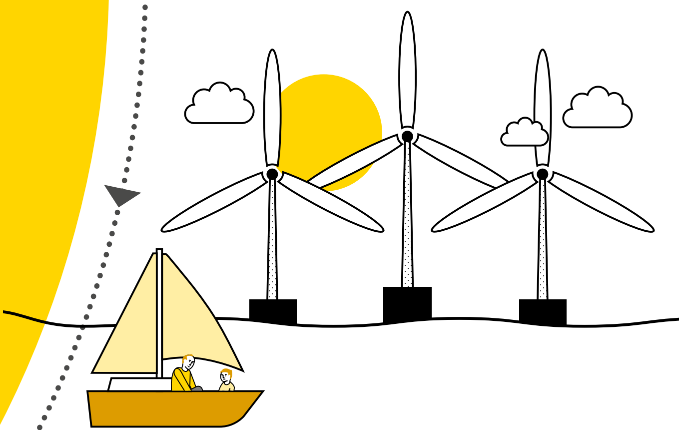
Inclusive capitalism is what we do. It drives our strategy, shapes our culture and has sustainability at its core. We invest retirement premiums directly into our communities, providing opportunities for younger people.

Harnessing technology
From building the data centres that keep businesses connected, to supporting our customers with our fast and efficient systems, we are investing in technology to build a better future for everyone.

For more details, refer to pages 22 to 23

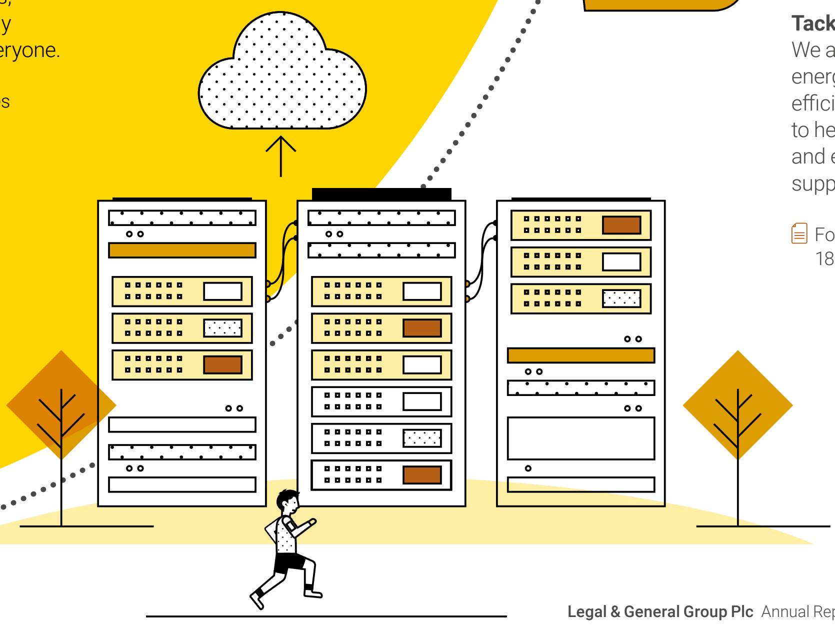
65%

of net zero-related jobs are expected to come from the science and technology sector by 2050



Tackling the climate crisis
We are investing in renewable energy technologies, from energy efficient homes to fusion power, to help limit global warming and ensure our balance sheet supports net zero commitments.

For more details, refer to pages 18 to 19



Chief Executive Officer's Q&A

We have been operating inclusive capitalism at scale.

What were the areas of focus for Legal & General in 2021?
2021 was a year of strong performance and, against a challenging global backdrop, we returned to the rate of growth we delivered in the decade before Covid-19. I am proud that our team of over 10,000 people adapted well to the challenges of different working models and continued to deliver great customer service, protecting the financial security of millions of customers.

The virtuous circle of inclusive capitalism
We have been operating inclusive capitalism at scale to help re-shape the UK for a decade now. We use our own capital and pension assets from our institutional retirement business to invest back into society. In this way, the savings of older policyholders provide opportunities for younger generations; we call this the virtuous circle of inclusive capitalism. Be it renewable energy generated by Hornsea's wind turbines, urban regeneration in Manchester and Leeds or affordable homes in Bristol, we know it works.

Stepping up to levelling up
For Legal & General, 'Levelling Up', and 'Build Back Better', are more than phrases; we are leading the change. We have invested more than £33 billion, targeted to deliver 'Levelling Up' to an economically more productive, net zero economy. We are creating thousands of jobs through transformative regeneration projects from Sunderland to Cardiff.

Strengthening sustainability
Climate change is both the biggest challenge, and the biggest investment opportunity, of our lifetimes. Long before COP26, as an investor, an asset manager and an employer, we were pushing for climate action and a more sustainable economy.

For the past 18 months, Michelle Scrimgeour (CEO of LGIM) has co-chaired the COP26 Business Leaders Group, where we mobilised the skills and resources of our peers to target net zero by 2050. COP26 delivered on many of the issues we have campaigned for, but there remains much more to be done; words must now give way to actions delivered at speed and scale.

How did the business perform in 2021?

Despite the challenges of 2021, our long-term strategy continues to deliver five successful, growing businesses. Our global pension risk transfer business, LGRI, welcomed major new customers and wrote £7.2 billion of premiums. LGRR, our retail retirement business, delivered annuity sales of £957 million.

Our investment management business, LGIM, is a major global investor with total assets under management of £1.4 trillion, of which £290 billion is in responsible investment strategies explicitly linked to environment, social and governance (ESG) criteria. Our capital investment business, LGC, grew its alternative asset portfolio by 10% to £3.4 billion.

Our insurance business, LGI, delivered adjusted operating profit of £268 million. From 1 January 2022, our retail retirement and insurance businesses have come together to form Legal & General Retail, which will focus on serving the savings, protection and retirement needs of our retail and workplace customers.

What is Legal & General's focus today?

Creating a sustainable economy

Historic under-investment in the UK has to be remedied if we are to create a sustainable economy. This is where the private sector can make a difference. At COP26, we argued that the private sector can bring expertise to convert promises and pledges into real actions.

Funding innovation

We look after the workplace pensions of more than four million UK workers and the total savings of all defined contribution pensions will soon exceed £1 trillion. Currently, workplace pensions do not benefit from the same level of growth offered by venture capital funds. Our capital investment business has increased its small and medium enterprises (SME) finance assets under management to £611 million, supporting over 330 start-up businesses.

Disrupting markets with technology

Affordable and energy-efficient housing is crucial to 'Levelling Up' throughout the UK. We have a state-of-the-art modular homes factory in Selby and we use our investments in clean technology, such as ground source and air source heat pumps and electric vehicle charging points, to build homes which are capable of operating efficiently. We will enable all homes we build from 2030 to operate at net zero carbon. In the US, our Horizon platform is automating underwriting, helping more people access the protection products they need.

Delivering on promises

In 2021, we broke ground on a number of developments that add real growth and real jobs to the economy. As part of our £4 billion partnership with Oxford University, construction began on the new Life and Mind Building. Our investment in Sky Studios Elstree aims to be the most sustainable film and TV production site in the world when it opens in late 2022.

Our £1.5 billion partnership with the University of Manchester will add another tranche of capacity to the UK's scientific capability as we create a new science quarter called IDManchester.

As we have demonstrated over the last two years, we have adapted to change whilst growing our business. We have been operating inclusive capitalism at scale and are set to continue with this ambition in 2022.

Sir Nigel Wilson
Chief Executive Officer

> "We've created a culture where people want to deliver the right outcomes and society trusts us."

Areas of focus

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

See pages 18 to 19

Investing in the real economy
Our direct investments range from affordable housing, to science hubs and creative industries.

See pages 6 to 7

Technological innovation
From building data centres to supporting our customers, we invest in technology to build a better future for everyone.

See pages 22 to 23

Improving wellbeing
We prioritise the welfare of our employees, who in turn support the millions of people who rely on us.

See pages 20 to 21

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

The roll out of vaccines and the development of treatments for severe illness from Covid-19 promises a return to a more normal operating environment. As the challenges presented by Covid-19 recede, focus is moving to re-building from the economic impacts, including infrastructure development, house building and addressing the effects of ageing demographics, all of which are key parts of our strategy.

Geopolitical landscape

2022 has seen a range of geopolitical risks come to the fore, with the potential for 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

Whilst global and UK economic activity is returning to pre-Covid-19 levels, the outlook of a period of sustained inflation, and higher interest rates to those seen for a number of years, will impact consumer sentiment. 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 pension risk transfer (PRT) market, focusing on corporate defined benefit (DB) pension plans in the UK, the US, Canada, Ireland and the Netherlands, which together have nearly £7 trillion of pension liabilities. Market commentators anticipate between £150 to £250 billion of UK PRT demand over the next five years.

2 Globalisation of asset markets

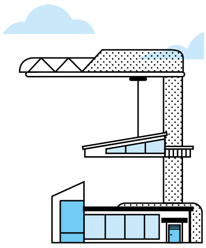
Asset markets are increasingly globalised and growing. North America, Asia Pacific and Europe are all attractive markets which continue to expand. We look for selective opportunities to build and expand our successful UK business model abroad into markets where we believe we can thrive.

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 $103 trillion in 2020 to $136 trillion by 2025, 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

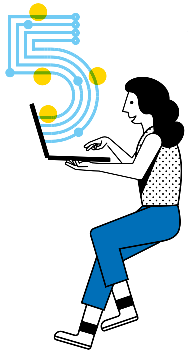
Throughout the UK and beyond, there has been a long-term trend of under-investment in major towns and cities, and we continue to experience a serious housing shortage, while small and medium enterprises can also struggle to achieve scale without access to long-term capital.

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

By 2025, an estimated 400,000 build to sell and build to rent units are expected to be built per annum in the UK. We invest pension assets and our own capital into the real economy, delivering financial security for pensioners and fostering growth across towns and cities in the UK.



5 Technological innovation

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

Strategic priority

Technology and innovative solutions improve customers' lives and increase efficiency. We aim to be market leaders in the digital provision of insurance, sustaining our UK leadership, growing in the US and expanding in adjacent markets.

Market opportunity

The retail protection market is expected to increase to $30 billion in the US by 2025. We anticipate continued premium growth across our UK and US protection businesses as technological innovation makes our products more accessible to customers and supports further product and pricing enhancements.

4 Welfare reforms

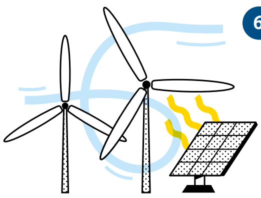
The plan for adult social care reform in England highlights the continued need to protect people from financial uncertainty. This includes helping people take personal responsibility for saving for their retirement, and safeguarding their financial wellbeing and resilience.

Strategic priority

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

Market opportunity

As we recover from the impacts of Covid-19, the UK's social security system will be under increasing strain, thereby placing ever more onus on individuals to build and maintain their own financial wellbeing. UK defined contribution (DC) assets are expected to increase from £0.6 trillion in 2021 to £1.1 trillion by 2029.



6 Addressing climate change

Scientists, policy-makers, markets and regulators increasingly agree that we must limit global warming to 1.5°C to avoid 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. It is estimated that $20 trillion of investment is needed by 2025 alone to put us on the path to achieving global net zero emissions by 2050.

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 their continued development and enhancement is a constant focus for our business.

People

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

How we develop our people

During 2021, we focused on recruitment and early careers, continued to train line managers on diversity and inclusion, and launched a global mentoring platform. We are designing a 'Future of Work' model that will provide a balanced use of office and remote working. We engage with and measure our progress through our employee 'Voice' survey.

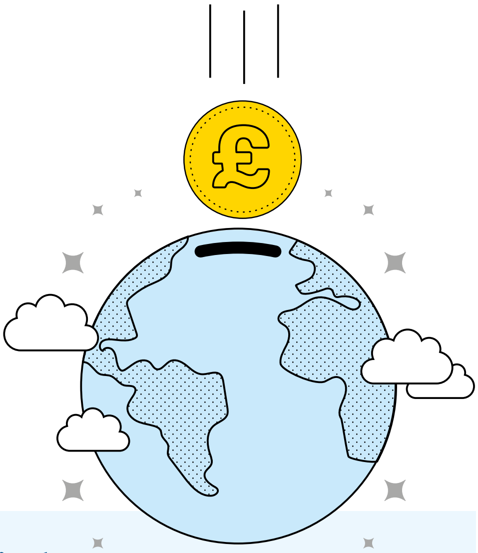
See page 50 for further details.

Brand

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

How we strengthen our brand

While our heritage is in the UK, in recent years we have increasingly moved into global markets. Our presence and customer footprint is growing. We continue to focus on strengthening our digital channels and innovation in our communication tools. We are continually championing data-driven marketing by providing easy access to key performance indicators and target audience data across the group.



Capital

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

How we strengthen our capital

Our commitments to shareholders are underpinned by a robust balance sheet. This meant we were resilient during Covid-19 and are now back on track with our ambitious growth agenda.

See pages 24 to 27 for further details.

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.

How we improve customer experience

We are always looking at ways to improve our customers' experience. That is why, from 1 January 2022, we have formed a retail business that brings together our customer services. It makes sense for our customers and for our business.

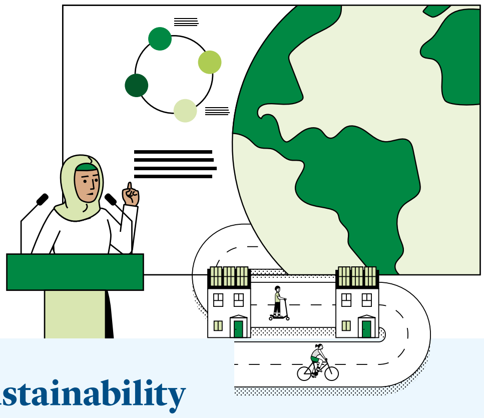
Culture

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

How we foster an inclusive culture

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

- **Straightforward** communication, building trust by doing what we say and saying what we mean.
- **Collaborative** in our work together, seeking out originality in ideas and valuing and encouraging diversity in our teams.
- **Purposeful** delivery that balances performance with principles, to do what is right for our business and our customers.



Sustainability

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

How we build a sustainable business

Our guiding principle of inclusive capitalism gives purpose and focus to the actions we take to create a more sustainable society.

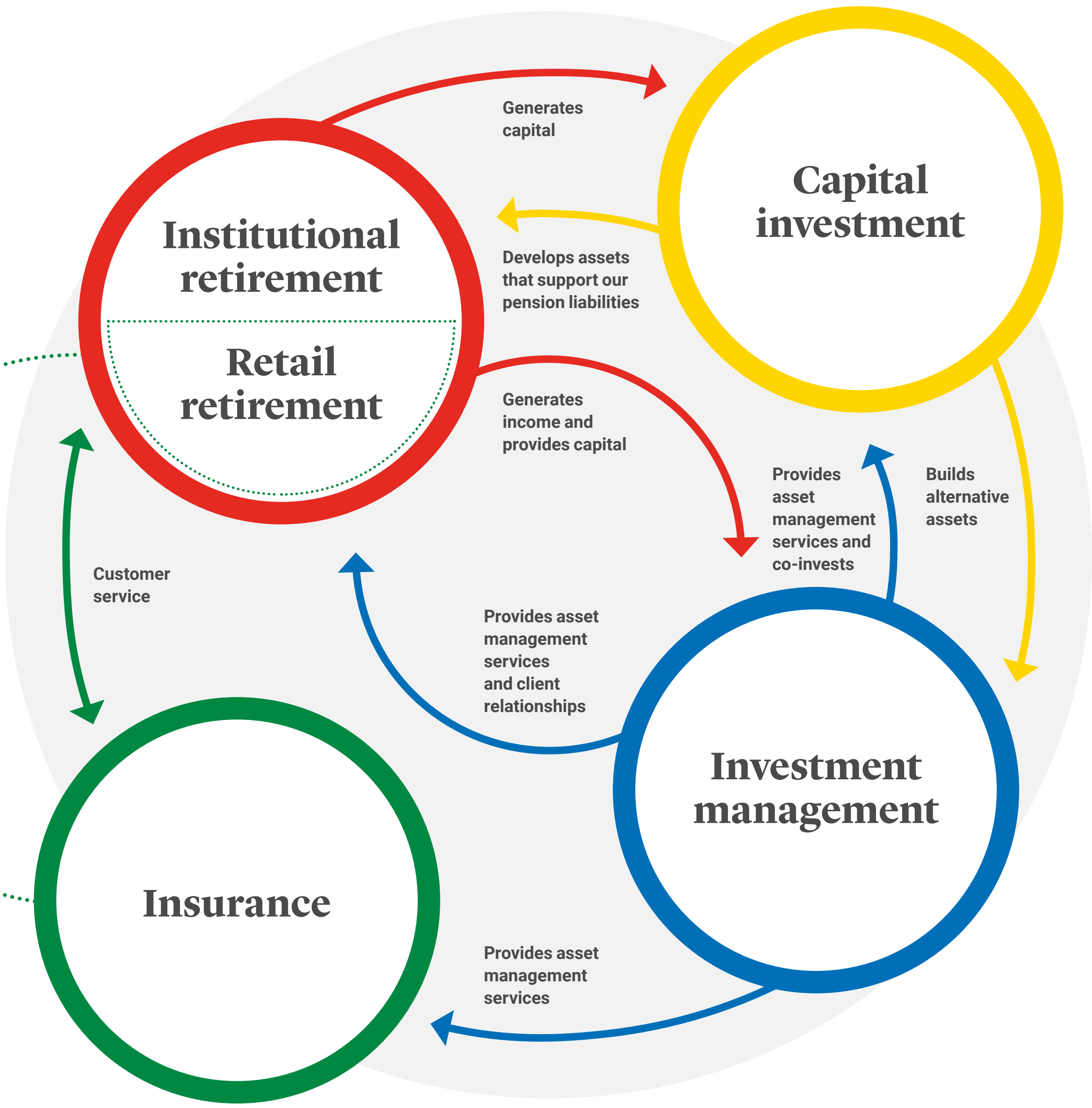
- Our journey to net zero.
- Building a better society.
- Growing our business responsibly.

See pages 42 to 51 for further details.

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.



The model shows how we operated in 2021. As of 1 January 2022, our retail retirement and insurance businesses have come together to form Legal & General Retail, which will focus on serving the savings, protection and retirement needs of our retail and workplace customers.

Retirement

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

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.

Insurance

We are the UK's number one individual life insurance provider and provide level term insurance in the US.

Inclusive capitalism in action

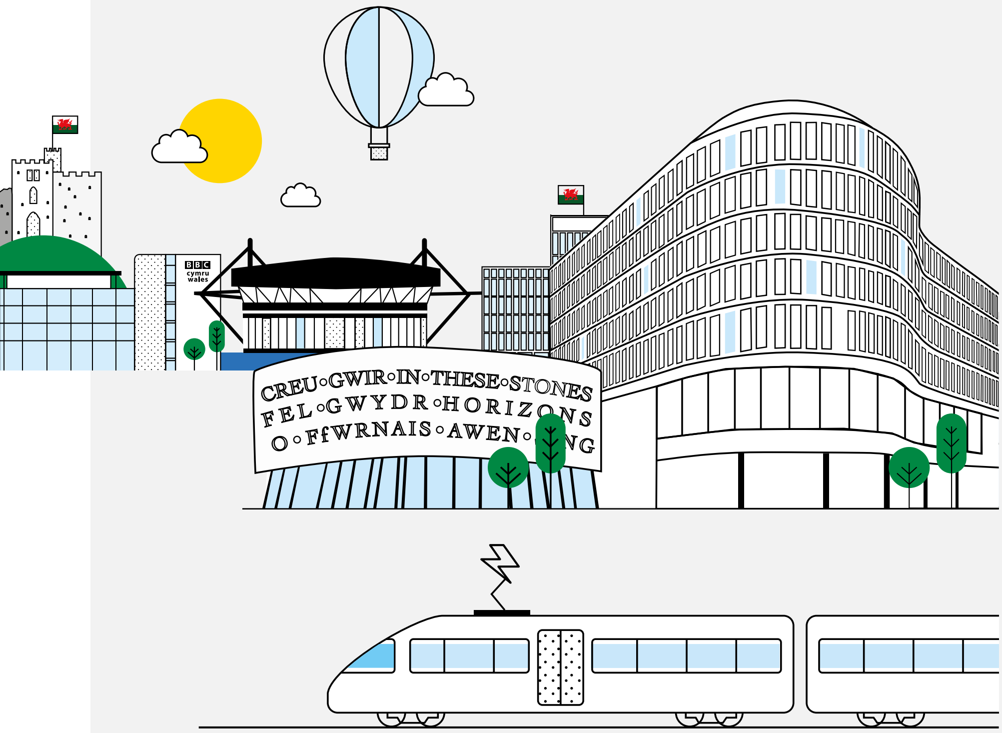
25 years ago, we opened our first office in Cardiff and 2,000 of our people now live and work there. We have invested nearly £1.1 billion in the city to date.

We have transformed Cardiff Central Square, which is now home to BBC Wales, the Government Hub and Cardiff University. Our institutional retirement business provided over £350 million in funding towards the Central Square project and the surrounding area. Development is now complete, and our investment management business will manage the assets on behalf of our retirement business.

13,000
jobs to be created for local people

318
homes created as part of our Build to Rent scheme

£1.1bn
of gross value added to the region



We are delivering at pace

By 2023, the next stage of the development, Cardiff Interchange, will have restaurants, Build to Rent homes and our own office. We are aiming for the fit out to be net zero carbon and we are reducing embodied carbon throughout the build. This has been developed with £200 million of funding from our capital investment business.

Actions, not words

We are able to make a difference to our employees and communities, whilst generating value for our shareholders. It is the combination of our strengths and the synergies we achieve from our businesses working together that sets us apart.

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 and performance and we generate value through increases in our share price 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 clean energy and affordable housing.

Our investment management business is continuing to expand into global markets, with international assets under management of £479 billion, up 23% on 2020.

We delivered earnings per share of 34.19 pence, up 27% on 2020.

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

We used our 'Voice of Customer' programme to engage with customers, requesting feedback at multiple points in the customer journey and using this to improve their experience.

We improved customer understanding of the products they hold with us, producing personalised videos which enable them to view their pension benefit statement.

We engaged with third parties and charities to help train our people to have the right skills to assist vulnerable customers.

Employees

Our employees are based in the UK, US, Bermuda, Hong Kong, Japan, Ireland and other European countries. We continually invest in employee development and wellbeing to create an inclusive culture, engaging our people and empowering them to meet their goals.

3 5

Following research and engagement with employees, we announced our plan for the 'Future of Work': a hybrid model blending home and office working, enabled by technology.

We launched our first menopause policy, which explains what the menopause is, symptoms to look out for and how our company will support employees before, during and after the menopause.

We celebrated our 25th year in Cardiff with progress on the Interchange building that will see 2,000 employees relocate from their existing Cardiff office to this modern space.

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 supervised by regulators across all the markets in which we operate. We recognise the value of strong regulation which ensures trust and confidence for customers and all stakeholders. We actively work with government and regulatory bodies to ensure regulation meets the needs of all stakeholders.

1 2 3 4 5 6

We engaged with the Prudential Regulation Authority (PRA) to ensure our regulatory approvals continue to keep pace with the expansion of our investment activities, ensuring we can continue to invest in the real economy.

As a result of our engagement with the Financial Conduct Authority (FCA) on climate-related financial disclosures and product labels, LGIM will be represented at the FCA's Disclosures and Labels Advisory Group and will help to develop the new policy.

We partnered with National Trading Standards as part of their 'Friends Against Scams' initiative which aims to protect people from being victims of this type of fraud.

Communities

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

1 3 4 6

We established a long-term partnership with University College London to create a multi-million pound charitable fund to address health inequalities.

We continued to balance the need to address the UK's housing shortage with the need to tackle climate change by developing energy efficient homes across our housebuilding businesses.

We worked with the Charities Aid Foundation's social enterprise arm, awarding £300,000 in blended funding to social enterprises throughout Wales.

Suppliers

We have a broad range of suppliers, from service and material providers to IT and software suppliers. We strive to work with like-minded businesses who comply with our Code of Conduct. This includes operating ethically, taking environmental responsibility and treating workers with respect and dignity.

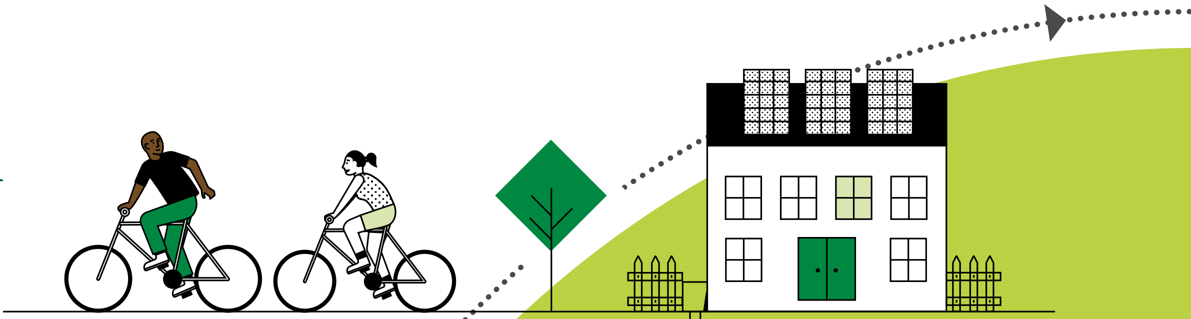
5 6

We refreshed our Sustainable Sourcing Principles to help our buyers navigate the ethical and environmental considerations that are important to us, with climate change as one of our core principles.

Following 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.

Climate:
Inaction is not an option

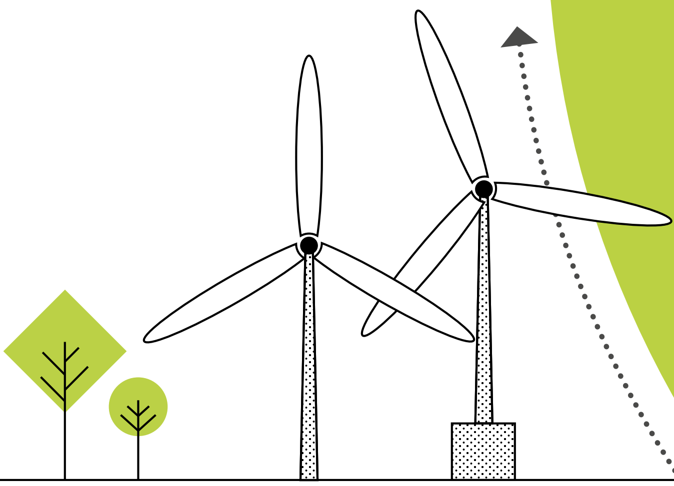


Invest

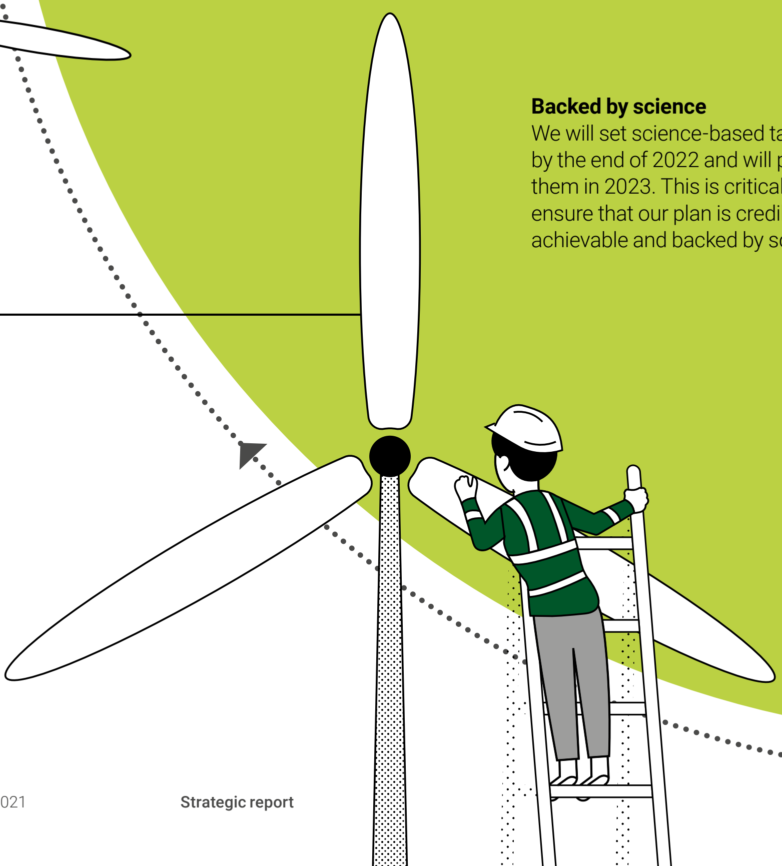
- We are making progress towards reducing our group's investment portfolio greenhouse gas emissions intensity by 50% by 2030 and are targeting a net zero asset portfolio by 2050.
- We supported Pod Point, an electric vehicle charging company, in scaling up at pace, having completed its initial public offering in November 2021.

Taking action

for a better world



Backed by science
We will set science-based targets by the end of 2022 and will publish them in 2023. This is critical to ensure that our plan is credible, achievable and backed by science.



Influence

- Our investment management business (LGIM)'s CEO, Michelle Scrimgeour, is the co-chair of the COP26 Business Leaders Group, an important forum focused on creating business and sector breakthroughs in how we deliver net zero.
- We use LGIM's Climate Impact Pledge to publicly celebrate companies' successes, but also take voting and investment actions against companies falling behind, ensuring our engagement has meaningful consequences.

The road from COP26

The Glasgow Climate Pact may narrow the gap between the current warming trajectory and limiting the rise in global temperatures to 1.5°C, so long as delivery matches commitments. We will remain at the forefront of greening finance and financing green.

See our climate report: group.legalandgeneral.com/reports for our full list of commitments and our journey to net zero

> "Addressing the climate crisis is embedded in our business operations and in how we invest our assets. We use our scale to influence and support the transition to a low-carbon economy."
>
> **Simon Gadd**
> Group Climate Change Director

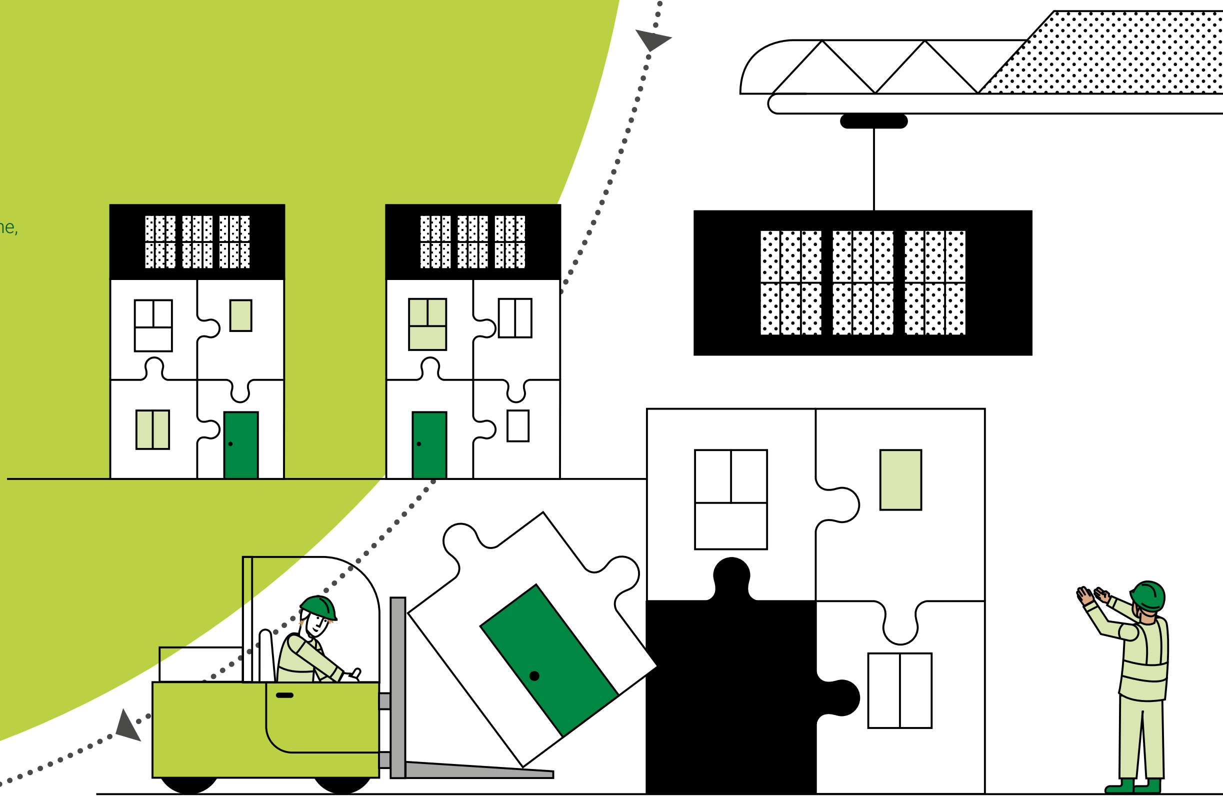
To avoid the most extreme impacts of a changing climate, we must collectively limit global temperature rises to 1.5°C. Addressing climate change is one of our strategic priorities.

Operate

- From 2030, our operational footprint (occupied offices and business travel) will operate with net zero carbon emissions.
- CALA, our largest housebuilding business, committed to achieve industry-recognised best-practice '2030' targets for embodied carbon in all new homes in the UK by 2025, having already met this target in Scotland.

>800

modular homes in the pipeline, which are built to achieve Energy Performance Certificate (EPC) 'A' rating



Doing things differently

Mike has worked with us for over 30 years and is home-based. He likes to do things differently and this year his team held a meeting from the top of Pen y Fan.

"Over three and a half hours, we got to know each other more than in the previous three years of working together."

Mike Pritchard
Commercial Manager
(Distribution Quality and Retention)

(Pictured: Mike Pritchard, Rhian Stacey, Lynne Cunningham and Hannah Bannister)

Every day the work we do is shaped by our people. Our business succeeds because of their diverse skills and experiences and is underpinned by our behaviours, which inspire us to act responsibly towards our customers and everyone whose lives we touch. We are straightforward, collaborative and purposeful.

We prioritise the welfare of our employees, who in turn support the millions of people who rely on us. Our success relies on us collaborating across the business, sharing ideas, and making things happen at pace. We have demonstrated that we can do this both remotely and when we are in the same building. We are designing a future of work that makes a balanced use of office and remote working, where space is used in purposeful and innovative ways and where hybrid working is the norm.

Our employees have shown resilience and determination in the face of changes to ways of working. They have continued to support our customers, the communities we serve, and each other. Here are some of our stories...

2,000 employees

Will benefit from our new office in Cardiff's Interchange. We are creating the workplace of the future.

> "How many chances do you get to save someone's life?"

Jenny Reeve
Corporate Reporting Lead

Jenny realised she could make a difference when she found out only 2% of the UK's population are on the stem cell register. It was a shock when she was identified as a match, but after two full days in hospital and six days of paid leave, Jenny has given a stranger a second chance at life.

> "I am unapologetically myself."

Simone Perkins
Data Protection Oversight Manager

Simone participated in our reverse mentoring programme, providing insight to one of our finance directors on her experience at work as someone from a minority ethnic background.

Diversity hero

Deon is Head of Marketing Operations at LGIM and also co-founder of InterInvest, a network of investment professionals driving LGBT+ inclusion in the asset management and savings industry. He is co-chair of our L&GBT+ allies employee network and co-chair of the Diversity Project's LGBT+ group workstream. Deon is a visible role model and has won a number of awards including "Diversity Hero" at the 2021 British LGBT Awards.

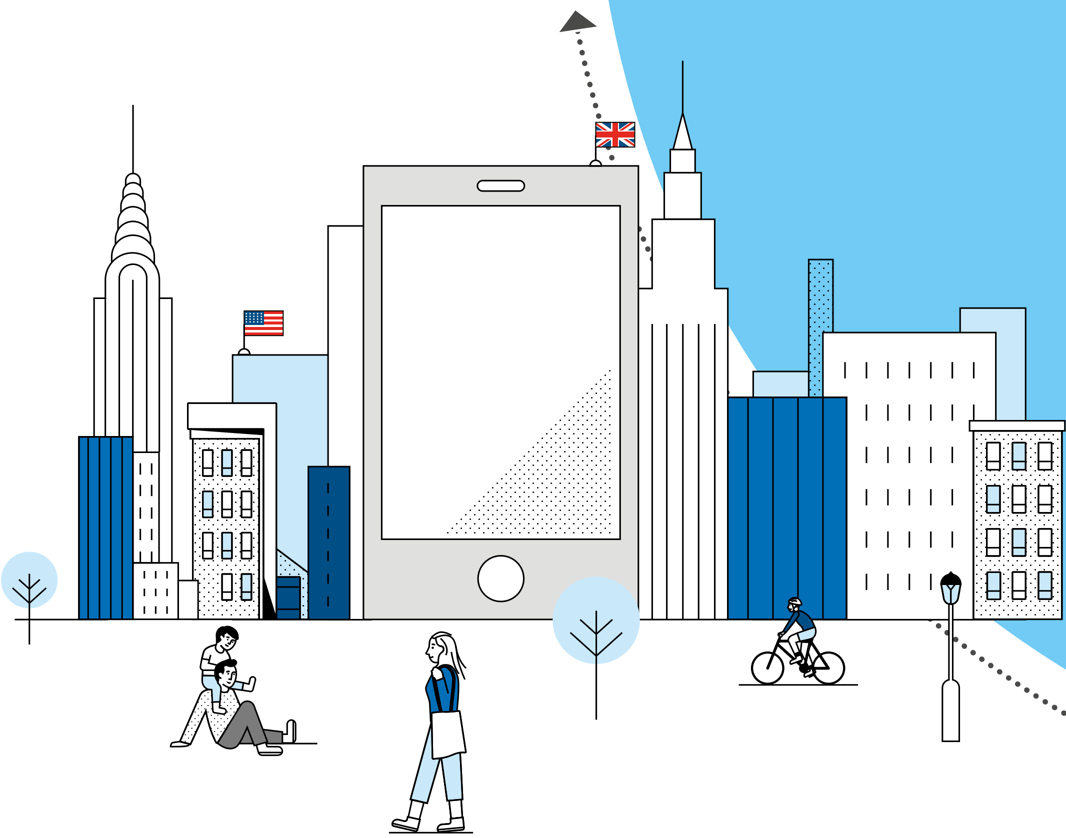
> "We all have a key role to play in driving change. Through fostering a culture of inclusion and diversity we can make a difference."

Deon Pillay
Head of Marketing Operations

Technological innovation

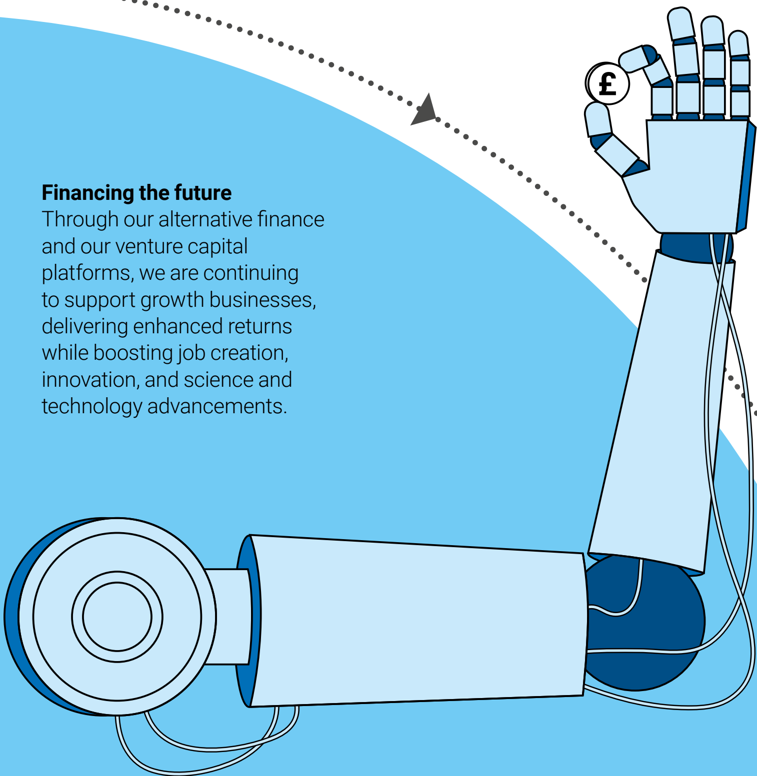
Cloud first
Our retirement business has brought our huge wealth of data together on one cloud-based platform. This helps us to optimise processes, provide better pricing and make better decisions.

Driving inclusivity through digital transformation



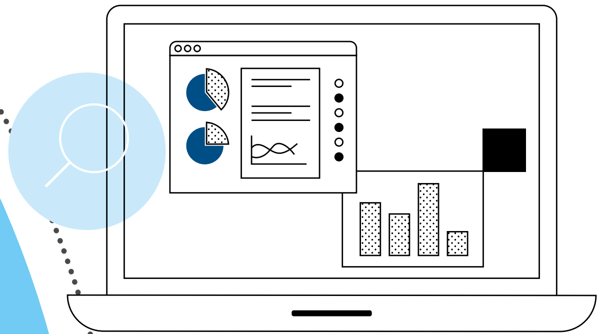
Disrupting underwriting
theidol.com is a fintech subsidiary of our insurance business. It has developed a 'no-code' platform, Asanto, to make it easier for non-developers to build apps without coding.

We have partnered with a US technology business to modernise the US protection market, which has a $12 trillion insurance coverage gap and we are automating underwriting to make it easier and quicker for people to purchase the life insurance cover they need.



Financing the future
Through our alternative finance and our venture capital platforms, we are continuing to support growth businesses, delivering enhanced returns while boosting job creation, innovation, and science and technology advancements.

Reframing real estate
Our Real Assets business launched a digital business-to-business platform, Vizta, to provide real-time property and portfolio management to property occupiers.



Technological innovation is one of our six growth drivers. From building the data centres that keep businesses connected to supporting our customers, we are investing in technology to build a *better future* for everyone.

“Vizta is a game changer that will transform the way we engage with our occupiers.”

Bill Hughes
Head of LGIM Real Assets

100%

Kao’s 15-acre campus will be powered by 100% renewable energy, once fully operational

Supercharging science
Data centres are essential IT infrastructure that support businesses and consumers. We have invested in Kao Data which hosts data for the London marketplace and research institutes in the innovation corridor between London and Cambridge.

Chief Financial Officer's Q&A

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

Jeff Davies
Chief Financial Officer

>£2bn

Profit for the year surpassed £2 billion for the first time

34.19p

Earnings per share

You have delivered an excellent set of results in 2021 – what were the highlights?
2021 was a strong year for us, despite Covid-19 continuing to adversely impact society. Excluding the one-off 2020 mortality reserve release of £177 million (pre tax), we grew adjusted operating profit by 11% to £2.3 billion[1]. Profit for the year surpassed £2 billion for the first time, resulting in earnings per share (EPS) of 34.19 pence, up 27% on 2020.

We again delivered a strong IFRS return on equity of 20.5% and £1.6 billion of Solvency II operational surplus generation from our growing back book.

Across our diversified business model, we benefited from the post pandemic economic recovery and easing of restrictions. Our institutional retirement division (LGRI) delivered over £1 billion of adjusted operating profit for the third year in a row, reflecting the scale of the business, in addition to robust new business volumes and margins.

Our capital investment division (LGC), which contributed c.20% of the group's earnings, delivered adjusted operating profit of £461 million, up 68% on 2020, benefiting from a rebound in the UK housing market and strong valuation growth of investments within the alternative asset portfolio.

How are you performing against your ambitions?
We are making good progress against our five-year (2020 – 2024) ambitions which we set out at our capital markets event in November 2020.

Against cumulative ambitions of £8 – £9 billion respectively, cash generation (net release from operations) stands at £3.2 billion and capital generation (Solvency II operational surplus generation) stands at £3.1 billion at the end of 2021. We have seen growth of 12% in both cash and capital generation over 2021 from continuing operations.

Against cumulative dividend ambitions of £5.6 – £5.9 billion over the period, cumulative dividends declared stand at £2.1 billion at the end of 2021, with the 2021 interim and final dividend growing by 5%.

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, with over £0.3 billion surplus accrued to the end of 2021.

We remain confident in achieving these ambitions, with our businesses closely aligned to long-term growth drivers, which will persist regardless of any short- or medium-term volatility.

1. One-off mortality reserve release for 2020 relates to an update in the longevity trend assumption from adjusted CMI 2017 to adjusted CMI 2018.

What is the role of capital investment?
Over 2021, our capital investment division, LGC, has continued to evolve and mature. Since inception, our alternative asset portfolio net asset value (NAV) has grown to £3.4 billion, with our total portfolio, including traded and treasury, at £8.6 billion at the end of 2021.

The capital investment division has three objectives: 1) to deliver shareholder returns; 2) to create assets for our annuity portfolio and third parties; and 3) to secure lasting value for society.

The division aims to deliver on these objectives through four specific asset classes: 1) specialist commercial real estate (including digital infrastructure); 2) multi-tenure housing; 3) clean energy; and 4) SME finance.

2021 has seen four notable proof-point transactions which demonstrate our ability to create and realise value for shareholders: the sale of MediaCity (with a continuing investment in Manchester via a £1.5 billion SciTech joint venture with the university); the formation of a £500 million later living joint venture with Natwest Group Pension Scheme; the initial public offering of Pod Point; and the sale of Current Health. Together, these investments generated returns of 1.6 times the initial investment.

At our capital markets event in October 2021, we restated our ambitions for LGC. By the end of 2025, we aim to grow our alternative assets to £5 billion, and to deliver a 10 – 12% return. In total, our ambition is for LGC to deliver £600 – £700 million of annual adjusted operating profit by 2025. Over the same period, we have also set an ambitious target to grow third-party capital to £25 – £30 billion. We see our capital investment division as a source of competitive advantage and a key driver of future growth for the group.

How are you preparing for IFRS 17?
IFRS 17 is a new accounting standard which will come into effect from 1 January 2023. The standard will impact insurance contracts, which in our case represents business written through our retirement and insurance divisions. Our investment management and capital investment divisions are unaffected. It is worth highlighting that the accounting standard only impacts the timing of profit recognition over the lifetime of the contract – the cash emergence and economics of the contract remain the same.

Our IFRS 17 project represents a significant investment for the business that will deliver new end-to-end finance processes, driving efficiencies as well as meeting the requirements of the new standard. We will continue to assess the quantitative impact of the regime over 2022, with the first comparative results expected in early 2023.

How does the business consider ESG investments in balancing shareholder returns and doing the right thing?
We consider ESG through three lenses: 1) how we invest our proprietary assets; 2) how we influence as one of the world's largest asset managers; and 3) how our businesses operate.

We are committed to decarbonising our balance sheet to align with the Paris Agreement's objective of limiting global warming to 1.5°C and have made steady progress by reducing the carbon intensity of the group balance sheet by 17.0% compared to 2020. We will validate our commitments through setting science-based targets. Our climate report, prepared in line with recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), provides more detail on our commitments.

In respect of how we invest our proprietary assets, ESG assessment forms an integral part of our investment process and, of course, has been central to our mission to deliver inclusive capitalism.

In terms of assets sourced for our £89.9 billion annuity portfolio, we have seen increased competition for ESG assets in the open market, especially in the clean energy sector. Despite this, we have deployed £1.4 billion in a range of clean energy investments, including solar and offshore wind, and a further £8.1 billion in social infrastructure such as affordable housing, student accommodation and healthcare, whilst delivering above our investment return hurdles.

We are also able to utilise LGC's strong asset origination capabilities. LGC provides us with ample opportunities to originate ESG-friendly assets that also deliver attractive returns. For example, we have deployed growth equity into new innovative clean technology such as Pod Point and Kensa Group, enabling these businesses to scale up at pace. Our investments in urban regeneration, affordable homes and build to rent accommodation provide significant societal benefit, whilst also benefiting our retirement division and our policyholders. ESG remains a key underpin in our investment process.

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

cash generation
(progress to date: £3.2 billion)

£8 – £9bn

capital generation
(progress to date: £3.1 billion)

£5.6 – £5.9bn

dividends
(progress to date: £2.1 billion)

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

Climate report
Our 2021 climate report is available on our group website. See: group.legalandgeneral.com/reports

Key performance indicators (KPIs)

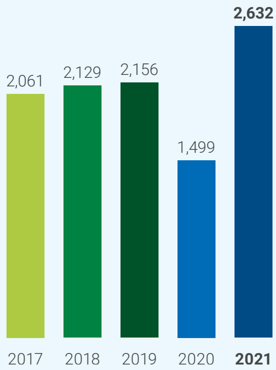
We consider that the measures presented on these pages are KPIs, some of which are also used for executive remuneration as explained below.

"We again delivered a strong IFRS return on equity of 20.5%, and £1.6 billion of Solvency II operational surplus generation from our growing back book."

Jeff Davies
Chief Financial Officer

In previous years, the Solvency II capital position was shown on a 'shareholder view', where the contribution from the final salary pension schemes was excluded from the group position. The impact of excluding the contribution has become smaller and so the results below include the impact of the final salary pension schemes.

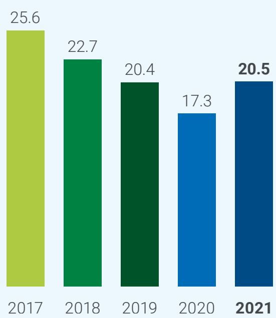
Profit before tax £m



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

Profit before tax has increased by 76% to £2,632 million largely as a result of a positive investment variance of £341 million (2020: £(691) million).

Return on equity (ROE) %



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

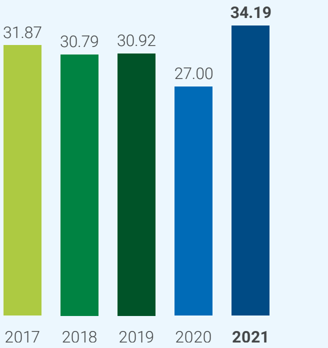
The return on equity of 20.5% reflects a strong performance on operational earnings and a positive investment variance.

Guide to symbols used in these financial results

Alternative performance measure (APM), see page 240 for definitions

Key measure in the remuneration of executives, see pages 100 and 101 for definitions

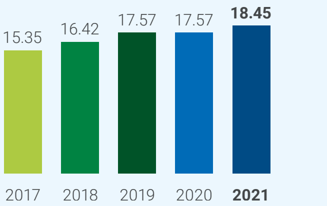
Earnings per share p



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

EPS increased by 7.19 pence to 34.19 pence. Excluding the one-off 2020 mortality reserve release of £153 million and the £271 million gain on the Mature Savings disposal in 2020, EPS increased by 72% on 2020 (19.84 pence).

Full year dividend p

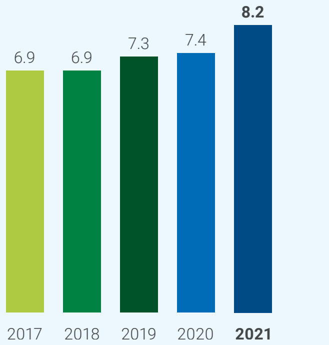


Purpose: To show the level of distribution to shareholders.

The Board has recommended to grow our final dividend by 5% to 13.27 pence. The cost of the full year dividend is £1,099 million (2020: £1,048 million) and is covered by net release from operations 1.5 times. Our stated ambition is for low to mid single digit growth in dividends.

Solvency II surplus £bn

(proforma basis, unaudited)

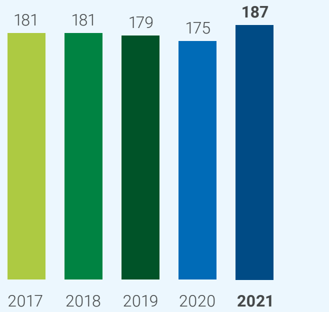


Purpose: To demonstrate the surplus capital position over the Solvency Capital Requirement.

The group's capital position is strong, with a Solvency II surplus of £8.2 billion (2020: £7.4 billion) over its Solvency Capital Requirement.

Solvency II coverage %

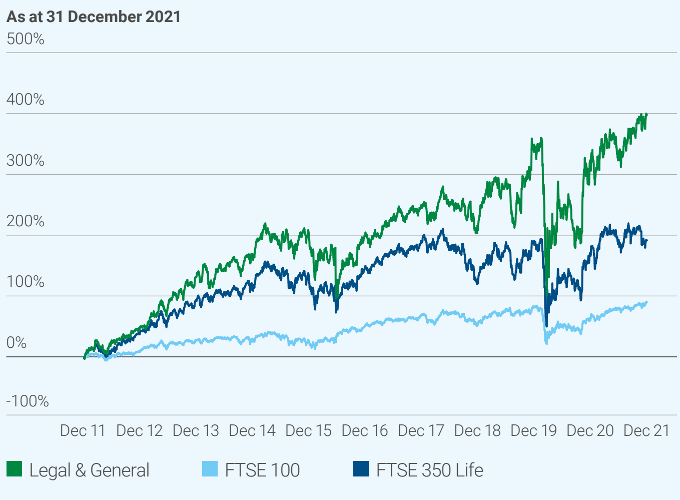
(proforma basis, unaudited)



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

The Solvency II coverage ratio increased to 187% in 2021 (2020: 175%) on a 'proforma' basis. The coverage ratio has increased over the year primarily due to rising interest rates and equity returns.

Total shareholder return %



22%

(2020: -7%)

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

Our one year total shareholder return (TSR) of 22% outperformed both the FTSE 100 index (16%) and FTSE 350 Life index (9%). Our performance over a three year period of 60% also compares favourably against both indices (FTSE 100: 23%, FTSE 350 Life: 30%). The chart indicates the TSR over the last 10 years.

Tax review

"Our approach to tax supports our purpose of improving lives through inclusive capitalism."

Our approach to tax supports our purpose of improving lives through inclusive capitalism. We aim for our tax affairs to be sustainable in the long term. This relies on an approach that is 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 2021 tax position

The effective tax rate for the year of 17.9% is higher than in 2020 (12.1%). The increase in rate is mainly due to the increase in the UK rate to 25% from 1 April 2023, which has resulted in a revaluation of our UK deferred tax balances from 19% to 25%. Our tax rate is also influenced by the different tax rates that apply to profits earned outside of the UK.

The tax environment

The tax environment is always dynamic, more than ever in the wake of recent events. Governments around the world will be looking for ways to pay for the exceptional measures brought in because of Covid-19. The additional layers of taxes and legislation which are implemented make managing the tax affairs of large corporates ever more complex, while governments, investors and other stakeholders rightly continue to have high expectations of compliance, risk management and transparency. We will continue to engage with all our stakeholders and supplement our disclosures on tax where we believe these will add value.

In 2021, we have seen new UK tax-raising measures, such as the corporate tax rate increase to 25%, the 1.25% social care levy, and a new 4% residential property developers tax which will impact our house building businesses.

Looking ahead, it seems likely that the global focus on climate change will result in changes to how businesses pay tax. While 'green' taxes make up a modest proportion of tax revenue at present, such taxes may well become evermore prevalent as the world aims to limit the extent and impact of climate change.

It is vital that new tax measures are properly considered in the context of their aims, simplicity, existing tax measures and compliance burden to manage the cumulative impact effectively and efficiently for taxpayers, tax authorities and wider society.

Also in 2021, the Organisation for Economic Co-operation and Development (OECD) agreed a landmark deal to implement a global minimum tax rate, alongside a tax on digital services based on the end user location. Model rules for the global minimum tax rate were published in December 2021, with the intention that these should be effective from 2023. This is an ambitious target for introducing a new global tax regime and significant effort is required for multi-national groups to achieve compliance with the new rules.

As our businesses expand internationally, the group will continue to pay more tax overseas and our compliance obligations will increase. This creates new tax risks and complexity for each new territory we enter. We continue to manage these 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.

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

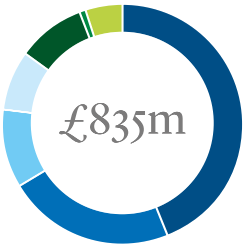
£1,655m

In 2021, our total tax contribution was £1,655 million (2020: £1,629 million) of which 94% (2020: 96%) arose in our UK businesses and 6% (2020: 4%) in our overseas businesses.

Total tax contribution
Our total tax contribution is the amount of tax that Legal & General pays together with the amount of tax that we collect on behalf of our employees, suppliers, customers and policyholders. We paid £835 million (2020: £818 million) of tax and collected £820 million (2020: £811 million).

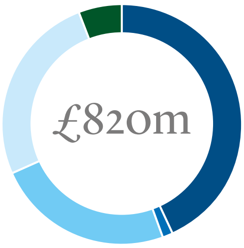
Total tax contribution in 2021

Total taxes paid



- **£368m** Profit taxes
- **£188m** Withholding taxes suffered in the UK
- **£88m** UK property and other taxes
- **£66m** UK irrecoverable VAT and premium taxes
- **£77m** UK payroll taxes
- **£8m** Overseas profit taxes
- **£40m** Other overseas taxes

Total taxes collected

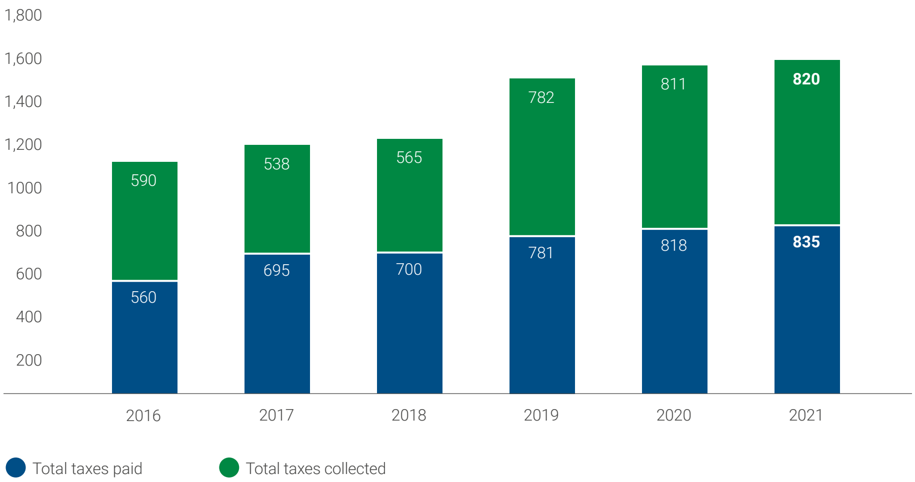


- **£355m** UK PAYE deducted from policyholders
- **£11m** UK property and other taxes
- **£196m** UK VAT and premium tax
- **£212m** UK payroll taxes
- **£46m** Overseas taxes

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



In line with our purpose of inclusive capitalism, we are innovating and investing to make a difference.

57
pension risk transfer transactions globally

£957m
individual annuity sales

£290bn
assets managed for our clients are linked to ESG

4,364
new homes completed

£279m
paid out in Covid-19-related claims

2021 in review
In 2021 our businesses delivered long-term, diversified growth across the group.

Our retirement businesses continued to apply disciplined pricing to source stable cash flows. Our investment management business demonstrated stable growth and our capital investment business grew at pace as the economy recovered from Covid-19, and as underlying investments matured. Our insurance business continued to apply a data-driven approach to optimise the value add of new business in the context of continued high claims experience, especially in the US.

As of 1 January 2022, our two retail businesses (retail retirement and insurance) have come together to form Legal & General Retail. Under the leadership of Bernie Hickman, this division will focus on serving the savings, protection and retirement needs of our retail and workplace customers allowing us to take a joined-up approach to our customers, data and technology.

Outlook
Our institutional retirement business is the only player in the direct pension risk transfer (PRT) market writing business in the UK and US, while also innovating our product offering with Assured Payment Policies (APPs). APPs allow companies to begin their de-risking journey with a pathway to buy-in or buy-out at a future date. Our ambition is to write £40 to £50 billion of new UK PRT and $10 billion of international PRT between 2020 and 2025. By the end of 2021, we had already written £14 billion and approaching $3 billion respectively.

The new retail division's ambition is to be the UK's leading insurance, savings and retirement brand, enabling all our customers to have a secure retirement whilst generating long duration assets and profits for the group and, over time, to expand internationally. Together, we can protect people from financial uncertainty throughout their lives and help to secure the retirement they deserve.

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

The success of our capital investment business in creating and scaling alternative asset capabilities has resulted in a number of realisations generating high returns on our initial investments. As communicated at the capital markets event in October 2021, our ambition is to build our diversified alternative assets under management to c.£5 billion by 2025, with a blended portfolio return target of 10% – 12%. We plan to increase our third-party capital to £25 – £30 billion (2021: £12.3 billion) to generate additional fees for the business.

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

Institutional retirement

CEO introduction

2021 has been another prosperous year and has built upon the successes of 2020 with 45 transactions in the UK worth £6.2 billion and 11 transactions in the US for $1.1 billion (£789 million).

As the global economy continues its recovery, we are in a strong position as a leading global business that helps defined benefit (DB) pension schemes and their sponsors to secure their members' retirement income. We are the UK's longest serving and largest pension risk transfer (PRT) provider with successful positions in the US and internationally.

Our internal asset sourcing capabilities, as well as our relationships with our investment management and capital investment businesses, mean that we are well positioned to meet increasing levels of demand for de-risking solutions.

As of 1 January 2022, Andrew Kail has taken over from Laura Mason as CEO.

Growth drivers

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

Laura Mason
Chief Executive Officer,
Legal & General Retirement Institutional

Response to Covid-19

Covid-19 has highlighted the need for scheme administrators to be able to react and adapt to change quickly. Our customer service is provided in-house in the UK, which means that we can make decisions and implement them rapidly. This is evidenced by the fact that we complete 97% of member enquiries within five working days.

The development of digital solutions including over the phone settlements and the option to sign documentation electronically allows us to continue to offer our services despite the challenges presented by the working from home environment.

2021 key activities

In 2021 we have brought together our expertise in investment management, asset sourcing, mortality trends and longevity risk. We have remained disciplined in the deployment of our capital, selecting opportunities that allow us to invest in high credit quality assets, matching our long-term liabilities and meeting our target returns.

CCA Global Standard Accreditation

Our retirement business provides income and security in retirement to more than half a million customers and has had a Net Promoter Score (NPS) of over 70 for four years, which is widely regarded as being at a 'world class' level.

Our efforts have been recognised after we successfully attained the Customer Contact Association (CCA) Global Standard Accreditation for 2022, marking the third consecutive year that we have received this accreditation.

New business

In 2021 we secured premiums of £7.2 billion across the UK, US and internationally compared to £8.8 billion in 2020. In a challenging economic environment we focused on commercially attractive opportunities and maintaining pricing discipline, whilst sustaining our historic market share of 20% – 25% in the UK.

Opportunities for small- and mid-sized pension schemes

72% of UK pension schemes have assets of less than £100 million. Within such a vast market it is important that we provide opportunities for small- and medium-sized pension schemes. Last year we completed 31 transactions which were below £100 million each, totalling £900 million in premiums. This is a significant increase of transaction volume from 2019, when we launched our streamlined small scheme proposition.

Two buy-ins worth c.£800 million with TUI

We agreed two PRT transactions with the TUI Group UK Pension Trust. The two transactions include a £610 million partial buy-in and a £184 million full buy-in for the scheme. These transactions mark the scheme's first PRT transactions with us and cover two of the three pension sections within the scheme.

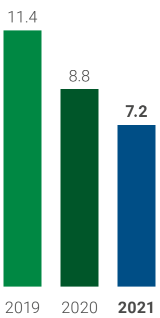
£310 million buy-in with Reuters Supplementary Pension Scheme

Driving innovation, we agreed a £310 million full-scheme buy-in transaction with the Reuters Supplementary Pension Scheme. The transaction involved the assessment and insurance of a complex multi-currency benefit structure and is the scheme's first transaction with us. This demonstrates how innovation in the market can cater to each pension scheme's specific needs.

£650 million buy-in with Mitchells & Butlers Executive Pension Plan

In December 2021 we agreed a £650 million buy-in with Mitchells & Butlers Executive Pension Plan. The plan is an existing client, with our investment management business providing management of the Plan's Defined Contribution (DC) pension scheme assets.

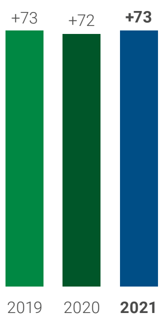
Institutional retirement sales £bn



£7.2bn

Institutional retirement achieved strong sales of £7.2 billion. We transacted on 57 deals globally, achieving £6.2 billion in premiums in the UK, whilst growing our presence in the US market, writing premiums of £789 million. Our reinsurance hub also wrote £147 million of premiums. Premiums shown exclude longevity insurance.

Net promoter score



+73

Net Promoter Score (NPS) measures customer experience and the average NPS in the financial services industry is around +35. Over the past three years our NPS has consistently remained above +70 which is widely regarded as a world-class level of service. We have maintained this while shifting to hybrid working, demonstrating how we have continued to support our customers.

APP conversion

In 2021 we announced the market's first conversion of an APP to a buy-in; a £63 million transaction agreed with AIB Group UK Pension Scheme, converting c.20% of the original APP transaction completed in 2019. As the pension scheme's market risk is covered by the APP, volatility between the assets and buy-in pricing is significantly reduced. This gives the pension scheme far more certainty on the timing and cost of reaching their goal of full risk removal.

This approach demonstrates the value that can be realised by engaging with insurers at an early stage and working with them to achieve a clearly defined pricing target.

Assured Payment Policies (APP)

We have continued to drive innovation in the PRT market with APPs which allow companies to begin their de-risking journey with a pathway to buy-in or buy-out at a future date.

In 2021 we completed our largest ever APP, a £925 million transaction for Legal & General's Group UK Pension and Assurance Fund. In addition, we partially converted two APPs into buy-ins.

International pension de-risking

Despite a more competitive market in the US, we delivered US new business volumes of $1,095 million (£789 million). Our global reinsurance hub in Bermuda provides our business with regulatory capital flexibility. This enables us to write more PRT business in a capital-efficient way.

US PRT deals

We wrote a $355 million (£262 million) PRT transaction with Trinity Industries, Inc. The deal secures the benefits of more than 7,500 participants. Our financial strength, combined with a steadfast commitment to delivering outstanding service, are intended to provide peace of mind to the participants of Trinity's pension plan.

Other international PRT deals

Through Legal & General Reinsurance we wrote a new CAD$250 million Canadian PRT transaction. The deal was written on a quota share basis with a new partner, an established Canadian PRT insurer. This marks our second external PRT transaction in Canada and is a strong indication that our strategy of providing reinsurance through a competitive proposition has positioned us well for success in the Canadian PRT market.

We anticipate further global deals as international markets continue to grow.

Relationships

We want to build long-lasting and strong relationships with our clients. We facilitate this through umbrella contracts which set out key transactional terms in a master framework agreement. We then tailor each transaction to our clients' needs. This process enables smoother transactions for additional tranches with the same client.

Our close relationship with our investment management business puts us in a strong position to support pension schemes at any stage of their lifecycle. We secured more than £1.5 billion of retirement income through umbrella contracts in 2021, including the transactions below.

£760 million buy-in with Sanofi Pensions

We signed a £760 million buy-in with Sanofi Pension Scheme securing the benefits of c.2,900 retirees. This marked the scheme's first PRT transaction with us after being a long-term asset management client. This agreement is another great example of our ability to support schemes at all stages of their journey.

£130 million buy-in with QinetiQ Pension Scheme

We signed a £130 million buy-in with QinetiQ Pension Scheme covering the pension benefits for over 390 new retirees following a previous pensioner buy-in in April 2019. This agreement's umbrella contract will enable future transactions with us to be completed quickly and easily on the same pre-agreed terms.

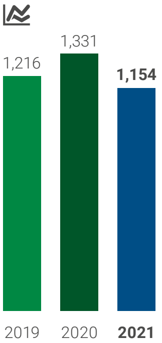
The power of pensions

Our retirement businesses generate stable cash flows from pensioners that we can invest to benefit wider society and younger generations. We seek out opportunities to invest capital in an environmentally friendly and socially useful way. We are passionate about the projects we undertake, believing in their transformative power to stimulate positive change in the world.

Protecting people's pensions

We announced a £150 million Pension Protection Fund (PPF) transaction with the Mowlem (1993) Pension Scheme, following the liquidation of its sponsor. This transaction will enable the Trustee to secure benefits with us that are greater than those which would have been provided by the Pension Protection Fund.

Adjusted operating profit £m



£1,154m

Institutional retirement achieved a strong adjusted operating profit of £1,154 million driven by the performance of our annuity portfolio and by routine assumption updates. The figures shown include releases associated with changes to future mortality improvements (2021 release: £nil, 2020 release: £102 million).

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 we have 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 seek to 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.

> "We are well-positioned to meet increasing levels of demand for de-risking solutions."

Laura Mason
Chief Executive Officer,
Legal & General Retirement Institutional

This transaction builds on our track record of working with schemes in PPF to bring peace of mind to the members through having their benefits secured. We used additional recoveries received through the sponsor's insolvency proceedings, along with the innovative transaction structure that we agreed as part of the original transaction, to provide additional benefits to plan members.

Contribution to society
Building on the efforts we made in 2020, we have continued to be socially mindful. Lighthouse Connect, an education-focused fund launched by us, is on track to deliver more than 230 laptops to Bermuda's students this academic year. Lighthouse Connect addresses the increased need for digital learning tools during Covid-19, while also contributing to the long-term learning of Bermuda's students.

Build to Rent
We believe it is more important than ever that we deliver the houses that our society needs to address structural shortages across every dimension of the market.

Legal & General's Build to Rent (BTR) urban platform launched in 2015 and now has 20 schemes in operation or development across the UK and has delivered 7,000 homes.

We partner with our capital investment business to invest in housing developments. Our BTR and Suburban Build to Rent (SBTR) businesses are a great example of how we invest pension scheme assets to solve our society's needs.

The SBTR business develops large-scale 'single family' rental communities in suburban locations across the UK. SBTR will partner with housebuilders to bring forward large-scale sites, as well as undertake a direct delivery programme to deliver 1,000 homes each year by 2024. The SBTR housing schemes will be community focused and service-led, offering residents choice, security of tenure and flexibility.

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 'Paris' Agreement's aim of limiting global warming to 1.5°C and have made the following commitments starting from a 2019 baseline:

- by 2025, reduce portfolio greenhouse gases (GHG) emission intensity by 18.5%.
- by 2030, reduce portfolio GHG emission intensity by 50%.
- by 2050, we are targeting a net zero asset portfolio, in line with a 1.5°C 'Paris' objective.

Refer to our climate report for full details.

60% of LGRI's renewable investments, by market value, are in the UK offshore wind sector and we continue to increase our investment in renewable energy. We have invested in three offshore wind farms with the capacity to provide power for millions of homes.

This includes £370 million invested in Hornsea Project One located in the North Sea. Once completed, it will be the world's largest offshore wind farm with 174 turbines. We have also invested in the Walney Extension, off the coast of Cumbria, and the Dudgeon Offshore Wind Farm off the east coast of England.

Outlook
Effective from 1 January 2022, Andrew Kail has taken over from Laura Mason as CEO of our institutional retirement business. Andrew brings with him a wealth of industry knowledge and experience, having joined our retail retirement business in 2021.

The UK PRT market has experienced rapid growth over the past decade. A baseline of over £25 billion per annum of PRT volume is now well established. We expect to see significant growth in both the UK and US PRT markets over the next decade and beyond as more DB pension schemes move closer to full buy-out funding.

Climate report
Our 2021 climate report is available on our group website. See: group.legalandgeneral.com/reports

Build to Rent

We have invested over £500 million in 2021 on the development of four Build to Rent (BTR) schemes in Stratford (pictured), Hove, Southampton and Lewisham, which will create over 1,300 new homes for the local communities. Our well established BTR platform works alongside third parties to develop best-in-class BTR schemes, which help to tackle the UK's housing crisis by using pension funds to deliver thousands of new homes. From 2030, all of our BTR homes built will be enabled to operate at net zero carbon. We are using pensions funds to regenerate cities around the country and supporting the UK economy.

Retail retirement

CEO introduction

Our mission is to be the financial home for customers' savings and retirement needs supporting more colourful futures. The business currently comprises the group's retirement savings and income, later life lending and care solutions businesses.

As of 1 January 2022, our two retail businesses (retirement and insurance) have come together to form Legal & General Retail. Under the leadership of Bernie Hickman, this division will focus on serving the savings, protection and retirement needs of our retail and workplace customers allowing us to take a joined-up approach to our customers, data and technology. Andrew Kail is taking over from Laura Mason as CEO of our institutional retirement business.

Growth drivers

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

Andrew Kail
Chief Executive Officer,
Legal & General Retirement Retail

Response to Covid-19

Our sales performance has responded resiliently in 2021 despite the challenges that the UK continues to face, with annuity sales up 5%, lifetime mortgage (LTM) and retirement interest only (RIO) mortgage advances up 7% and Workplace Savings net flows up 9%. Many of our colleagues have continued to work from home, but we continued to deliver excellent customer service and ensured that all our annuitants continued to be paid.

2021 key activities

Workplace pensions

Our Workplace Savings business was transferred from our investment management business to our retail retirement business at the start of 2021, and now serves 4.4 million people saving for retirement. This allows us to better serve these customers as we are able to provide savings and retirement advice and products to members before and after retirement as their needs change.

As well as being beneficial for our customers, it allows us to retain their custom for longer and bring greater value to the group. One of our key Workplace offerings is the L&G Mastertrust. In line with the Department for Work and Pensions guidance on providing value for pension scheme members, the L&G Mastertrust, as the largest commercial master trust on the market, provides schemes with value for money alongside best-in-class governance.

Supporting the group's commitment to climate change, the L&G Mastertrust unveiled a proposed roadmap to achieve net zero by 2050 across all of our auto-enrolment default investment options (this applies to the standard Mastertrust default options: L&G Multi-Asset Fund, L&G Future World Multi-Asset Fund and L&G Target Date Funds).

Retirement income

Although we have seen some recovery in the annuity market during the year, we expect it to grow further in the future as the defined contribution (DC) pension market continues to increase and fewer people reach retirement with defined benefit pensions and so seek the longevity protection that an annuity provides.

We continue to invest in our underwriting and pricing capability in order to ensure that we offer our customers the best possible rates as well as in our operational areas so that we can continue to provide excellent customer service.
We were recognised as winners of the Best Annuity Provider for the second year running and were commended for Best Annuity Service at the Investment Life & Pensions Moneyfacts Awards 2021.

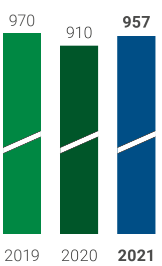
Recognising that some people will benefit from greater flexibility in their retirement, we have continued to enhance our drawdown proposition that we launched in the second half of 2020. We understand that everyone's retirement plans will be different and that we need to provide the products and guidance to support this.

Retirement lending

In July 2021 we launched our new later life mortgages portal, with greater automation and improved product functionality, to cater for adviser needs and customer choice.

Our recent research shows that a third of all non-retirees (35%) have less than £10,000 in their pension pot, but own a property, and that 22% of current workers plan on using the value of their home to fund their retirement, following record house price increases. We anticipate that using your home to fund your retirement will become more commonplace in the future, whether by downsizing to free up funds or releasing money tied up in your home through products such as lifetime mortgages. To help support this change in need, we continue to add new features to our products.

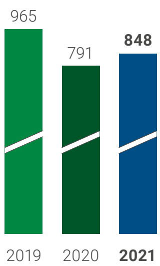
Individual annuity sales £m



£957m

We have had a strong 2021 with new business volumes of £957 million, 5% higher than 2020 as the annuities market started to recover from the impact of Covid-19.

Lifetime and retirement interest only mortgages £m



£848m

Lifetime and retirement interest only mortgage lending advances of £848 million were 7% higher than the prior year, whilst still maintaining pricing and underwriting discipline.

Rewirement

In May, we launched Rewirement, a podcast series hosted by Angellica Bell opening up the conversation on retirement across an eight-part series. Each episode looks at a different area of retirement, such as how to keep mentally and physically fit, relocating later in life and retirement in the LGBTQ+ community.

As the number of 'property millionaire areas' in England and Wales has increased by 95% in five years, we continue to see more people using lifetime mortgages to pass wealth to future generations. We expect this trend to grow the market in the coming years. In order to support this, we have designed a new premier lifetime mortgage offering for clients with properties worth over £1 million to cater for the growing interest in this area. The new offering will provide a specially designed product and additional support to advisers when dealing with larger loans.

Health and care

Launched in January 2021, our Care Concierge service is designed to offer practical and emotional support through a dedicated online hub and a confidential telephone advisory service. It offers comprehensive and confidential advice and guidance, to help people to effectively plan for the cost of long-term care, understand their options and find the right care as quickly as possible. We recently announced an industry-leading partnership with professional services consultancy Barnett Waddingham, integrating our Care Concierge service into their digital platform, which offers clients 'cradle-to-grave' benefits to their workforce.

Outlook

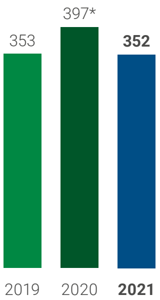
Effective 1 January 2022, our retail retirement business will come together with our insurance business to form Legal & General Retail – bringing together our people, ideas and technology so we can be there when it matters most to our customers.

Our ambition is to be the UK's leading insurance, savings and retirement brand, enabling all our customers to have a secure retirement whilst generating profits for the group and, over time, to expand internationally. Together, we can protect people from financial uncertainty throughout their lives and help to secure the retirement they deserve.

> "Our mission is to be the financial home for customers' savings and retirement needs, supporting more colourful futures."
>
> **Andrew Kail**
> Chief Executive Officer,
> Legal & General Retirement Retail

* 2020 has been restated to reflect the change in segmentation of the Workplace Savings business, which moved from LGIM to LGRR. 2019 has not been restated.
** In 2020 we adopted an adjusted version of the CMI 2018 mortality tables.

Adjusted operating profit £m



£352m

Adjusted operating profit decreased by 11% as the prior year included a £75 million reserve release**. Excluding this release, adjusted operating profit grew by 9% driven by the ongoing release from operations, positive mortality experience due to the tragic impact of Covid-19, and routine updates to our valuation assumptions.

Understanding the risks

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

Investment management

CEO introduction

Our purpose is to create a better future through responsible investing. Our growth ambition is driven by our three-pillar strategy, to modernise, diversify and internationalise the business. Over the past year, we increased revenue to over £1 billion for the first time, grew assets under management to £1.4 trillion ($1.9 trillion) and reinforced our position as a global leader in environment, social and governance (ESG), demonstrated by our leading role at COP26.

Growth drivers

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

Michelle Scrimgeour
Chief Executive Officer,
Legal & General Investment Management

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

Michelle Scrimgeour
Chief Executive Officer,
Legal & General Investment Management

Response to Covid-19

The plans we put in place at the start of the pandemic to limit the effects of Covid-19 on our business remained effective throughout 2021. We continue to follow these plans and have sufficient resources to withstand the effects of the pandemic and any further lockdowns.

2021 key activities

Our investment performance was strong in 2021. Of our mainstream actively managed funds which includes active bond, active equity and multi-asset strategies, 61% outperformed their benchmark over one year, 81% over three years and 76% over five years (using our regulated Undertakings for Collective Investments for Transferable Securities 'UCITS' as a proxy for the performance returns).

Stewardship

We use our influence to raise market standards and best practice, committing to engagement with consequences. During the 2021 proxy season, we subjected 130 companies to voting sanctions, with banking, insurance, real estate, technology and telecoms sectors the most highly sanctioned through a vote. We divested from four companies due to insufficient action to address the risks posed by climate change.

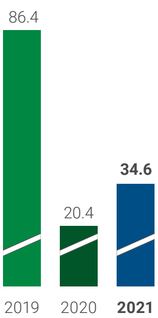
We announced a partnership with NTR, a leading renewable energy specialist, to address climate change by providing institutional investors in the UK, Europe and Asia access to the €1 trillion European energy transition in 2022.

We have consistently received A+ rankings for our responsible investment strategy and active ownership by the UN Principles for Responsible Investment (UN PRI), and in 2021 the FRC listed LGIM as a signatory to the UK Stewardship Code.

Modernise

We continue to invest in the business to achieve the resilience and agility critical to future success. In July 2021 we extended our existing partnership with State Street by expanding the usage of Charles River technology to deliver middle office servicing. The use of this technology across a number of 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.

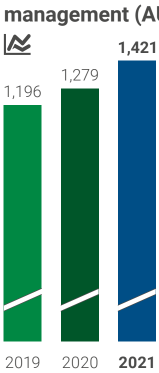
External net flows £bn



£34.6bn

External net flows of £34.6 billion are 70% higher than 2020, driven by strong performance internationally, especially in Europe and Japan.

Assets under management (AUM) £bn



£1.4tn

AUM grew by 11% to £1.4 trillion in 2021. £290 billion of the AUM we manage for our clients is in responsible investment strategies explicitly linked to ESG criteria.

Real Assets
LGIM Real Assets is well positioned and enjoyed notable successes in 2021, including raising £362 million for the Secure Income Assets Fund while initiatives such as an innovative digital occupier engagement platform help future-proof the portfolio and ensure we become an owner of choice for occupiers. We expect future growth in flows to be supported by our Build to Rent strategy, which now has a pipeline of c.9,000 homes across the country, infrastructure equity and by private credit, which offers clients diversification of secure income and value protection solutions.

Diversify
We are continuing to expand our investment offering, with a focus on higher-margin product areas such as Real Assets, Exchange-traded Funds (ETFs), Multi Asset and Solutions. Around 80% of our recent product launches have been in ESG-specific areas. During 2021, we launched innovative new products including the ESG Paris Aligned World Equity Index Fund, a low carbon transition index equity fund suite for UK pension clients, and a number of ESG thematic ETFs.

UK Defined Contribution (DC) and retail
We continue to innovate in this market, as shown by the launch of the Sustainable DC Property Fund which enables investors to access real assets and to incorporate more ambitious ESG targets. Our Mastertrust recently surpassed £17 billion in assets under management (AUM). It now spans 230 employers and c.1.4 million members, making it the largest commercial mastertrust on the market.

In June 2021, we announced the launch of our Model Portfolio Service (MPS), a range of growth and income model portfolios with varying risk profiles. The MPS range, which is available to investors via their financial adviser, includes 21 growth-focused model portfolios designed to cater to investors looking to grow their capital over time, and four income-focused model portfolios, which will hold a balance of underlying funds to deliver income, while also maintaining the potential for capital growth.

Internationalise
Over the last five years, our international AUM has more than doubled to reach £479 billion, 34% of our total AUM. Our ambition is to continue growing international AUM profitably and at pace in the US, Europe and Asia.

US
In the US, we are deepening our strong client relationships through innovation in DC and leadership in ESG. We remain a leading provider in the US Defined Benefit market.

Europe
We are building on our success in Germany and Italy to expand further into European markets and channels through higher-margin thematic ETFs and active fixed income strategies. We partnered with Universal Investment to launch an Absolute Return Emerging Market Debt fund for German investors. Europe saw positive flows of £13.6 billion from multiple clients across the region, with European institutional AUM reaching €100 billion.

Asia Pacific
Our strategy is to retain and increase the proportion of funds invested with us with existing clients and deepen our footprint in existing markets – Japan, mainland China, Hong Kong, Taiwan and Korea – by showcasing investment solutions that address key market trends. In 2021, we also partnered with institutional clients in New Zealand on a market-leading climate investment strategy.

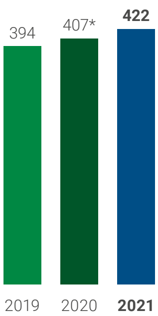
Outlook
We continue to focus on attracting higher margin net flows and on diversifying and further internationalising our business. We remain confident of growing cumulative profits in the range of 3% – 6%.

COP 26

In 2021, we were at the heart of the COP26 programme, as Michelle Scrimgeour co-chaired the COP26 Business Leaders Group alongside President for COP26, Rt Hon Alok Sharma MP. Our aim is to push the private sector to do more on the transition to net zero and to galvanise climate action in the public sector.

Picture: the SEC in Glasgow (venue for COP26)

Adjusted operating profit £m



£422m

Our adjusted operating profit grew by 4% to £422 million in 2021. Revenue increased by 6% to more than £1 billion while our cost:income ratio remains in the high 50% range as we invest for growth.

* 2020 has been restated to reflect the change in segmentation of the Workplace Savings business, which moved from LGIM to LGRR. 2019 has not been restated.

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

Capital investment

CEO introduction
As the group's alternative asset business, Legal & General Capital (LGC) deploys shareholder capital to support the UK's real economy. LGC has three objectives:

1. profit and value generation for shareholders
2. asset creation for long-term investors, including the group's retirement businesses
3. a focus on identifying and meeting the need for investment in society to drive positive environmental and social impact.

Our ambition is to build LGC's diversified alternative assets under management (AUM) to c.£5 billion by 2025 (2021: £3.4 billion), with an upgraded blended portfolio return target of 10% – 12% (previously 8% – 10%).

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

Laura Mason
Chief Executive Officer,
Legal & General Capital

Response to Covid-19
LGC's success is based upon identifying areas of society that require investment, which is even more important as the UK recovers from Covid-19. We launched a new Rebuilding Britain Index (RBI) in 2021 to act as a benchmark in identifying the UK's investment priorities, regional investment gaps and barriers to increasing investment.

2021 key activities

Housing
LGC provides quality homes for all ages, tenures, and demographics. During 2021, our housing property portfolio grew substantially, reflecting the sustained long-term demand for housing in the UK. As a business, we have the unique combination of long-term capital, expertise and commitment to continue to scale up this platform further, whilst working towards our commitment for all new homes delivered from 2030 being capable of operating with net zero carbon emissions.

Affordable Homes
Our Affordable Homes business is one of the UK's leading institutional developers and owners of affordable housing. In 2021, we increased our number of operational affordable homes by 997, and secured a pipeline of over 7,000 homes. We also agreed a £270 million investment with our retirement business creating assets to meet its pension liabilities.

Build to Sell
LGC's Build to Sell business, CALA, had a strong rebound in 2021. Now the 10th largest housebuilder in the UK by revenue, CALA delivered a significant increase in adjusted operating profit through the sale of more than 2,900 units.

Build to Rent
Our urban Build to Rent (BTR) business provides purpose-built rental housing. The long-term rental income provides high-quality assets for LGR and for LGIM clients, with a £2.6 billion portfolio of over 7,000 UK-wide homes currently in operation or development.

Our Suburban Build to Rent (SBTR) business submitted a planning application for a site in North Horsham, a multi-tenure scheme to be delivered by our different housing businesses. SBTR also acquired a site in Peterborough, building its pipeline to over 750 homes across the UK.

Later Living
Growth in our Inspired Villages Later Living business continues at pace, with six operational villages supporting c.1,000 residents, four schemes under construction (including two that will become the UK's first net zero carbon regulated energy retirement village) and a pipeline of 22 further sites.

During 2021, LGC entered into a 15-year joint venture partnership with NatWest Group Pension Fund, aiming to expand Inspired Villages' portfolio to 34 villages supporting around 8,000 residents.

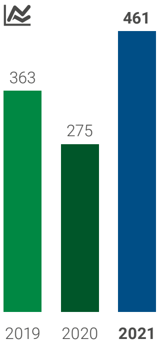
Modular Homes
While we recognise that, since its establishment in 2016, Modular Homes has not progressed at the speed we would have originally planned or anticipated, the business is now generating significant momentum, commencing construction on sites in Selby, Bristol and Broadstairs to deliver 450 homes, as well as seeking planning permission for c.400 homes across three further sites. All modular homes achieve an Energy Performance Certificate 'A' rating, a standard met by fewer than 1% of new-build homes in the UK.

Direct investments £bn

£3.4bn

Our direct investment portfolio has grown to £3.4 billion, an increase of 10% over 2020. This growth is the result of continued deployment of capital to progress our housing businesses, as well as investing into start-up businesses via our venture capital funds.

Adjusted operating profit £m



£461m

Adjusted operating profit has significantly recovered, showing 68% growth on 2020 and 27% growth on 2019, as a result of a bounce-back in the housebuilding market and the continued maturing of the underlying investments in our venture capital and clean energy businesses.

Alternative finance and venture capital
Through our venture capital investments, we are providing funding for over 400 companies across 34 funds. We continue to back exciting and innovative companies such as Onto, which is dedicated to making electric cars widely available, and AccurX, a healthcare messaging company which was at the heart of the NHS's Covid-19 vaccination effort. Many of the funds we invested in early are now maturing, with the strongest assets achieving new funding rounds at increased valuations. We also lend to small and medium-sized UK and European businesses through our 40% stake in Pemberton.

Specialist commercial real estate
We are involved in some of the UK's largest urban transformation schemes across 18 towns and cities. Our 2021 projects include expanding Bruntwood SciTech's life sciences network through the Birmingham Health Innovation Campus, as well as a £1.5 billion partnership with the University of Manchester. This will deliver a new Innovation District creating 10,000 full-time jobs and 1,300 homes over 15 years. We also received planning permission for a mixed-use scheme at Sheffield's West Bar development.

As part of our £4 billion partnership with Oxford University, we began construction on the £200 million 'Life and Mind Building', as well as agreeing to fund and deliver a new innovation district with the University.

We have partnered with Kao Data who are a leading computing provider for life sciences and financial services in the UK. Kao Data secured co-investment at an accretive valuation from the £11 billion infrastructure fund, HRL Morrison.

Clean energy
We invest in early-stage innovative clean technology companies and low carbon renewable energy infrastructure. Expanding on our existing investments in Pod Point, Kensa Group, Tokamak Energy and Oxford PV, we recently took a 19% stake in Sero Technologies, a company supporting the transition to net zero across the residential housing sector. There are significant opportunities for Sero to work with our existing housing assets and businesses. We also own a 25% share of NTR Asset Management Europe, a Principles for Responsible Investment A+ rated sustainable infrastructure asset manager, with more than €500 million deployed across two funds.

Traded portfolio
Our diversified traded portfolio has performed strongly over 2021, while continuing our strategy to shift LGC's asset mix towards alternative assets. Consistent with our publicly stated climate targets, we continue to reduce the carbon emissions intensity of the listed equity portfolio by investing into assets where carbon reduction targets are a key objective or by investing in more climate impact stocks, such as renewable infrastructure companies.

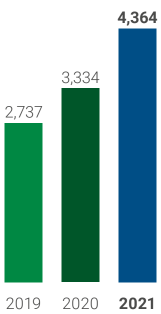
Outlook
LGC's ambition is to deliver adjusted operating profit of £600 – £700 million in 2025. We plan to increase fee-generating third-party capital to £25 – £30 billion (2021: £12.3 billion) by 2025, driven by a wide range of strategies. As part of our ambition, we also target international opportunities, primarily focusing on the US.

Pod Point
Pod Point is an electric vehicle charge point provider first backed by LGC in 2019. Pod Point's partnership with Volkswagen and Tesco has powered more than 10 million miles of travel and helped to accelerate the adoption of electric vehicles. We expect demand to grow as sales of new petrol- and diesel-powered vehicles will be banned from 2030. Pod Point's IPO in 2021 raised c.£120m of gross proceeds. This implies a return of 3.8x on LGC's investment, demonstrating our commitment to addressing climate change and our ability to create value through realisations.

> "By investing in and developing high-quality alternative assets, our capital investment business generates attractive risk-adjusted returns for shareholders."

Laura Mason
Chief Executive Officer,
Legal & General Capital

Homes completed



4,364
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 completed on 4,364 homes in 2021, an increase from 3,334 in 2020.

Understanding the risks
Our early stage investments through Legal & General Capital 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.

LGC capital markets event
group.legalandgeneral.com/CME

Insurance

CEO introduction
Our investment in digital solutions has helped us deliver growth, with record new business volumes in UK retail protection and record lending through our mortgage club.

As Covid-19 continues, our insurance businesses provide much-needed financial support when tragedy strikes and provide peace of mind to over nine million customers.

As of 1 January 2022, our two retail businesses (retirement and insurance) have come together to form Legal & General Retail. Under the leadership of Bernie Hickman, this division will focus on serving the savings, protection and retirement needs of our retail and workplace customers allowing us to take a joined-up approach to our customers, data, and technology.

Growth drivers
- Welfare reforms.
- Technological innovation.

Bernie Hickman
Chief Executive Officer,
Legal & General Insurance

Response to Covid-19
We continue to serve our customers and distributors remotely with customer satisfaction levels remaining high and record new business volumes being written in 2021.

We invested in technology to help new customers through their application process. We expanded our virtual screenings' capabilities for protection applicants by providing digital blood pressure machines to a selection of customers requiring a medical assessment, and who qualified to do it virtually. We continued to offer deferred payment holidays where vulnerable customers request help with payments and we have helped our customers to remain protected.

We paid £2.1 billion of protection claims in 2021, of which £279 million related to Covid-19, helping families during this devastating time.

2021 key activities

UK retail protection
There was an increase in demand in the UK retail protection market in 2021. As a result of strong relationships with our key distribution partners and our investment in technology, we maintained a market share of over 25%.

Advances in our digital underwriting processes allow us to offer immediate terms to over 84% of our applicants, which we believe to be market leading. We have enhanced our digital offering to align with the changes that our partners and customers require in accessing and buying their financial services.

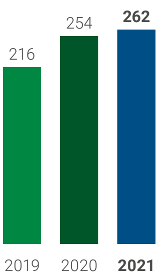
We continue to develop our health and wellbeing assistance offering. 'Umbrella benefits' includes two new optional protection benefits – fracture cover and private diagnostics – with access to wellbeing support and rehabilitation support services also available on income protection policies to help advisers offer their clients more choice, more cover and more assistance when they need it most. We expanded our offer to the under-served rental market, with the launch of a non-advised income protection product, illness and injury insurance.

UK group protection
2021 was a year of innovation, growth and a focus on customers. We launched Protect to the market: a new digital proposition that provides a way for employees to tailor their protection benefits to their own circumstances. We conducted research that showed that, whilst wellbeing is high on businesses' agendas, the way they are approaching it varies widely. Recognising this, we refreshed our wellbeing proposition: be well, get better and be supported. This is intended to be easy for our customers to understand and helps clients and their employees when they need it most.

US protection
By harnessing data and technology, we are continuing to grow in the sizeable and growing US protection market, which has over $27 billion of term life premiums each year. We seek to be the insurer of choice for families in the US who seek simple, affordable and digitally accessible life insurance.

We continue to develop our market-leading, digital new business platform, Horizon. Adoption of Horizon is now over 65% of new business and we expect this to increase next year. We have significantly reduced use of physical medical assessments, from 85% of all applications needing a physical assessment at the start of 2020 to less than 50% of applications currently. We have a range of further underwriting innovations being deployed to reduce the need for physical assessments and reduce the time taken to provide an underwriting decision.

Solvency II new business contribution £m



£262m

Our data-driven approach to optimise the value we add from writing new business has delivered a Solvency II new business contribution of £262 million, a 3% growth on last year in a challenging market. We have focused on higher margin products, enhanced pricing sophistication and continued to deliver good expense management.

Gross written premiums £bn

£2.9bn

Gross written premiums grew by 2% to £2.9 billion, driven by increased customer retention and renewals in our UK group protection business as well as strong new business from our distribution reach in UK and US retail protection. Our longer-term focus remains on enhancing competitive advantage through effective use of technology.

Fintech solutions
We have a number of direct investments where we leverage both the agile mentality and the technology solutions of start-up businesses in strategically important market segments to enhance delivery of our core businesses and to help these businesses scale and succeed. We hold investments in businesses specialising in workplace benefits, insurtech, mortgages, health and care.

Salary Finance
Salary Finance supports financial wellbeing through employers by offering products such as salary deductible loans, savings and early wage access, which over four million employees in the UK and the US have access to. The UK gross revenue has nearly doubled and the new employee loan volumes in the US have grown fivefold year-on-year. Gross revenue grew to £30 million, an increase of 85% year-on-year. These trends in key metrics are expected to continue with growing employee awareness and increasing platform engagement in both the UK and US.

Asanto
Asanto is a no-code cloud-based decision making platform developed by our technology business, theidol.com. Asanto allows financial services products to be configured and launched more effectively than traditional legacy platforms by removing the need for IT developers and allowing other business areas to make changes themselves. During 2022, the Asanto team will build more tools in order to provide advanced mortgage services and will partner with a US technology business to modernise the US protection market and make automated underwriting more accessible.

Mortgage services
We continue to enhance our mortgage services offering to borrowers, brokers and lenders by improving the portfolio of attractive mortgage assets through innovative technology solutions.

Mortgage club
Our mortgage club is the largest and longest running mortgage club in the UK, facilitating around one in five of all mortgages. We work closely with a broad range of lenders to deliver both mainstream and specific products for our advisers. We saw record lending levels through the mortgage club in 2021, with £97.5 billion of lending transacted. We continue to innovate to pursue our vision of a frictionless mortgage journey for customers.

Surveying services
As one of the largest market participants, managing over 528,000 valuations in 2021, we continue to invest in new technology and in refining our digital valuation proposition. Our remote digital valuation solution processed over 49,000 digital valuations, compared with 43,000 in 2020, as lockdowns increased the value of our service to lenders.

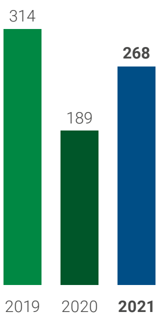
Outlook
Effective 1 January 2022, our insurance business came together with our retail retirement business to form Legal & General Retail – bringing together our people, ideas, and technology so we can be there when it matters most to our customers.

We continue to target mid-single digit growth in revenues across our UK protection businesses, and to achieve double digit growth in US new business sales.

Automating underwriting

Horizon, our digital new business platform in the US, leverages increasingly available electronic health data, combined with disciplined underwriting and strong expertise from our UK business. Automating our underwriting process and reducing reliance on physical assessments and paper-based evidence will deliver meaningful growth, facilitate new distribution partnerships and provide cost efficiencies.

Adjusted operating profit £m



£268m

Adjusted operating profit increased 42% to £268 million, primarily driven by increased new business contribution and assumption changes (including modelling refinements to the liability discount rate in our retail protection business). This is partially offset by high claims experience, particularly in our US protection business, driven by Covid-19.

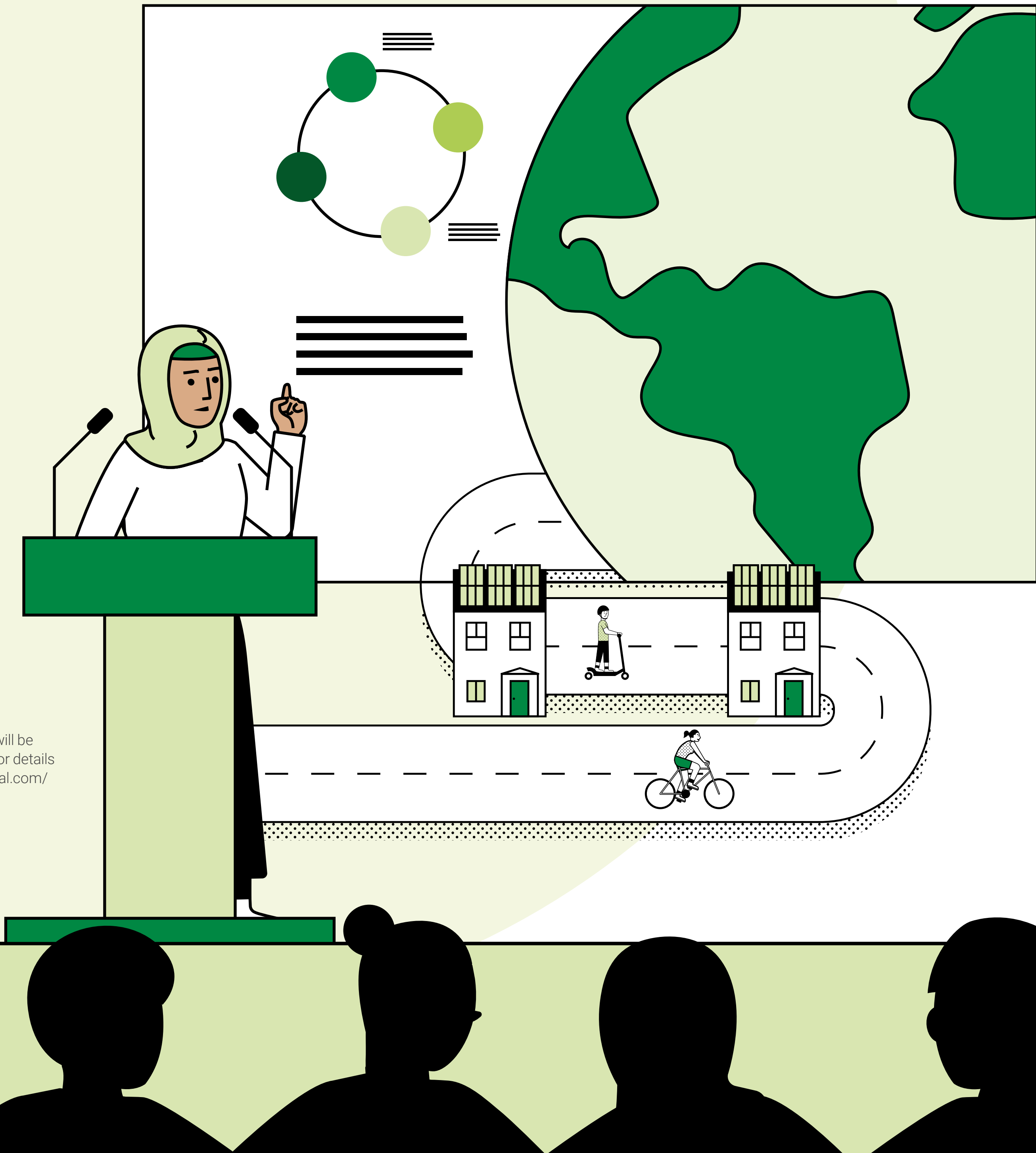
Understanding the risks
Providing protection products means that we have to make assumptions about our customers' life spans, how healthy they will be, and how long they will continue with the policy. We seek to price and underwrite our products to take account of these risks, and use reinsurance to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

"We will continue to invest and provide support to customers in our new retail division, incorporating our insurance division with retail retirement to create a single interface for our retail clients."

Bernie Hickman
Chief Executive Officer,
Legal & General Insurance

A sustainable business

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



Sustainability report
Our sustainability report will be published later in 2022. For details see: group.legalandgeneral.com/sustainabilityreports

A sustainable business

Our guiding principle of inclusive capitalism gives purpose and focus to the actions we take to build a more sustainable society.

We invest in creating better places to live and work. We fund critical research into the technologies, and develop the infrastructure, which will enable the transition to a low-carbon economy. Through our relationships with policy-makers, institutional clients and other stakeholders, we influence public debate and corporate actions on a range of sustainability-related issues and we demonstrate the power of capital to solve problems. At its core, our business is geared around providing access to financial services for those who need them.

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

During 2021, the market's focus on environment, social and governance (ESG) matters continued to intensify. We have long believed that these issues are critical to the ways in which we do business. Our prosperity as a company depends on a strong and resilient society and a stable economic context. It is increasingly clear that this will only be achieved for the long term if environmental, social and health concerns are addressed by companies such as Legal & General.

During 2021 we reviewed our sustainability strategy. Our 2021 sustainability report, to be published later in 2022, will include more detail on our achievements in 2021 and our future strategy. In the meantime, we have continued to take steps on our journey to net zero, contributed to the creation of a better society and worked to ensure our company is governed in a responsible way, consistent with our goal to be a sustainable business.

Journey to net zero

We recognise that 'environment' encompasses more than just climate change and we face a broad set of specific risks and opportunities across our businesses and balance sheet.

Scientific and policy opinion continue to emphasise the need to limit warming to 1.5°C or lower in order to avoid the most catastrophic physical and economic risks associated with climate change. 2021 was the second year of the 'climate decade', and while COP26 gave grounds for cautious optimism, there remains much to be done to align across the economy on the need to act.

We have continued our journey to net zero. There are three principal ways in which we contribute to a low-carbon future:

- **investing** our own assets in low-carbon technology and infrastructure. We also seek to reduce the environmental impact of our investments – such as in affordable and build to rent housing – which serve a social purpose.
- **influencing** others, both using our position as one of the world's largest asset managers and leveraging our relationships with policymakers and in public debate.
- **operating** our business in a way which seeks to reduce our Scope 1, 2 and 3 emissions.

Key progress in 2021 includes:

- bringing our climate scenario modelling capabilities in-house.
- constructing our first net zero carbon retirement community.
- working towards setting and validating science-based targets, which will be disclosed in 2023.
- appointing Simon Gadd as Group Climate Change Director and Nilufer von Bismarck as non-executive director with focus on climate.

Investing our own assets

We fund investments in technology and infrastructure which are aligned with the Paris Agreement's objective of limiting global warming to 1.5 °C. We have invested £1.4 billion in clean energy to date and we have commitments to decarbonise our balance sheet. We choose to engage with companies to support and encourage them to decarbonise before divesting. Please refer to our climate report for full details.

Investment portfolio carbon footprint (Scope 3 investments)

74 tCO_2e/£m

(2020: 89 tCO_2e/£m)[1]

Purpose: Measures the greenhouse gases associated with our investment portfolio.

The carbon emission intensity of our proprietary assets was 74 tonnes of carbon dioxide equivalent per £1 million invested, down 17.0% from last year. This is due to a combination of refinements to methodology, the organic decarbonisation of our investments, which includes an impact from Covid-19, along with changes in our portfolio, such as that driven by our coal divestments as well as the impact of market movements on company valuations.

Our Scope 3 non-investment emissions (business travel, working from home and serviced offices) were 5,466 tCO_2e.

1. 2020 figure rebased (previously reported as 117 tCO_2e). Refer to page 51 of our 2021 climate report for details.

> Our goal is to create a better future through responsible investing. Climate change remains the number one challenge for us today. I am determined that we will do all that we can to tackle this. Inaction is not an option."

Michelle Scrimgeour
Chief Executive Officer of our investment management business and co-chair of the COP26 Business Leaders Group

In this section we indicate which UN SDGs we contribute most to.

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

Climate report
Our 2021 climate report is available on our group website. See: group.legalandgeneral.com/reports

FCA's Listing Rule 9.8.8R
A summary of our climate-related financial disclosures is set out on the next page. 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. Our climate report is available at: group.legalandgeneral.com/reports.

Companies Act 2006 and SECR
In building our footprint we have reported on the emission sources for January to December 2021 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 is included within Scope 3, as per greenhouse gas reporting guidance.

Using our influence

We continued to influence policymakers, regulators and other companies to take steps consistent with the 'Paris' objective.

As co-chair of the COP26 Business Leaders Group, Michelle Scrimgeour, CEO of our investment management business, represented Legal & General in Glasgow. During 2021, we joined a number of initiatives which either demonstrate progress made, or set out our ambition for further progress:

- the UK Government's Get Nature Positive campaign, in recognition of the role that protecting and restoring biodiversity will play in creating a more sustainable future.
- as one of the 236 members of the Net Zero Asset Managers' Alliance, we were part of that body's announcement that $4.2 trillion of assets are now being managed in line with achieving net zero by 2050.
- the Glasgow Financial Alliance for Net Zero, contributing towards its commitment of $130 trillion in private capital to finance the economic transition to net zero.

Operational carbon footprint

Our operational carbon footprint is detailed below and includes the carbon footprint from the operations we directly control, including the energy consumed:

- in our core occupied offices.
- from our landlord activities.
- from the construction of new homes within our housing businesses, including joint ventures.

During 2021 we have taken steps towards our net zero targets:

- **business travel:** whilst the carbon from our 2021 business travel has remained lower (71%) than in 2019, due to Covid-19 restrictions, we have still accounted for the carbon impact of our employees' journeys associated with business travel. We relaunched our business travel policy, focusing on sustainable modes of transport and enhancing our business travel booking system to enable users to understand the carbon associated with their journey and therefore make informed and sustainable travel choices.
- **occupied offices:** we undertook net zero carbon audits of our core occupied offices, the outputs of which will feed into our future of work strategy, with the aim of achieving net zero emissions from 2030.
- **renewable energy:** several of our businesses were impacted by energy suppliers ceasing to trade and as a result our Scope 2 - Market-based emissions have increased.

During 2022 and 2023 we expect our operational footprint to increase due to the recovery from Covid-19, as working patterns change and business travel increases.

However we will continue to manage and reduce the carbon emissions from our operational footprint through identifying efficiencies and improvements in technology, increasing the consumption of onsite and offsite renewable energy, designing and building energy-efficient homes and buildings, and seeking to better understand and manage our need to travel for business.

Operational footprint (Scope 1 and 2 location)

30,706 tCO_2e[1]

(2020: 31,640 tCO_2e)[2]

Purpose: Measures the greenhouse gases associated with our direct operations.

Due to the impact of Covid-19 it is difficult to draw meaningful comparisons between 2021 and 2020. Whilst carbon from LGIM Real Assets has decreased due to the implementation of Covid-19 restrictions, our housing businesses continued to grow at pace and completed 1,030 more homes in 2021 than in 2020. Please refer to page 236 for our mandatory carbon reporting disclosures and further detail on our Scope 1 and Scope 2 footprint.

1. Our total Scope 1, Scope 2 (location) and Scope 2 (market) emissions have been subject to independent limited assurance by PwC. The basis of preparation (or reporting criteria) for our group carbon footprint is available at group.legalandgeneral.com/sustainabilityreports and PwC's assurance report is available in our 2021 climate report: group.legalandgeneral.com/reports
2. 2020 figure restated from 35,482. Refer to page 236 for further details.

Summary disclosure against TCFD recommendations

Strategy

Climate-related risks and opportunities	• There are undoubtedly risks from climate change, yet the transition to net zero also creates opportunities. Our business model is not expected to be significantly disrupted by climate change, however the financial, operational and reputational risks which we manage will be impacted. • As the response to climate change emerges so will the development of new markets and opportunities. We are well placed to play a role in the decarbonisation of the economy and we are already embracing the opportunities in many areas.
Impact on our businesses, strategy and financial planning	• 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	• Through our scenario analysis, including 'Well-below 2°C' and '4°C' scenarios, we believe that we will remain resilient despite the scale of adjustments that will need to be undertaken over the coming decades. • Given that our exposure is largely through financial assets, many of which are listed, we have the flexibility to adapt by trading to the desired carbon position. We mainly hold investment grade bonds, so the price risk is substantially lower compared to investors with portfolios holding a larger exposure to equities. The balance sheet is well diversified across different sectors and we actively manage our credit portfolio.

Governance

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) through the Group Risk Committee and Executive Risk Committee. We appointed a Group Climate Change Director and Non-Executive Director with a focus on climate in 2021.
Management's role in assessing risks and opportunities	• The GEC is chaired by the Group Climate Change Director and is responsible for providing strategic direction in respect of the management of environmental impacts, with a particular focus on the group's management of the financial risks from climate change.

Risk management

Processes for identifying and assessing climate-related risks	• Climate change impacts will emerge through our current risk exposures and climate risk management has been integrated into our risk and governance framework. We have used scenario analysis to carry out a detailed assessment of how we can expect climate risk to emerge across our business model. • We identify transition risk impacts on asset valuation and the economy as a result of the low-carbon economy transition, and physical risks from the impacts on asset holdings or changes to life insurance liabilities as a result of more frequent and severe weather events and longer-term shifts in climate.
Processes for managing climate-related risks	• We deploy a range of management actions to meet our risk management objectives, namely: a commitment-setting framework with supporting interim targets, our exclusion policy and high carbon escalation process, reviewing existing frameworks to incorporate climate considerations, and active engagement with regulators and investee companies.
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

Internal metrics	• Our metrics support our commitment to align with the 'Paris' 1.5°C objective. We focus on our investment portfolio carbon intensity, implied portfolio temperature alignment and operational carbon footprint. • We also measure our engagement with investee companies to ensure we continue to exert our influence consistently and widely across markets.
Greenhouse gas emissions	• Our Scope 1 and 2 (location) operational emissions were 13,350 tonnes of carbon dioxide equivalent (tCO_2e) and 17,356 tCO_2e respectively. Our Scope 3 non-investment emissions (business travel, working from home and serviced offices) were 5,466 tCO_2e. Our Scope 3 investment emissions were 74 tCO_2e/£m.
Targets	• We have set group balance sheet carbon intensity targets to align with 'Paris', targeting net zero carbon emission intensity in the group portfolio by 2050. • Our operational footprint is targeted to operate with net zero carbon emissions by 2050.

> “We look forward to working together to create an outstanding innovation district which will play a large role in helping the UK to build back better.”
>
> **Professor Dame Nancy Rothwell**
> President and Vice-Chancellor of The University of Manchester

SDG Contribution

Building a better society

Our success as a business depends on a resilient society and a strong economy. As communities began to recover from Covid-19 in 2021, the importance of our efforts to build a better society became more pronounced than ever.

We are committed to making investments and managing money in ways which are socially useful. This year we shaped our response around the need to continue supporting communities affected by Covid-19, while thinking ahead to future social needs and continuing to tackle the most pressing issues facing us today.

Our work to build a better society has focused on five key areas:

- investing in solutions to the housing crisis and regenerating our towns and cities.
- supporting healthcare systems and partnering on research.
- helping young people in the aftermath of Covid-19.
- working with social enterprises.
- funding community groups and supporting our employees’ activities.

Housing and city regeneration

We are tackling the housing crisis by investing in affordable housing, alongside our mainstream build to rent and build to sell businesses. By investing institutional capital at scale, we are able to provide safe, secure, affordable housing where it is most needed.

During 2021, our affordable homes business announced its pipeline stood at 5,500 homes across the UK. In July 2021, our modular housing business opened its first show homes at the Portholme development in Selby, including up to 30% affordable housing. At our Lockleaze, Bristol site, 50% of the 185 modular homes for which we gained planning permission in 2021 will be affordable. The use of air source heat pumps, photovoltaic cells and high-quality building standards will place the homes in the top 1% nationally for energy performance. Meanwhile, our 153 modular homes planned at Broadstairs, Kent will have public amenity added in the form of 8,500 new trees.

Our £1 billion, 2,750-home plan for North Horsham, Sussex saw us bring together our affordable, suburban build to rent and modular housing businesses for the first time in a multi-tenure site, with a school and other community amenities.

The housing crisis affects people of all age groups, and there is a shortage of age-appropriate homes for older people in the UK. Our Millfield Green retirement community in Bedfordshire will provide 200 such homes within a net zero development, using ground source heat pump technology from Kensa, an investee company, to reduce running costs and emissions and insulate residents against energy price rises.

A new partnership between our real assets business and “believe housing” will fund 1,200 new affordable homes in the next five years in the north-east of England. Meanwhile, in Leeds city centre, the new £57 million Tower Works development sees us funding a development site through our build to rent fund. In Manchester, we are partnering with Bruntwood and the University of Manchester to deliver a new £1.5 billion innovation district covering four million square feet in the city centre.

Building ESG skills

We launched the ESG Academy in November 2020 and continued to build the offering in 2021, with resources aimed at a wide range of role types, drawing on external and in-house expertise.

The programme features online learning, webinars and talks and is available for everyone in our investment management business.

Supporting healthcare systems and partnering on research

Building resilience to future pandemics is a critical element of ensuring future social and economic stability.

In June 2021 we announced a long-term partnership with University College London epidemiologist Sir Michael Marmot, with the objective of creating a multi-million pound charitable fund. The Legal & General and Institute of Health Equity (IHE) Places Fund will examine how improvements to the design and construction of our towns and cities can help to address health inequalities and support 'levelling up' across the UK's regions.

In November 2021 we broke ground on the Life and Mind Building, part of our £4 billion partnership with the University of Oxford. The new facility will be the university's largest teaching building and support scientists working in biology and psychology to solve some of our major global challenges.

We continue to support the University of Edinburgh's Advanced Care Research Centre (ACRC), which aims to find solutions that support the quality of life for older people.

Helping young people after Covid-19

The pandemic, with its knock-on effects on education and employment, hit young people particularly hard. We continued to support them in accessing education and in providing opportunities to develop skills to access employment.

We built on our position as founding partners in the digital and business skills programme, FastFutures, increasing our investment by £100,000 this year. We funded three additional cohorts, providing young people from underrepresented backgrounds with the opportunity to access online learning, mentoring and networks in businesses including Legal & General. The programme is purposefully targeted to those sections of the community which have traditionally been less able to access such opportunities.

We supported the Duke of Edinburgh's Awards' Youth Without Limits strategy, designed to widen accessibility of the scheme to more young people. The focus of our support was in south Wales and north-eastern England.

Working with social enterprises

Our support for small social enterprises this year took the form of the SE-Assist programme, run by CAF Venturesome, the Charities Aid Foundation's social enterprise arm. Supported by Legal & General, SE-Assist awarded £300,000 in blended finance to social enterprises across Wales – the fifth round of such investments.

Funding community groups and supporting our employees' activities

We have continued to support our employees' fundraising and volunteering efforts through matched funding schemes. The total donated to UK charities including through company matching during 2021 was £1.3 million, including over £90,000 in funding to charities with income below £1.5 million in our Small Donations campaign. In the US, our charity drive raised over $800,000.

In the UK, we continued our partnership with the Samaritans, where our funding supported the expansion of the charity's training programmes. We were headline sponsors of the charity's inaugural Dawn Walk, which raised £60,000.

> "We believe that business can be a force for good in society if we work to identify areas where we can positively impact people's lives. That is the aim of the partnership."

Pete Gladwell
Group Social Impact and Investment Director, Legal & General Capital, commenting on our IHE partnership.

SDG Contribution

New ways of working

In 2021 we launched the Critical Capabilities programme, with the aim of helping our employees understand, articulate and act on the possibilities of technology, data and new ways of working. The programme seeks to develop technical and behavioural skills and is based on a hybrid blend of workshops, practical activity, thought leadership and self-directed content.

(Pictured: Jethro Escobar-young, Customer Contact Advisor)

Empowering our employees to build networks

We support employee representative groups focused on a range of joint interests relating to D&I. These include:

- The Ability Working Group
- Culture Club (ethnicity)
- Disability Network
- Family and Carers Exchange (parental status and carer status)
- Gender balance
- Health and wellbeing
- L&GBT+ Allies (sexual orientation and gender identity)
- Neurodiversity
- Socio-economic mobility
- Women and Tech

SDG Contribution

5 GENDER EQUALITY

Growing our business responsibly

Diversity and inclusion (D&I)

Diverse workforce, inclusive workplace: our diversity and inclusion vision

Our vision is to build a workplace where we can all perform at our best, no matter who we are.

There is a clear ethical and commercial logic to ensuring everyone is given the conditions in which to succeed. Not only is it the right thing to do, but we believe that diversity of experience brings diversity of thought and perspective, which in turn drives greater proximity to customers, better-informed decisions, and a culture which more readily embraces innovation.

Our vision, our action plan and measuring our progress are the responsibility of our global Diversity and Inclusion Council, which reports to the Group Board and is chaired by Laura Mason, CEO of our capital investment business.

More diversity, greater inclusion: progress on our action plan

A key focus for 2021 was continuing to build a better picture of our employee base, and to do this, we focused on increasing the quantity of characteristic data we hold on our employees. As this is shared with us on a discretionary basis, we ran a communication and engagement programme, 'Count Me In', encouraging employees to share information about their background (ethnicity, sexual orientation, gender identity, socio-economic background and others). During 2021, the rate of disclosure for ethnicity increased from 52.6% to 67.9%. Across all other characteristics, we saw an average 79% increase (from a lower average baseline of disclosure).

During 2021, we:

focused on recruitment and early careers:

- conducted an audit of our recruitment practices to assess our maturity across a range of D&I characteristics (including gender, age and ethnicity) to help us understand where improvements to our talent attraction and hiring approach can be made. We introduced anonymised CVs into our recruitment processes.
- continued our support for the #10000BlackInterns programme by providing internship opportunities at LGIM for 17 black students.
- through our socio-economic mobility employee group, undertook a programme of engagement and outreach activities including mentoring students from under-represented backgrounds through our partnership with Kingston University's Beyond Barriers Mentoring Scheme.

continued to train line managers on D&I:

- piloted a new inclusive line management programme with 100 managers.
- introduced D&I basics learning (the 'inclusion accelerator') – a digital learning programme for line managers based on short learning sprints, covering key D&I themes. Among the 100 leaders who have been through this pilot, understanding of core D&I concepts (bias, micro-messages and working inclusively) increased by 95%.

widened opportunities for employees:

- launched a global mentoring platform, which saw over 370 people register in the first three months; developed reverse mentoring for our senior leadership teams, giving them an opportunity to learn from more junior employees.
- continued to support our employee representative groups. Three new groups were launched: Women and Tech; the Ability Working Group; and an inclusion network for those in our insurance business.

We also issued internal communications celebrating Inclusion Week, Black History Month, Pride Month and International Women's Day; continued to tell diverse employee stories through the 'Our Story' campaign; and had the Chairman of our Board participate in a Listening Project focus group, where he heard from employees about their lived experience of diversity and inclusion at Legal & General.

Measuring our progress

In our most recent group-wide employee survey (Voice), our people gave us a favourable score of 75% when asked if everyone has an equal chance to succeed at Legal & General – level with our 2020 score.

Through the Women In Finance Charter, we have committed to achieving overall workforce gender balance by 2025; 40% female representation among managers and senior managers; and 33% female representation on our Board. We support the FCA's recent consultation on increasing Board representation for women to 40%.

Legal & General's workforce	Female	Male
Board directors	3	7
Executive Committee	3	9
Middle/senior management	1,570	2,769
All employees	4,779	5,964

As at 31 December 2021

This year, we additionally committed to achieving 8% representation for ethnic minority employees among senior leaders and on our Group Board, both of which we achieved during 2021 (at 12% and 20% respectively).

We continue to pursue external benchmarking and recognition of our D&I efforts. We achieved a Bloomberg Gender Equality Index Score of 79.06% with a disclosure score of 100%. We also attained the level of 'Advanced Employer' in the Investing in Ethnicity Maturity Matrix, recognising our commitment and progress to ensure equal opportunity and representation, regardless of ethnicity.

Gender pay gap

In 2021 we again saw a continued, progressive narrowing of our median pay gap, from 26.6% to 24.1%, with positive movement in all our reportable entities.

Please see our separate gender pay gap report for full data and commentary.

Gender pay gap	2021 Mean	2021 Median	2020 Mean	2020 Median
Hourly pay	26.3%	24.1%	30.8%	26.6%
Bonus	53.1%	42.1%	48.0%	40.6%

Employee wellbeing

Supporting our employees' wellbeing

If 2020 was characterised by protecting our employees from the physical and mental wellbeing threat of Covid-19, 2021 was a year in which we supported them through a safe return to workplaces and continued to offer support on both physical and mental wellbeing.

For those employees accessing or returning to our workplaces, we continued to apply safety measures in line with government guidance, including social distancing, sanitisation, temperature checks and providing lateral flow tests (before these were made available on the NHS in the UK). Throughout the return to the office, we worked in partnership with the trade union Unite and our own management consultative forum.

A commitment to mental health

We are committed to supporting our people with their mental health. This includes providing a safe and open environment where colleagues feel empowered to speak up about any mental health challenges they may be facing. Therefore, communicating our mental health provision to employees remained a focus during 2021. We marked Mental Health Awareness Week in the UK and US, as well as World Mental Health Day, with internal communications. All of these were opportunities to remind employees about our support offering:

- our network of 100 mental health first aiders.
- our partnership with market-leading mental health app Unmind.
- our employee assistance programme and private healthcare provision.

Our communications focused on the importance of normalising discussions about mental health, and included personal testimonials from our Chief Technology Officer and a wellbeing-themed conversation between Jeff Davies, Group Chief Financial Officer and executive sponsor for wellbeing, and Sir Nigel Wilson, Group Chief Executive Officer, which was published on our intranet.

Our efforts to support employee wellbeing were recognised by the City Mental Health Alliance's award of an 'Excelling' accreditation mark in its annual Thriving at Work assessment.

We take a data-driven approach to managing workplace mental health. We draw insights from a range of sources including our Voice surveys (see page 50) and sickness and other employee data and use these to inform our existing strategies and policies on topics including diversity and inclusion, stress and flexible working, among others.

In response to employee feedback, we launched our first menopause policy in 2021, covering all employees in our core UK businesses and setting out our approach to supporting those experiencing the menopause.

Employee engagement

Keeping our people connected and informed

During 2021 we built on the progress made during 2020 in keeping our employees informed about life at Legal & General and connected with our corporate purpose. We continued to focus on managing the impacts of Covid-19, with communications to keep employees informed about the practical measures taken to keep them safe, and new messages developed and communicated about our future hybrid ways of working.

Ongoing remote or hybrid working has presented the risk of erosion of organisational culture and, to mitigate this, we increased our efforts to communicate our corporate purpose to our employees. We continued to deliver virtual town halls, both at a divisional and group level, including for our full-year results, and launched a new video series, 'Your Question Time', in which employees are invited to ask members of the Executive Committee questions of interest. The recordings are shared on the corporate intranet. Topics covered include wellbeing, inclusive capitalism and emerging technology.

> "We are committed to supporting our people with their mental health. This includes not only providing services and help for those who suffer directly with mental ill-health, but also creating a safe and open environment where employees feel supported, connected and engaged in meaningful work. It is also important that we tackle stigma by empowering them to speak up about any mental health challenges they are facing."
>
> **Sir Nigel Wilson**
> Group Chief Executive Officer

Gender pay gap report

Our 2021 gender pay gap report is available on our group website. See: group.legalandgeneral.com/reports

In our November 2021 employee survey (Voice), 83% of employees either agreed or strongly agreed with the statement "I can get the support I need from my line manager" (up 1% vs 2020). 70% agreed or strongly agreed with the statement "My overall level of personal wellbeing is good" (a new measure for 2021).

The operation of our core offices is managed via a health and safety system aligned with ISO45001 and audited by the consultancy RPS.

Listening to our people's views

During 2021 we issued two Voice surveys. With our focus shifting from managing the acute pandemic crisis to planning for a post-lockdown future, we consulted with our employees through bespoke 'future of work' surveys in March 2021. The insights and data gathered, supplemented by stakeholder interviews and engagement with employee representatives, helped inform our planning for the post-Covid workplace.

More information on employee engagement can be found in an update from Lesley Knox, our designated workforce director, on page 74.

Learning and development

Empowering our people to perform at their best

We are committed to empowering our people to perform at their best in their role today, develop in their career tomorrow and connect with peers to drive business performance.

This approach to learning and development informed our activity during 2021. We routinely identify opportunities for our people through:

- our strategic workforce planning process, which defines our future capability needs and aligns these with our business and financial plans.
- use of employee feedback, received both through direct conversation with our talent and development practitioners and through our employee survey, Voice.
- applying qualitative and quantitative impact analysis from previous learning interventions and business metrics to shape future programmes.

We apply this methodology to help us build a data-led, consistent development experience for all our employees. It also helps us to focus on driving our four strategic outcomes:

- leaders who deliver change and business results through inclusive leadership. This year, we launched Thriving, a global leadership programme, to three cohorts of leaders.
- employees who can access talent and development experiences in a straightforward way. We appointed a new managed learning service provider to enable this.
- a workforce which consists of future-ready professionals with the skills they need both now and in future. In 2021, we rolled out the Critical Capabilities programme – see page 47 for more.
- a performance-driven culture characterised by high levels of trust and challenge.

Supply chain

A sustainable supply chain

We believe that the sustainability of our supply chain goes beyond risk avoidance: it is also about positive impact, for people and the planet. We recognise the importance that deepening our understanding of the impacts our supply chain can have, as well as improving procurement professionals' knowledge of sustainability. In 2021 we engaged third-party experts to help us build and deliver training to procurement team members and supplier relationship managers to help us adapt what we procure and how we source; scrutinise our procurement partners; and influence our suppliers to improve.

Alongside this activity, we took steps to improve elements of our supply chain governance. We further refined our sustainable sourcing principles statement to aid ease of use, make the case for the importance of sustainable sourcing and provide tangible actions. This has created what we consider to be a more compelling document which will engage and inspire people in our business to become part of our sustainable sourcing mission.

We also completely redesigned our supplier questionnaire on corporate responsibility. This incorporates 35 questions on themes including firms' carbon reduction intentions, deforestation, the circular economy, living wages and working hours, D&I and social enterprises. The use of question targeting, scoring and weighting – alongside guidance notes – helps us to assess results and therefore pre-qualify and score suppliers and 'request for proposal' responses. The revised questionnaire will be used with our supplier relationship management teams to ensure that any in-contract risks are captured and monitored, along with the maturity of our supply chain.

Employee satisfaction index

76%

(2020: 77%)

Purpose: Measures employee satisfaction in response to the statement "I am happy working at Legal & General"

77% of employees took part in the fourth quarter Voice survey, providing 27,684 individual comments. Our employee satisfaction score fell by one point to 76 compared to October 2020, although it remains above pre-pandemic levels (74 in March 2020). Our research indicates that our employees have adapted well to changes in the way we work, enabled by their line managers, but work-life balance remains a challenge for some.

We have become an active member of the Supplier Diversity Council UK with the goal of providing practical guidelines and support on implementing a supplier diversity programme which is inclusive of all.

Modern slavery and human rights

We believe that setting and progressing a clear strategy, as well as working in partnership with suppliers, is key to addressing and eliminating modern slavery from supply chains.

We have created a risk assessment process which we will complete for the remainder of our supply chain, allowing us to categorise each key supplier, strategic partner or contractor based on modern slavery risk criteria.

Alongside Stronger Together, we delivered training to 40 of our suppliers on spotting signs of modern slavery in their own operations and supply chain.

Our human rights policy, published in 2020, sets out our position on these issues in our own operation and our supply chain. We support the principles set out in the UN Guiding Principles on Business and Human Rights; the International Bill of Human Rights; and the International Labour Organization's (ILO) Core Conventions.

Anti-bribery and corruption

We will not tolerate any person acting on behalf of the group participating in any form of corrupt practice and we will not accept, promise, offer or give 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 detect and prevent 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.

Responsible investing

Our position as a leading asset manager gives us an opportunity to influence other companies' approaches to meeting their ESG obligations.

Climate change remains a dominant theme of engagement, as we continue to hold companies to account on their progress to net zero. Alongside this, we are committed to stepping up action on the interrelated issues of deforestation and biodiversity loss, as outlined in our biodiversity policy and our deforestation commitment.

In 2021, our investment management business continued to actively engage in sustainability policy dialogue with policy-makers and regulators around the world, primarily with leaders in UK, EU, US, Japanese and Australian markets. Topics have ranged from strengthening transparency across sustainable finance and the improvement and harmonisation of disclosure standards, to minority shareholder rights and supporting policies that credibly deliver on the transition to net zero.

We have further deepened our commitment to **gender diversity**, taking it beyond the board level to ensure the largest companies in the US and UK also have a minimum of one female on the Executive Committee. We will begin voting in line with this expectation in 2022.

Following our support of the Parker review on diversity on UK boards, 2022 will see us applying voting sanctions against large UK and US companies with no board members from an ethnic minority background.

Good **health** is the basis on which social wellbeing and economic prosperity are built. In 2022, we will continue to promote awareness and action on antimicrobial resistance, access to medicine and access to nutrition. This includes a willingness to file or co-file shareholder resolutions, as recently demonstrated at Moderna. Inequality and health are interconnected; through our ongoing work on income inequality we are increasingly emphasising the importance of employee wellbeing.

Publicly pre-declaring our vote intentions is an important tool for our engagement activities. 2021 was the first year LGIM centralised the reporting of our vote intentions in advance of a company's AGM.

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 (pages 42 to 51).

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

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.

Managing risk

> "In focusing beyond pure financial measures of risk, our businesses can fulfil their social purpose."

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 pension risk transfer, 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 pension risk transfer 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, reputation damage or financial loss and ensure that appropriate measures are in place to mitigate adverse outcomes.

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

Risk appetite

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

Managing risk
continued

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 Group Risk Committee is set out on pages 92 and 93.
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 pension risk transfer and annuities businesses, we have a deep understanding of longevity risk and the science of life expectancy. LGIM, as one of the world's largest asset managers, has extensive business expertise in managing credit risk. Within our insurance business, as the UK's largest provider of individual life cover, we have extensive knowledge of mortality and morbidity risks.
- second, our risk oversight function under the direction of our Group Chief Risk Officer. The team of risk professionals provides our businesses with expert advice and guidance on risk and capital management, alongside ensuring risk taking remains within acceptable parameters.
- third, our group internal audit function provides independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.

Own risk and solvency assessment (ORSA)

Our ORSA process is an ongoing analysis of the group's risk profile and the sufficiency of capital resources to sustain our business strategy over the plan horizon. The process, which covers the whole group, considers how the financial and broader business risks to which we are exposed may evolve over the planning cycle. Stress and scenario testing is an essential element of the ORSA. It is used to show us how key risk exposures respond to different risk factors, together with the sensitivity and the resilience of capital and earnings to a range of extreme but plausible events. The stress testing component of our framework assesses the effect of a move in one or more risk factors at a point in time. The scenario element considers group-wide multi-year projections of capital and earnings across a range of downside conditions in financial markets, demographics and the broader economy. The ORSA process is integrated into our business risk and capital management activities and aligned with the strategic planning process to inform forward-looking decision making. As such, it is a key business management tool.

Capital management

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

Our principal risks

Our principal risks and uncertainties reflect those factors that may threaten the 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
Operational and business risks	Changes in regulation or legislation may have a detrimental effect on our strategy.	1, 2, 4
	New entrants 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 reputation damage.	5
	The success of our operations is dependent upon 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 – 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 strategic factors detailed on pages 10 and 11, as well as longer term trends in areas such as technology and climate change), as our investment and insurance products and customer relationships are long-standing ones.

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

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

Period of viability assessment

While the Board has considered adopting a longer period, it believes that five years is the most appropriate time-frame over which we 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; and
- The assessment is underpinned by our business planning process, and so aligns to the period over which major strategic actions are typically delivered, and takes account of the potentially evolving economic environment and 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 at the Group Board's annual strategy assessment, and amendments are made accordingly. Part of the Board's role is to consider the appropriateness of any key assumptions made. The latest annual plan was approved in December 2021, 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 refresh our principal risks to reflect current market conditions and changes in our risk profile, and as a result we have included 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 2021, 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 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). In addition, we have continued to consider the potential implications of Covid-19, and related longer-term trends, to our business model.

The scenarios tested showed that the group would continue to have sufficient headroom to maintain viability over the five year planning period, after taking into account mitigating actions to manage the impacts on capital and liquidity. This includes maintaining the group's current dividend policy under the late cycle market shock scenario, but this and other commitments would be reassessed if the circumstances determined this to be necessary over the longer term. In response to a potential severe economic downturn, credible buffers and a suite of management actions are at the group's disposal to maintain resilience and preserve the group's viability. It is clearly possible that shocks could be more severe, occur sooner and/or last longer than we have currently considered plausible.

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

Our conclusion on viability

Following this assessment, taking into account the group's current position and principal risks, the Board can confirm that 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.

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.

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
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 and to meet the obligations from insurance business; the movement in certain investments directly impacts profitability. Interest rate movements and inflation can also change the value of our obligations 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.	Whilst global and UK economic activity is returning to pre-pandemic levels, there remains significant uncertainty in respect of the impacts of inflation on the sustainability of the recovery, particularly should current inflationary pressures become deep seated or from misjudged central bank monetary policies in response. Financial markets, as well as being impacted by the economic outlook also continue to be susceptible to shocks and re-appraisal of asset values from a range of other factors including geo-political crisis in eastern Europe; a collapse in China's property sector; and the emergence of further Covid-19 variants that may be resistant to current vaccines. Within the UK, uncertainty persists in certain elements of commercial property markets, and within our construction businesses supply chain and labour shortages are evolving risks. Pages 178, 169 and 171 respectively provide sensitivities to interest rates and exposures to worldwide equity markets and currencies.
In dealing with issuers of debt and other types of counterparty, the group is exposed to the risk of financial loss. Systemic corporate sector failures, or a major sovereign debt event, could, in extreme scenarios, trigger defaults impacting the value of our bond portfolios. Under Solvency II, a widespread widening of credit spreads and downgrades can also result in a reduction in our Solvency II balance sheet surplus, despite already setting aside significant capital for credit risk. We are also exposed to default risks in dealing with banking, money market and reinsurance counterparties, as well as settlement, custody and other bespoke business services. 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 dealing only with those with a minimum A- rating at outset, 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.	Although the wider economy is recovering from the effects of global lockdowns, a range of industries have been directly impacted by Covid-19 disease control measures including the leisure, transport, travel and retail consumer cyclical sectors, with the risk of downgrade and default remaining particularly as governments withdraw economic support packages. A period of sustained inflation with increases in interest rates suppressing economic activity in sectors reliant on discretionary spending could compound the effects. Covid-19 related impacts for reinsurance counterparties also remains a risk factor, albeit we assess strongly rated reinsurer default to be a more remote risk. Details of our credit portfolios are on pages 172 to 174.

Growth drivers
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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, particularly should abrupt shifts in the political and technological landscape impact the value of those investment assets associated with higher levels of greenhouse gas emissions. Our interests in property assets may also expose us to physical climate change-related risks, including flood risks. We are also exposed to the risk of adverse perceptions of the group and climate risk related litigation should our responses not align with environment, social and governance rating expectations.	3, 6	We recognise that our scale brings a responsibility to act decisively in positioning our balance sheet to the threats from climate change, and as set out on pages 43 to 45, we continue to embed assessment of climate risks in our investment process, including in the management of real assets, and broader risk management framework. At the aggregate level we measure the carbon intensity targets of our own investment portfolios, and along with specific investment exclusions for carbon intensive industries, we have set overall reduction targets aligned with a 1.5°C interpretation of the 'Paris' Agreement, including setting near term science based targets to support our long term emission reduction goals. We also closely 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.	Following COP26, we are still encouraged about the possibility of limiting global temperature rises to 1.5°C. However, this will require societal change on an unprecedented scale over the next decade. We are dependent on the delivery of policy actions and the climate reduction targets of the firms we invest in. The actions that the world is taking will also to some extent inform the actions that we can take. Climate change and failure to transition to a low-carbon economy remains a significant risk that we believe has still to be fully priced in by financial markets, with delays in responding to the threats increasing the risk of sudden late policy action, leading to potentially large and unanticipated shifts in asset valuations for impacted industries.
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 seek to pre-fund and warehouse appropriate investment assets to support the pricing of long-term business. In seeking a comprehensive understanding of longevity we are evaluating how Covid-19 will impact wider trends in life expectancy. In our protection business, as part of our continuous evolution of our underwriting capabilities, we are seeking to ensure we fairly assess Covid-19 as a risk factor and that our reserves remain appropriate. However, we cannot remove the risk that adjustment to reserves may be required, although the selective use of reinsurance acts to reduce the impacts to us of significant variations in life expectancy and mortality.	Although vaccines have had a significant effect in reducing mortality rates from the most recent variant of Covid-19, uncertainty remains to future virus mutations and their virulence, the long-term efficacy of vaccines and the effects of 'long Covid' on morbidity. The deferral of some non-Covid-19 medical treatments during the course of the pandemic may also impact mortality and morbidity rates in our UK and US markets. Alongside Covid-19 related matters, 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; and the emergence of new diseases and changes in immunology impacting mortality and morbidity assumptions.

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 re-interpretation 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 so as to develop outcomes that meet the needs of all stakeholders. Internally, we evaluate change as part of our formal risk assessment processes, with material matters being considered at the Group Risk Committee and the Group Board. Our 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.	Regulatory driven change remains a significant risk factor across our businesses. Areas of future change include HM Treasury's consultation on Solvency II and the Future Regulatory Framework post Brexit; and the UK's financial conduct regulator's proposal for a new Consumer Duty will place obligations on firms to evidence the delivery of good customer outcomes. Regulatory focus also continues on operational resilience, the management of third parties and the transition risks presented to the financial service sector from climate change. We are also monitoring potential for changes in UK fiscal policy arising from the need to fund government borrowing in response to Covid-19; and the likelihood of a global move towards a higher tax environment (see Tax review page 28). We also continue to prepare in readiness for IFRS 17, which will introduce a new suite of financial reporting metrics. Within our property construction businesses, the Building Safety Bill and the Environment Act 2021 will also introduce new operating requirements.
New entrants may disrupt the markets in which we operate. There is already strong competition in our markets, and although we have had considerable past success at building scale to offer low cost products, we recognise that markets remain attractive to new entrants. It is possible that alternative digitally enabled financial services providers emerge with lower cost business models or innovative service propositions and 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 international capital standards, and are maintaining our focus on developing our digital platforms. On page 22 we illustrate some of the activities underpinning the digital transformation of our businesses. As set out on pages 38 and 39 we have a number of direct investments in strategically important market segments to enhance delivery of our core businesses including workplace benefits, insurtech, mortgages, health and care and equity funding. LGIM continue to invest in technology to achieve the resilience and agility critical to future success.	The need to adjust to living with Covid-19 has seen the acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. It has also seen businesses like ours transform working practices, and we expect to continue to invest in automation, using robotics to improve business efficiency. Our businesses are well positioned for changes in the competitive landscape that may arise from the roll out of defined benefit 'superfund' consolidation schemes, pension dashboards and 'collective' pension scheme arrangements. We also continue to be supportive of the opportunity for reform of the Solvency II capital regime post-Brexit.

Growth drivers
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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.	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 pages 86 to 91. Whilst we seek to maintain a control environment commensurate with our risk profile we recognise that residual risk will always remain across the spectrum of our business operations and we aim to develop response plans so that when adverse events occur, appropriate actions are deployed.	Although Covid-19 lockdowns in 2021 had some impact for our business operations, the majority of our business services have operated normally, and we expect to transition in 2022 to a hybrid office:home working environment that will seek to maintain high standards of customer service and internal control. We remain alert to evolving operational risks and continue to invest in our system capabilities, including those for the management of cyber risks, to ensure that our business processes are resilient. We are also cognisant of the risks as we implement a new global operating model and IT platform for LGIM, and have structured the migration in phases to minimise change risks.
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. We also engage our people on new ways of working under our hybrid home:office model and are investing in technology and upgrading our buildings to support a range of working styles.	Competition for talent across the full range of capabilities and qualifications is intense and demands that the group offers competitive compensation arrangements as well as opportunities for development and an attractive work environment. People with skills in areas such as technology and digital are 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. Market-wide approaches to hybrid working are still evolving, and although we believe we are taking the right steps, there remains a risk that our model does not align with the expectations of those we seek to attract or retain.

Leading investor in UK build to rent

Built for rent, designed for life

Box Makers Yard is a build to rent scheme in Bristol. There are 376 private and affordable apartments purpose-designed and built to support the flexible lifestyle of today's renters. Residents have the benefit of a gym, work from home space, private dining rooms, two roof terraces and superfast broadband.

The c.£95 million development welcomed the first residents in January 2021 and was fully let within eight months.

Governance

Board of directors

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

Other Board members during the year were:

Julia Wilson retired from the Board on 31 March 2021.

Sir John Kingman
Chairman
Appointed October 2016
N T

John brings financial sector, government and regulatory experience to the Board. John previously served as Second Permanent Secretary to HM Treasury, where he had responsibility for the Treasury's economics ministry functions and for policy relating to business, financial services and infrastructure. John was closely involved in the UK response to the financial crisis, handling the resolution of Northern Rock and leading negotiations with RBS, Lloyds and HBOS on their £37 billion recapitalisation; he was the first Chief Executive of UK Financial Investments Ltd (UKFI); 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 c.£8 billion a year.

Other appointments:
- National Gallery (Deputy Chair and Trustee)
- Tesco Bank (Chair)

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

Nigel brings strong leadership skills to the Board. Nigel was knighted for services to Finance and Regional Development in the 2022 New Year's Honours List. Nigel was awarded City AM's 'Business Personality of the Year' in 2014. Nigel also won the 'Most Admired Leader' award at Britain's Most Admired Companies Awards 2017. In 2019 Nigel won 'Change Maker of the Year' at the Seven Hills Change Makers Summit. Nigel was Chairman of the Investment Association's review of Executive Pay and the government's review of Mission Led Business (both 2016 – 2017). 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 is currently on the Prime Minister's Build Back Better Council and Levelling Up Council.

Jeff Davies
Group Chief Financial Officer
Appointed March 2017

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

Philip Broadley
Senior Independent Director
Appointed July 2016; Senior Independent Non-Executive Director from 31 March 2021
A N R Ri T

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

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

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

Henrietta was appointed to the Board in October 2018 and has been Chair of the Group's principal operating subsidiary, Legal and General Assurance Society Limited, since March 2018. She has extensive knowledge of the financial services and insurance sectors through her 25 years' experience in investment banking, most recently as Chair of the European Financial Institutions team at Bank of America Merrill Lynch.

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

Nilufer von Bismarck OBE
Independent Non-Executive Director
Appointed May 2021
A N Ri T

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 will take on the role of designated workforce director in April 2022.

Other appointments:
- Into University (Trustee)

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

Lesley brings a wealth of international, strategic and financial services experience having spent over 18 years in senior roles in financial services, including with Kleinwort Benson and the Bank of Scotland. Lesley previously served as Chair of Alliance Trust PLC and as Senior Independent Director at Hays plc. Lesley will have served as the designated workforce director from 2018 until April 2022. Lesley was appointed as Chair of the company's principal subsidiary Legal & General Investment Management (Holdings) Limited in July 2019.

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

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

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

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

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

Ric was appointed to the Board in June 2020 and brings significant investment management experience with over 25 years in the sector. Ric is the founder, Executive Chairman and Chief Investment Officer of Tristan Capital Partners, a pan-European real estate investment management firm with over €13 billion in assets under management.

Other appointments:
- Dartmouth College (USA) (Trustee)
- Royal National Children's SpringBoard Foundation (Director)
- The Black Heart Foundation (Trustee, Chairman and Founder)
- Eastside Young Leaders' Academy (Patron)
- Black Equity Organisation (BEO) (Trustee)
- Tappit Technologies (UK) Ltd (Non-Executive Director)
- Beam Up Ltd (Non-Executive Director)

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

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

Other appointments:
- Age UK (Chair)
- Brewin Dolphin Holdings Plc (Chair)

Geoffrey Timms
Group General Counsel and Company Secretary

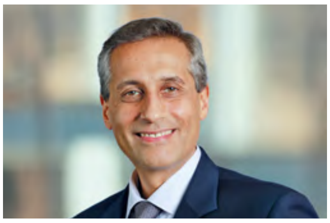
Geoffrey has been the Group General Counsel since 1999 and, in addition, the Group Company Secretary since 2008.

Board appointment post year end

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

Laura was appointed to the Board in January 2022. She 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 CEO of Tesco.com and Tesco Direct. She was also previously an advisor to the Government Digital Service 2012 – 2016 and a Non-Executive Director of the John Lewis Partnership 2017.

Other appointments:
- British Land Plc (Non-Executive Director)
- NHS Digital (Chair)
- NHS England (Non-Executive Director)



Tushar Morzaria
Due to join the Board as Independent Non-Executive Director on 27 May 2022
A N R Ri

Tushar is currently (until 22 April 2022) the Group Finance Director at Barclays Plc and has extensive financial services experience. Prior to his role at Barclays, he was the Chief Financial Officer of Global Investment Banking at JP Morgan Chase & Co and before that, held various roles at SG Warburg, Credit Suisse and JPMorgan Chase. Tushar will retire from his position at Barclays Plc prior to joining Legal & General. Tushar has extensive knowledge of strategic financial management, investment banking and operational and regulatory relations and a deep understanding of equity and debt capital management.

Other appointments:
- BP plc (Non-Executive Director)
- 100 Group Main Committee (Member)
- Sterling Risk Free Reference Rates Working Group (Chair)

Executive Committee

Sir Nigel Wilson
Group Chief Executive Officer
See Board of directors pages 62 to 63.

Jeff Davies
Group Chief Financial Officer
See Board of directors pages 62 to 63.

Geoffrey Timms
Group General Counsel and Company Secretary
See Board of directors pages 62 to 63

Other Executive Committee members during the year:

Simon Gadd stepped down as Group Chief Risk Officer in March 2021 and took on the role of Group Climate Change Director.

Other business unit Chief Executive Officers (CEOs) and Presidents

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

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

Kerrigan Procter
President of Asia, Legal & General Group

Kerrigan has been President of Asia, Legal & General Group since July 2021. He was previously Chief Executive Officer 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 2013 – 2017, and Head of Solutions at Legal & General Investment Management 2006 – 2012, where he was responsible for liability-driven investment and fund solutions for defined benefit and defined contribution pension schemes across Europe and the US. Prior to joining the group, he worked at RBS in the financial markets division where he held several roles. Kerrigan started his career in 1994 with EY Corporate Finance before moving to Mercer. He is a Fellow of the Institute of Actuaries and has a PhD in number theory from King's College, London.

Laura Mason
Chief Executive Officer, Legal & General Capital

Laura has been Chief Executive Officer of Legal & General Capital since July 2021. She was previously CEO of Legal & General's Institutional Retirement business from January 2018 to June 2021. Laura joined Legal & General in 2011 and has served in several roles since then, including as part of the senior management team responsible for setting up Legal & General Capital over 2014 – 2015. Laura is a qualified actuary and spent eight years at Towers Watson as a consultant to major UK life insurers. Laura has a First Class Honours Degree in Engineering Science from University of Oxford, and a PhD in Engineering Science (Neural Networks and Signal Processing) also from the University of Oxford.

Bernie Hickman
Chief Executive Officer, Legal & General Retail

During the reporting year, Bernie was CEO of Legal & General Insurance, responsible for the Insurance and Fintech businesses in the UK and US. Since 1 January 2022, Bernie has been the Chief Executive Officer of Legal & General Retail, responsible for the Retail and Workplace businesses within the group. Bernie joined Legal & General in 1998 from Commercial Union (now Aviva). Between 2005 and 2010 he was the Managing Director of Retail Protection during which time he launched the UK Protection digital platform, OLP Connect, which provides market-leading self-service functionality and high levels of straight through processing. Bernie became MD of Retail Retirement in 2014 and the CEO co-founder of Legal & General Home Finance in 2015, when he led the group's entry into the lifetime mortgage market. He has also held the positions of Group Financial Controller, Investor Relations Director and Solvency II Managing Director.

Andrew Kail
Chief Executive Officer, Legal & General Retirement Institutional

During the reporting year, Andrew was CEO of Legal & General's Retail Retirement business. Since 1 January 2022, Andrew has been the Chief Executive Officer of Legal & General's Institutional Retirement business. Prior to joining Legal & General in March 2021, Andrew was a senior partner at PricewaterhouseCoopers (PwC). He has 30 years' experience working with a wide range of financial services companies in audit, regulation, transactions and performance improvement. Within PwC he was the leader of the financial services practice and brings huge experience from across the industry including expertise in regulation, risk and technology. He is a Chartered Accountant and an Economics graduate from the University of Manchester.

Additional Executive Committee members

John Godfrey
Group Corporate Affairs Director

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

Emma Hardaker-Jones
Group Human Resources Director

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

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. Prior to that he was the Chief Financial Officer of Legal & General's Retirement division where he was responsible for driving the financial results of the business. Chris has also served as the Finance Director of the group's UK Savings and Protection business. Chris is a qualified actuary and has had a 32-year career in the UK and international financial services markets. He joined Legal & General in 2009.

Stephen Licence
Group Chief Internal Auditor

Stephen joined Legal & General in 2014 having previously been Emerging Markets Chief Internal Auditor at RSA Insurance where he was responsible for the internal audit activity in the group's businesses across Latin America, Asia, Middle East and Eastern Europe. His 26 years' internal audit experience has included life, general and healthcare insurance in both Legal & General and 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.

The role of the Executive Committee

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

Letter from the Chairman

Sir John Kingman
Chairman

I am delighted to present our 2021 Governance report which provides insight into how we, the Board, have approached our responsibilities during this year.

Covid-19 has continued to affect each of us and has had an unprecedented impact on our customers, employees and society at large. Throughout this crisis our business has been very resilient and continued to provide the products and services that our customers need. I am proud to report that, even during another challenging year, our colleagues have continued to adapt and have remained professional, committed and resilient in the face of adversity. I would like to extend my thanks to all our valued colleagues for their continued hard work and commitment to doing the best for our customers.

The strength of our diversified business model meant we were able to weather the volatility of 2020 and were well positioned to deliver profitable growth again during 2021. While the pandemic and its effects will no doubt be with us for some time, the Board is also looking to the future and to the many opportunities for Legal & General to make investments that are economically, environmentally and socially valuable, in line with our long-term commitment to delivering inclusive capitalism and supporting the Building Back Better and Levelling Up agendas. In particular, addressing climate change (one of Legal & General's six strategic growth drivers) remains at the forefront of our minds as we face not only the biggest challenge, but also the biggest investment opportunity, of our lifetimes. The Board was proud to see Michelle Scrimgeour, Chief Executive, Legal & General Investment Management, play such a central role in COP26 as co-chair of the COP26 Business Leaders Group.

Our approach to governance

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

As our business continues to evolve and as we pursue our strategic objectives in an ever-changing environment, our strong governance framework supports the Board in ensuring that across the group we make decisions in the right way. The Board has worked closely with the Executive team throughout this year as the business has continued to navigate the challenges presented by Covid-19 to ensure our business can continue to flourish. Our governance framework has supported us well to be able to continue to make agile and robust decisions throughout this period.

For the year ended 31 December 2021, we were required to measure ourselves against the 2018 UK Corporate Governance Code (the 'Code'). The Board has considered carefully the requirements of the Code and I am pleased to report that we have complied with all provisions of the Code throughout the year, save in respect of pensions alignment required under Code provision 38 where we will achieve full compliance by 31 December 2022 as further detailed on page 103. Further details on our compliance with the Code and how we have applied the various principles can be found on pages 80 to 81.

Annual General Meeting

In light of the UK Government's Covid-19 restrictions in 2021, and with the wellbeing of our shareholders and colleagues as our primary concern, it was with much regret that we were unable to hold a physical 2021 Annual General Meeting (AGM). We were however very pleased to be able to invite shareholders to join the AGM virtually via an online video platform. Through the platform, shareholders were able to view a live video stream of our AGM and participate in a live Q&A session with the Board. I am delighted that a number of our shareholders were able to join us virtually on the day to hear from myself, Sir Nigel Wilson and our Committee Chairs and I would like to thank those who participated in our live Q&A session or who submitted questions in advance.

The Board also recognises that the AGM presents an important opportunity for our shareholders to get to know newer Board members and to understand the skills and experience that they bring to the Board. In the absence of a physical meeting, we made available on our website a recorded interview with our two newest non-executive directors, Ric Lewis and Nilufer von Bismarck OBE. We hope that shareholders found this useful and informative.

The Board also took the opportunity to ask shareholders to support a proposal to change our articles of association to allow us to hold hybrid AGMs in the future. A hybrid AGM allows shareholders to attend and vote either in person or virtually. The Board recommended the change in order to allow our shareholders to have greater flexibility in deciding how they wish to participate in our AGMs and with a view to promoting greater participation and engagement. We are pleased that shareholders supported this proposal and we look forward to holding our first hybrid AGM this year.

Whilst last year's arrangements were no substitute for meeting shareholders in person, we hope that shareholders still felt connected to, and heard by, the Board through the steps that we took and I would like to thank shareholders for their understanding during this challenging period.

The 2022 AGM will be held on Thursday 26 May 2022 at 11am at the British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JP with additional facilities for shareholders to join and vote electronically. Full details of the business to be considered at the meeting and any special arrangements that may be in place in light of Covid-19 will be included in the Notice of Annual General Meeting that will be sent to shareholders by their chosen communication means and published on our website: group.legalandgeneral.com/AGM.

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

Stakeholder engagement

The Board has previously welcomed the changes to the Code aimed at promoting greater transparency around stakeholder engagement. As a Board, we are conscious of the impact that our business and decisions have on our stakeholders, as well as our wider societal impact. We keep the interests of the group's shareholders, customers, employees, suppliers and our wider stakeholders at the heart of our decision making and how we deliver our strategy to achieve long-term, sustainable success. Whilst Covid-19 has continued to create challenges this year, there has never been a more important time to stay connected with all of our stakeholders. Further information on how we, as a Board, have fulfilled our duties to our stakeholders under s.172 of the Companies Act 2006, including a case study of our engagement in practice, can be found on pages 68 to 73.

Board changes and succession planning

Legal & General continues to benefit from a high-quality Board with a diverse range and depth of expertise and skills. During the year we have continued to assess the composition of the Board. In March 2021, Julia Wilson retired as Senior Independent Director after a nine-year tenure on the Board, in accordance with the UK Corporate Governance Code requirement. I would like to once again thank Julia for her enormous contribution to the Board and the Company and for her valued support to me during my time as Chairman. Philip Broadley succeeded Julia as our Senior Independent Director and I would also like to thank him for his support during this year.

Nilufer von Bismarck OBE joined the Board as a Non-Executive Director on 1 May 2021. Nilufer has spent a large part of her 34-year legal career working with major international financial institutions and also has considerable experience across a range of other industries and sectors, including real estate, green infrastructure and fintech. In November 2021, we announced the appointment of Laura Wade-Gery as an independent non-executive director with effect from 3 January 2022. Laura's extensive knowledge of digital transformation and customer experience will further bolster the Board as the Company seeks to become a market leader in the digital provision of insurance and other financial solutions. We also announced the appointment of Tushar Morzaria who will join the Board as an independent non-executive director and will take over from Philip Broadley as Audit Committee chair when he joins us in May 2022. As the current Group Finance Director of Barclays Plc and with extensive financial services experience, Tushar is well positioned to fulfil the duties as Audit Committee chair and I look forward to welcoming him in May. We have also recently announced that Toby Strauss will stand down from the Board in April 2022 following his recent appointment as the Chair of Age UK. I would like to thank Toby for his very considerable contribution to the Board and especially as Chair of the Risk Committee. I will assume the role as the Chair of the Risk Committee on a temporary basis pending the appointment of Toby's successor.

This year, the Nominations and Corporate Governance Committee, together with the Board, has continued to focus on succession planning. We review both our Group Board and Executive Committee succession plans regularly and fully. I am pleased to report that Nilufer von Bismarck will succeed Lesley Knox as the designated workforce director with effect from April 2022. Lesley has done an outstanding job in establishing the role of the designated workforce director since it was created in 2018 and has discharged her role with great commitment and rigour. Lesley has championed the voice of our employees during Board discussions and has ensured that the Board has received regular and valuable insights into our employees. I would like to thank Lesley for the dedication she has shown to this role during her tenure.

As a Board, we consider the climate emergency to be a real and emerging risk to our business and the communities in which we operate. However, we also recognise the potential opportunities that can be created. Our commitment to climate issues is detailed on pages 18 and 19 and also in our climate report which can be found at group.legalandgeneral.com/reports. We consider that it is vital that the Board remains focused on this important topic and the Board is therefore pleased to have appointed Nilufer von Bismarck to the new role of designated non-executive director for climate. The Board agreed that Nilufer was an excellent candidate for both this role and as successor to Lesley as the designated workforce director, particularly as the climate emergency is an issue which our employees feel passionately about.

There were also a number of executive changes during the year. Laura Mason succeeded Kerrigan Procter as Chief Executive, Legal & General Capital and Kerrigan has moved to a new role as President of Asia to co-ordinate the group's expansion plans in Asia. In addition, since 1 January 2022, Andrew Kail has been appointed as Chief Executive, Legal & General Retirement Institutional and the Group's Retail businesses (Legal & General Insurance and Legal & General Retirement Retail) have been combined under the leadership of Bernie Hickman. We continue to closely monitor diversity in our succession plans to ensure that we are attracting, developing and progressing diverse talent.

Diversity and inclusion

We stand for diversity and inclusion: for a workplace where we all have the opportunity to perform at our best, no matter who we are. The Board is responsible for overseeing the group-wide diversity and inclusion policy, ensuring that everyone across Legal & General understands their responsibilities in driving an inclusive and diverse culture and the opportunities it can bring. We continue to develop a robust governance framework and use data and insights to shape our actions, measure our progress and drive accountability.

Diversity is important to us because it generates a wider pool of talent, reflecting the broadest range of human attributes, experience and backgrounds. We are building an inclusive culture that celebrates diversity and creates fair opportunities for all.

Laura Mason continues in her role as executive sponsor for diversity and inclusion, and great progress has been made with our diversity and inclusion initiatives across the group. See page 48 for more about these initiatives.

Subsidiary boards

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

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

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

Board effectiveness

The Board conducted an internal Board review in 2021 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. Further details of the process and outcome of this evaluation can be found on pages 78 and 79.

Sir John Kingman
Chairman

Stakeholder engagement

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

The below sets out our s.172 statement which provides details of the Board's engagement with our key stakeholders during the year and how stakeholder considerations have helped shape Board decisions and outcomes. Additional details of our key stakeholders and why they are important to us are set out on pages 16 to 17.

Through its engagement with key stakeholders, the Board seeks to understand the views, priorities and issues of each stakeholder group so that these can be carefully considered and balanced by the Board as part of its decision making. Additionally, the Group Company Secretary attends each Board meeting and is available to provide support to the Board in ensuring that sufficient consideration is given in relation to stakeholder views during Board discussions.

Engagement with our stakeholders

Shareholders

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

Engagement

Continuing engagement
- During the year the Chairman, Group CEO and Group CFO continued to meet with multiple investors.
- Investor Relations provides regular updates to the Board and engages the Board on shareholder-related matters. They also provide the Board with regular feedback on investors' views on business strategy and the market environment.
- Each year the Group CEO and CFO meet with investors and analysts following the release of our half-year and full-year financial results.
- The AGM provides an important opportunity each year for the Board to engage with all shareholders, particularly retail shareholders who might otherwise have limited direct engagement with the Board. In 2021 our AGM was held in One Coleman Street and, due to Covid-19, shareholders were not able to attend in person but were invited to join virtually via an online video platform. The Board was delighted to provide shareholders with the opportunity to ask live questions during the meeting.
- We provide easy access for our shareholders to the company's announcements, results and investor information through a dedicated shareholder section of our website. The website contains the Company's London Stock Exchange regulatory announcements and a copy of our annual reports and other relevant publications. A webcast of half-year and full-year results presentations for the current period is also made available via a link on the website which is permanently available.

Additional current year engagement
- In May, the Group CFO met with several investors to gain insights on their views at the Autonomous Insurers and Asset Wealth Manager Financials Forum.
- In September, the Chairman participated in the Goldman Sachs Chairman's Forum where he engaged with a range of different types of investor. Feedback from investor meetings was shared with the wider Board throughout the year.
- In October, we hosted a Capital Markets event for investors and analysts at our London Headquarters. Investors also had the opportunity to join virtually. The event focused on Legal & General Capital (LGC) and consisted of presentations on LGC's strategy, its approach and investment capability, financial performance and ambitions, and included a live Q&A with the Group CEO and the LGC management team. All of the material from the event was made available on the investors section of the group website.

Outcomes
- The Board is committed to continuing to enhance its engagement and interaction with our shareholders. Accordingly, the Board sought shareholder approval to make a change to the company's Articles of Association to permit hybrid AGMs. The Board hopes that this change will encourage more shareholders to participate in our AGM. The Board is very much looking forward to holding its first hybrid AGM on 26 May 2022.
- A full year dividend of 18.45 pence was approved by the Group Board on 8 March 2022.

Engagement with our stakeholders continued

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 benefitting from cost efficiencies and positive environmental outcomes.

Engagement

Continuing engagement
- The Legal & General Resources Limited Board, our main contracting entity for suppliers, receives a procurement update at each Board meeting, including an update on material procurements, relationships with suppliers and associated performance. The Group Board has sight of the minutes of each of these Board meetings and any issues are escalated to the Group Board where necessary.
- In accordance with the Group Board matters reserved, any expenditure in relation to a supplier in excess of an amount determined by the group from time to time is put to the Board for consideration and approval, as required.
- The Group Chief Financial Officer and the Legal & General Resources Board continued to receive updates regarding any supplier performance issues associated with Covid-19, including the continued work undertaken with suppliers to mitigate any risks.
- Lesley Knox is the Group Board sponsor for modern slavery and drives this agenda through her membership of the Modern Slavery and Human Rights Committee.

Additional current year engagement
- The Executive Risk Committee, Group Risk Committee and Group Technology Committee received reports relating to cyber security and supplier governance throughout the year.
- The Legal & General Resources Board and Group Environmental Committee were updated throughout the year on the progress of topics such as supplier diversity and modern slavery as well as the environment.
- Outputs from a current review of potential supply chain risks due to logistics delays, price increases and shortages will be presented to senior management during 2022.
- Throughout the year the Modern Slavery and Humans Rights Committee has been progressing risk assessments for the balance of our supply chain and has incorporated these results into our Financial Watchlist for material suppliers. See page 50 for information on our sustainable supply chain.

Outcomes
- This year we joined the Supplier Diversity Council UK to take a lead role in progressing this important topic and help shape the principles and toolkits needed. The Council meets regularly with the objective of raising awareness, sharing knowledge and looking at ways of helping to drive greater opportunity for small and diverse firms.
- We also enhanced our Sustainable Sourcing Principles Statement in November 2021 to bring greater clarity and detail in the guidance to buyers and supplier managers.
- Group Procurement is continuing to progress its five-year transformation journey. Once finalised, this will include the deployment of e-sourcing and supplier management tools which is anticipated to bring more granular analytics as well as digital sourcing capabilities.
- Following feedback from key stakeholders, our purchase order system continues to be utilised to drive payment efficiencies and cost controls.
- Our senior management team worked in collaboration with Stronger Together to deliver external workshops to over 40 suppliers in relation to human rights and spotting the signs of modern slavery. We have also delivered extensive training to promote awareness of this important topic. For more information on our activities in relation to modern slavery, refer to page 51.

Regulators

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

Engagement

Continuing engagement
- Certain non-executive directors of the Group Board and subsidiary non-executive directors attend individual meetings with both the PRA and FCA on a frequency determined by the regulators for each supervisory cycle. Topics covered include strategy, financial performance, Board effectiveness and wider governance, operational resilience, cyber, culture, regulatory matters (including the review of Solvency II) and customer outcomes. The directors share insights from these meetings at each Group Board meeting.
- At each meeting, the Group Board receives a conduct report from the Chief Risk Officer which contains an update on prudential regulation. The Chief Risk Officer periodically attends Group Board meetings to present to the Board.
- To mark the beginning of each two-year supervisory cycle, the FCA attends a Group Board meeting to discuss its priorities. The PRA attends the Group Board annually as part of the PRA's Periodic Summary Meeting (PSM) cycle.
- Throughout 2021 we continued to hold quarterly meetings with both the FCA and PRA on our plans to transition away from the interest rate benchmark LIBOR.

Additional current year engagement
- At the beginning of 2021, we were still working closely with the PRA and FCA on our response to Covid-19, with interactions decreasing after the first quarter 2021.
- Regular meetings continue to take place between management, our risk function and the PRA and FCA. We continue to brief the FCA on a programme to transform our financial crime risk management framework, and on the progress to close out a programme of work reviewing group-wide conflicts of interest. Additionally, there have been regular engagement meetings regarding the transformation of LGIM's middle office function and its move to a strategic target operating model.
- The Group Board values its open dialogue with the PRA and therefore invited the PRA to attend its July Board meeting to discuss and share its views on the 2021 PSM Letter.

Outcomes
- We have proactively engaged with our regulators this year to feed back industry views on Solvency II reform, including the PRA's Quantitative Impact Study to test a range of policy options which could lead to reform of the current solvency regulation for insurers; we hope these interactions make a positive contribution to the work of our regulators in achieving their statutory objectives. We have also used these opportunities to gain insights to requirements which have improved our own approach to regulatory compliance.
- Following extensive scrutiny and review at the Group Risk Committee, in May the Group Board approved the submission of the Internal Model Major Change application to the PRA. Our regular, transparent and constructive dialogue with the PRA helped to ensure that we received approval for this enhancement in December.
- In July, we actively engaged with the PRA to achieve approval for the PRA's non-objection to the redemption of £300m 10% subordinated notes due in 2041 and issued by the Company.
- Our Affordable Homes business worked closely with the Regulator of Social Housing to achieve approval for the creation of four newly incorporated entities within the group that are registered providers of social housing, to facilitate the provision of affordable housing across England.
- The Group Chief Financial Officer joined the Productive Finance Working Group, a joint forum of the Bank of England, Her Majesty's Treasury and FCA, with the objective of finding solutions to overcome the barriers to investing in long term, less liquid assets, with a particular focus on DC pension scheme investment.

Engagement with our stakeholders continued

Communities

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

Engagement

Continuing engagement

- The Board receives an annual update on the Corporate Social Responsibility (CSR) strategy.
- The Group Environmental Committee (GEC) is responsible for providing strategic direction for the management of environmental impact, with a particular focus on the delivery of our strategic response to climate change.
- Jeff Davies is the Group Board sponsor of the climate report, whilst, as noted above, Lesley Knox is Group Board sponsor for Modern Slavery. These Board members drive the agenda in relation to the respective subject area, receive reports back on targets and plan the upcoming five-year strategy.
- Our continued relationship with the Duke of Edinburgh's Award Scheme enables us to support young people across the UK and US, especially important given the impacts of Covid-19 on young people's prospects.
- Sir Nigel Wilson, our Group Chief Executive, continued as a member of the government's expert advisory groups on social care and life sciences, as well as chairing the Bank of England/FCA Climate Financial Risk Forum workstream on innovation.
- We demonstrate our continued commitment to net zero through our membership of the Net Zero Asset Managers Initiative and the Net Zero Asset Owner's Alliance.
- Responding to the challenges of ageing demographics is a strategic priority for us and we are pleased to continue to support the University of Edinburgh's Advanced Care Research Centre.

Additional current year engagement

- Michelle Scrimgeour, CEO of our investment management business, led our engagement at the COP26 summit in Glasgow in November in her capacity as co-Chair of the government's COP26 Business Leaders Group. As part of our engagement with COP26, we made a range of commitments in support of our ambition to align with the 1.5°C 'Paris' objective. Michelle and John Godfrey, our Group Corporate Affairs Director, delivered an update on COP26 outcomes to the GEC in November to develop the Committee's knowledge and outlook.
- In October, Philip Broadley, our Senior Independent Director, hosted a business breakfast with His Royal Highness the Earl of Wessex and a number of high profile business leaders at our London Headquarters to discuss employers' roles in supporting young people's prospects in employment.
- Following LGC's launch of its residential housing arm, Suburban Build to Rent, members of the Group Board visited one of our Build to Rent sites in Bristol to see first-hand the impact of the investment on the community. The Board also held a strategy event in Oxford and received a tour of the city which highlighted the impact of our investments.
- Members of the Group Board visited The Interchange building in Cardiff Central Square. The Interchange is a testament to our purpose of inclusive capitalism, as we continue to invest pension money in the future of cities and towns across the UK and develop buildings with net zero carbon targets. In addition, The Interchange will be the new office for our Cardiff-based colleagues.

Outcomes

- Page 73 provides examples of some of our recent investments which have positively impacted communities.
- We have established a partnership with Sir Michael Marmot and the University College of London Institute of Health Equity in order to explore the specific role of business in addressing health inequity. An update was delivered to the Group Board in May and the Board were enthusiastic and supportive of the partnership, demonstrating our continued commitment to inclusive capitalism.
- This year represented an important milestone for our Modular Homes business with contracts to deliver 185 Modular Homes in Bristol and 95 highly-sustainable, energy efficient and affordable homes in Warminster. Legal & General Modular Homes are leading the way in the delivery of high-quality, affordable and sustainable homes with each home achieving a minimum of energy performance certificate ''A' rating by design. Currently fewer than 2% of new build homes in the UK achieve this high standard. This will help support local communities by enabling councils and housing associations to deliver future development and housebuilding projects in shorter timescales. In September, the CEO of Modular Homes hosted a site visit in Bristol for members of the Group Board which included an overview of the Modular Homes housing delivery programme and sustainability benefits. The CEO of Modular Homes also provided an update to the Group Executive Committee in September.
- In April we joined the Glasgow Financial Alliance for Net Zero, a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy.
- As we look to implement our climate change commitments and targets, Nilufer von Bismarck was appointed as the designated non-executive director for climate and will act as a single point of contact for the business and as a conduit for the Board.
- Sir Nigel Wilson became a member of the Prime Minister and Chancellor's Build Back Better Business Council which brings together a broad range of business leaders from across the whole British economy to work in partnership with the government in an effort to unlock investment and boost job creation.

Engagement with our stakeholders continued

Customers

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

Engagement

Continuing engagement

- The Group Board receives a Customer Champion report annually. The report provides an update on progress made in relation to the customer journey and a view for the year ahead.
- The Group Risk Committee receives detailed customer Management Information (MI) at each meeting and the Customer Champion attends each meeting to present to the Committee.
- Subsidiary Boards are also in receipt of regular updates regarding customers.

Additional current year engagement

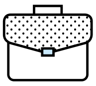
- In April, Sir John Kingman visited our Hove office and undertook various call listening activities to gain a deeper understanding of the customer journey.
- In November, Nilufer von Bismarck, one of our non-executive directors, spent a day with our Home Finance and Financial Advice team in Solihull. The team walked through the customer journey, shared insights from customer feedback and provided an overview of the future roadmap for developments. Nilufer also spent time call listening with our Retail Protection team in Cardiff in September to gain further insights into the customer journey.
- The managing director of our newly formed Retirement Solutions business presented to the Board in July to provide insight into how customers are at the heart of our strategy. This included an overview of the extensive customer research that has taken place to develop our understanding of customer needs and expectations.
- During the first half of 2021, the Group Executive Committee received regular updates on customer performance to ensure any detrimental impacts to customer service as a result of Covid-19 were minimised.
- The CEO of our LGI Retail Protection business shares an additional monthly update with the Board which details the service recovery plan for customer claims and which includes detailed customer MI.

Outcomes

- Throughout the year customer feedback has been positive, with 80% of respondents scoring us 7 or above in customer satisfaction ratings (65% of respondents gave us a 9 or 10).
- Our telephony service level agreements (SLAs) have generally been strong and improved throughout the year. This was helped as our call centre colleagues were able to return to the office. Where SLAs have not quite been reached, the challenge and focus from the Board has helped shape the recovery plans of respective businesses.
- After reviewing the customer journey and our customer research, we have delivered improvements that make it easier for our customers to connect with us. The number of customer logins to our digital portals increased by 30% in 2021 vs 2020. We've also improved our online functionality and introduced new self-service options which has led to a reduction in a number of our end-to-end customer journey times and increased self-service transactions by 29%.
- A strong and persistent Board focus on our retail protection claims experience has improved claims timings throughout the year. In Q4 2021, the time it took us to settle non-medical claims reduced by 19 days compared to Q2 2021.
- Our continued focus on vulnerable customers has meant that our teams are better placed to identify and respond to instances of vulnerability. Some of our key successes have emerged from relationships with third-party organisations and charities. Across the group, we have used their expertise to help us understand customer needs, train our staff, improve our documentation, and provide additional support to our customers where appropriate.
- In January, we launched two new services in an effort to make life simpler for our customers and address a growing customer need – a 'stand-alone' tracing service to help customers track down lost or forgotten pension pots, and a consolidation solution, for those wanting to bring their various pension savings together.
- To help our customers approaching retirement understand their options and better manage their financial affairs in later life, we have introduced a free online course with The Open University to equip our customers with knowledge of retirement planning.

Engagement with our stakeholders continued

Employees



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

Engagement

Continuing engagement

- Lesley Knox continued in her role as designated workforce director and reported to the Board at each meeting on employee-related matters.
- We continued with our Voice surveys, widening the scope to include, for the first time, employees of CALA Homes alongside employees from elsewhere within our group. The surveys continue to provide us with valuable insights on what is important to our employees. During 2021, the Board and Group Executive Committee received periodic reports on Voice data.
- To continue to ensure engagement with employees during Covid-19, we continued with our efforts to update employees through our internal communications. Dedicated business partnering teams and a central internal communications function continued to provide updates, especially through The Hub, our digital workspace. This allowed members of our Group Executive Committee to communicate regularly with all employees on a range of themes including (but not limited to) business strategy, commercial updates, wellbeing, inclusion and climate change.
- We continued to engage closely with employee representatives – particularly through our partnership with Unite – to ensure that our offices remained Covid-19 safe.
- Our D&I Council – chaired by Laura Mason, CEO of LGC, and comprising senior leaders from across the business – continued to meet. For more information on our diversity and inclusivity progress and achievements, refer to page 48.
- The Board has oversight of whistleblowing and receives an annual report as well as more detailed periodic reports when appropriate. Philip Broadley serves as the Group Board's whistleblowing champion.

Additional current year engagement

- Members of the Group Board hosted a celebratory employee lunch to mark the 25th anniversary of the group's presence in Cardiff. This enabled the Board members to meet with, and listen to insights from, a range of employees from our different teams in Cardiff.
- As previously noted, members of the Group Board met with employees from our offices in Hove, Cardiff and Solihull this year. The Board welcomes the invaluable opportunities site visits provide the Board in being able to hear, first hand, insights and opinions from our employees.
- The Group Chairman and Lesley Knox also took part in The Listening Project, during which they heard first hand from employees from a range of ethnic backgrounds about their experience at Legal & General in a focus group setting.
- With the shift in focus from managing the acute crisis of Covid-19 towards planning for a post-lockdown future, we engaged with our employees through our Future of Work surveys in March 2021.
- Building on our 2020 efforts, further virtual town hall meetings were held during 2021, including for our full-year results. During 2021 we also launched a new video series, Your Question Time, in which employees were invited to ask members of the Group Executive Committee questions of interest.

Outcomes

- This year Lesley Knox, in her role as designated workforce director, has attended virtual meetings across our operating divisions, as well as in-person meetings where possible. A report from the designated workforce director, including details of activities throughout the year and the output of this engagement, is provided on page 74.
- 77% of employees took part in the fourth quarter Voice survey, providing 27,684 individual comments. Our employee satisfaction score fell by one point to 76 compared to October 2020, although it remained above pre-Covid-19 levels (74 in March 2020).
- Our D&I Council sponsored Count Me In, a communication campaign designed to improve the quality and quantity of diversity data we hold on our people. This led to an improvement in the completeness of our data. For instance, data held on ethnicity increased from 52.6% (December 2020) to 67.9% (December 2021).
- To recognise the importance of mental and physical wellbeing to our employees, our Chief Financial Officer, Jeff Davies, was named as our executive sponsor for wellbeing. We continued to support our Mental Health First Aider network and promote employee access to wellbeing resources including our Employee Assistance Programme and Unmind mobile app, as well as introducing new wellbeing-focused training for line managers, a constituency we identified as key for promoting overall wellbeing. We also arranged virtual wellbeing and mindfulness sessions for employees led by individuals with personal experience, such as Fearne Cotton and Roman Kemp, our Wellbeing Ambassador.
- This year we launched a new menopause policy as a result of feedback from our employees about the need for better provision on this topic.
- The insights and data gathered from our Future of Work surveys, which was supplemented by stakeholder interviews and engagement with employee representatives, has helped inform our Group Executive Committee's planning for the post-Covid-19 workplace.

Major decisions and discussions during 2021

Stakeholder considerations are an integral part of the Board's decision making and we seek to embed this in our key subsidiary boards and decision making committees throughout the organisation. As part of the submission to the relevant decision-making forum, all group and subsidiary Board papers must demonstrate that any potential impacts to stakeholders have been considered.

Whilst not all decisions affect every stakeholder group, our Board and Committees endeavour to balance the sometimes conflicting needs of our stakeholders to ensure that all are treated consistently and fairly. When making key decisions, the Board is mindful of maintaining a high standard of business conduct and ensuring that decisions are taken to promote the Company's long-term sustainable success.

You can find our s.172 statement on pages 68 to 72.

Some of the major decisions and considerations of key decision-making forums during 2021 include:

Shareholders | Suppliers | Regulators
Communities | Customers | Employees

Major decision	Strategic link	Key stakeholder groups impacted
Setting and approval of a capital budget for the writing of new pension risk transfer business in 2021 in order to ensure continued prudent balance sheet management.	This decision demonstrates the execution of our strategic priority to become global leaders in pension de-risking and retirement income solutions.	
Approval of changes to Articles of Association to allow hybrid AGMs.	The change to our Articles allows our shareholders and employee shareholders greater flexibility in deciding how they wish to participate in our AGM through the use of technological innovation.	
Approval of the £500 million joint venture between Legal & General Capital and NatWest Pension Trustee Limited (the defined benefit pension scheme of NatWest Group) to fund the development of 5,100 retirement homes across 34 schemes in England.	This transaction shows our commitment to investing in the real economy for the benefit of society and demonstrates the ability of our Capital business to attract third-party capital to its investment portfolio in an effort to crystalise value for shareholders. In addition, this joint venture supports our aim to address climate change through the positioning of our own investments as the majority of the retirement homes will be net zero.	
Approval of £105 million funding for the development of a new innovation district with the University of Oxford, extending Oxford's existing BegBroke Science Park, through Legal & General Capital's joint venture with the University.	This transaction demonstrates our commitment to investing in long-term assets that benefit society; the first phase of the scheme will bring forward new teaching facilities, and future phases will seek to develop new affordable homes and subsidised key-worker accommodation.	
Approval of Bruntwood SciTech, LGC's joint venture with Bruntwood, to proceed with a partnership with the University of Manchester to deliver ID (Innovation District) Manchester, a new £1 billion innovation district across the city centre to accelerate the dissemination of the world-leading research.	This transaction aims to deliver our strategic priority of investing capital over the long-term, we aim to become leaders in direct investments whilst benefitting society through socially responsible investments. In addition, this investment supports our technological innovation ambitions by supporting the growth of the UK's science and technology infrastructure.	
Approval to sell Legal & General's stake in MediaCity, LGC's long-standing joint venture with Peel Land & Property Group.	This transaction is part of our dynamic and strategic approach to recycling profits and investing in new projects which are reviving town and city centres across the UK.	

Looking at one of our major projects in more detail: Sale of the Personal Investing Business

Following the sale of LGIM's Personal Investing legacy book of business (the "PI Business") to Fidelity in 2020, this year the Board oversaw the migration of eligible customers to Fidelity in tranches during the course of 2021. The migration process completed in December 2021. The PI Business comprised approximately 280,000 customers invested in ISA, Junior ISA and General Investment Account products, holding LGIM Funds. Post-transfer, the migrated customers remain invested in LGIM funds (unless they elect to transfer their investments to alternative funds) for which LGIM will continue to earn an investment management fee.

Our stakeholder impact analysis identified the following risks and benefits to our key stakeholders:

Risk	Mitigant/Benefit
Risks associated with a failure to deliver the required customer outcomes.	The impact on customers was a key consideration for the Board when considering and implementing the sale and transition of the PI Business to Fidelity. The LGIM team worked closely with Fidelity prior to the transaction being signed to assess the impact of the transaction on customers and to ensure that customer outcomes would be delivered, with a particular focus on costs and charges, continuation of service, availability of propositional features and financial stability/capital. The impact on customers continued to be assessed by the Board through regular updates throughout the migration process.
Risk of negative impact on Legal & General employees dedicated to the PI business.	At the time of the sale and throughout 2021, we worked closely with our trade union, Unite, to help employees explore available opportunities within the business and redeploy as many of the employee workforce dedicated to the PI business as possible. Where redundancies were unavoidable, we negotiated that employees would be paid out their notice periods rather than being required to work and agreed to pay enhanced pro-rated bonuses for 2021, to which employees would not generally be entitled.
Risks with regulatory engagement.	There was proactive engagement and dialogue with the FCA throughout the sale and migration process.

Employee engagement

Lesley Knox
Designated workforce director

Covid-19 overshadowed 2020 and has also impacted 2021, but for many employees 2021 has been a return to more normal ways of working and a gradual return to the office. This meant that as the year went on, the issues and feedback raised by employees with me changed too.

Throughout the year, I continued to meet employees, both virtually and in person, as part of my plan to engage with them and represent their views. My model of "listen, reflect and represent" has held good throughout this time. The frequency of discussion about people issues at the Board throughout the past three years shows how seriously Legal & General takes understanding the views of its people.

During the first half of 2021, the safe re-occupation of our office spaces was the key concern raised in meetings. Understandably, there were health and safety questions, especially amongst those who had not accessed offices at all during lockdown. The work we did during 2020 to keep offices safe stood us in good stead for 2021: safety measures were well understood, observed very strictly, and audited by Unite and the Health and Safety Executive.

During the first half of the year in particular, our employees took a keen interest in the future of work: our way of thinking about and describing how we will use office and home-based working in combination in future. We knew from research carried out during the initial lockdown that employees valued elements of home working but missed the interpersonal contact that office working brings, as well as, in some cases, being in far from ideal situations for working at home.

Further research carried out during March 2021, borne out by conversations I have had with employees, showed that the preference for the majority of our people would be a form of hybrid working, which is the assumption on which we have based our future of work plans.

Other issues have also come to the fore during my engagements with employees. Some of them have been specific to us, especially relating to the quality of office facilities. But issues larger than Legal & General have been part of the dialogue too. Examples include diversity and inclusion and wellbeing, which are all of great interest to the Board. I was pleased to be part of the Company's "Listening Project", in which the Chair and I met employees from various ethnic minority communities in order to understand their views on lived experience at Legal & General and in industry more broadly. Alongside similar sessions run for the Executive team, these were helpful in focusing the Company's diversity and inclusion efforts in 2021.

As in 2019 and 2020, the mainstay of my engagements in 2021 was through informal and formal meetings with various groups of employees. This ranged from attending sections of team away days through to joining groups such as the Hove Health and Safety Committee, the LGC culture champions and the Modern Slavery Committee. I also received regular updates on the results of our employee survey, Voice, which are presented to the Nominations and Corporate Governance Committee as a matter of course.

Our employees continue to give positive feedback about the efforts taken by Legal & General to keep them informed, through online communications, virtual town halls and video content, including the short videos designed to introduce our new non-executive directors.

2021 was the final year of my role as the employee representative on the Board as I hand over to my successor Nilufer von Bismarck in April 2022, but I will continue to be interested in our employees and I look forward to hearing Nilufer's reports to the Board. I would like to thank the employees I have spent time with over the last three years. Their openness in talking about working at Legal & General and their suggestions have helped make it a better place for everyone to work.

Governance report

The UK Corporate Governance Code – committed to the highest standards

The 2018 UK Corporate Governance Code (the 'Code') emphasises the role of good corporate governance in achieving long-term sustainable success. The principles of the Code are the standards against which we are required to measure ourselves during the year. Pages 80 to 81 set out at a high level how we have complied with each of the principles, save in respect of pensions alignment required under Code provision 38 where we will achieve full compliance by 31 December 2022 as further detailed on page 103. The information required under Disclosure Guidance and Transparency Rule 7.2.6 can be found in the Directors' report on pages 234 to 237. Each year, the Board reviews the group's corporate governance framework and compliance with the Code.

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

The Board

The table in the adjacent column sets out the changes to the Board that have taken place over the course of the year. Nilufer von Bismarck OBE was appointed to the Board as an independent non-executive director in May 2021, bringing to the Board extensive experience in financial services. Laura Wade-Gery was appointed to the Board in January 2022. Laura has extensive knowledge of digital transformation and customer experience. Laura's appointment reflects the Company's commitment to technological innovation as it seeks to become a market leader in the digital provision of insurance and other financial solutions. We also announced the appointment of Tushar Morzaria who will join the Board in May 2022 as an independent non-executive director. Tushar will also take over from Philip Broadley as Audit Committee chair when he joins us. As the current Group Finance Director of Barclays Plc and with extensive financial services experience, Tushar is very well positioned to fulfil the duties as Audit Committee chair. We have also recently announced that Toby Strauss will stand down from the Board at the end of April 2022 following his recent appointment as the Chair of Age UK and I would like to thank him for his very considerable contribution to the Board and especially as Chair of the Risk Committee. I will assume the role as the Chair of the Risk Committee on a temporary basis pending the appointment of Toby's successor.

Julia Wilson retired from the Board on 31 March 2021 following a nine-year tenure in accordance with the Code. Philip Broadley has succeeded Julia as Senior Independent Director.

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

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

Appointments	Retirements
Nilufer von Bismarck 1 May 2021	Julia Wilson 31 March 2021
Laura Wade-Gery 3 January 2022	Toby Strauss 29 April 2022
Tushar Morzaria 27 May 2022	

How the Board operates

The Board is led by the Chairman, Sir John Kingman. The day-to-day management of the company is led by Sir Nigel Wilson, the Group Chief Executive Officer. The non-executive directors play a key role in our governance framework and culture, and their roles are not limited to the boardroom. Examples of some of the other activities they have undertaken during the course of the year are set out on pages 68 to 72.

The Board is accountable for the long-term success of the Company by setting the group's strategic objectives and monitoring performance against those objectives. The Board meets formally on a regular basis and at each meeting considers business performance, strategic proposals, acquisitions and material transactions in the context of the group's strategic plans, risk appetite, the interests of the group's stakeholders and our social purpose. The Board and 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 contribution to, and oversight of, key decisions, and that the day-to-day business is managed effectively. The delegated authority framework includes a clearly defined schedule of matters reserved for the Board. The types of matters reserved include, amongst other things, matters relating to the group's strategic plan, material transactions, risk appetite, and oversight of systems of internal control and corporate governance policies. Those matters which are not reserved are delegated by the Board to group-level committees and to the Group Chief Executive Officer who then delegates decision making onward to the Group Capital Committee, an executive decision-making forum, and his direct reports.

How the Board spent its time in 2021

The Board held eight full formal Board meetings during 2021, including two strategy events. Board sub-committees were also constituted on a number of occasions in order to deal with matters arising in the ordinary course of business outside of the formal schedule of meetings. The Board also held a number of Board calls between formal meetings to keep abreast of business developments. A table of individual Board member attendance at the formal Board and Committee meetings is provided on page 78. 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 Chairman periodically to review the Chairman's performance. Board members also meet informally with the executive and senior management on a regular basis outside of the formal meeting schedule.

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

- an update from the Group Chief Executive Officer, the Group Chief Financial Officer and a report from each of the key business divisions on business performance, key business initiatives, customer and employee engagement, control environment and culture.
- regular updates from the Chair of each of the Group Committees and designated workforce director.
- discussions on strategic ambitions, acquisitions, material transactions and other material initiatives.
- risk and compliance matters.
- legal and governance matters.
- people and employee engagement matters
- ESG considerations.

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

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

Governance report
continued

Key areas of focus in 2021	Discussion and actions arising
Strategy	• At its December meeting, the Board considered and approved the group's five-year business plan. This included a review of the divisional strategic objectives, initiatives and financial and non-financial Key Performance Indicators. • The Board held a full-day strategy event in April which covered, among other things, the opportunities for the group to deliver value creation through ESG and the continued focus on scaling asset origination capabilities in LGC. The Board further discussed in detail the group's medium-term strategy which includes scaling our alternative asset businesses and internationalising the group's diverse businesses in selected markets with a focus on growth in the US and Asia, leveraging existing strengths across the group. • The Board held a further two-day offsite strategy event in November which covered areas such as our people and the retail retirement strategy. The Board also discussed internationalisation opportunities for LGIM. The event was held in Oxford and the Board visited a number of development sites as part of our Oxford University Development partnership. • The Board considered strategic ambitions at its Board meetings and further considered corporate and material transactions, including consideration of material pension risk transfer transactions, to ensure that proposed transactions were aligned with the group's strategy and risk appetite. The Board had early sight of pipeline initiatives. • The Board reviews and oversees material strategic projects, including in respect of a new global operating model and IT platform for LGIM and the group's preparation for the implementation of IFRS 17.
Covid-19	• The Board continued to monitor and scrutinise the impact of Covid-19 on the group and the group's response to it, including moving the business back to a business as usual position. • The Board received regular updates on, and had regular discussions in relation to, the group's return to the workplace, including the importance of preserving our collaborative culture balanced with ensuring the safety of the workforce and taking into account the workforce's views on hybrid ways of working. • Discussions and actions focused on ensuring the continued resilience of the group both financially and operationally, the continued servicing of the group's customers and ensuring the safety of the group's people, in addition to the close monitoring of the wider macro-economic environment.
Governance and risk management	• Following an external Board evaluation in 2020, the Board conducted an internal Board evaluation in 2021 which was externally facilitated by Board evaluation specialists Independent Board Evaluation. An action plan was drafted and agreed by the Board following the evaluation. • Following recommendations from the Nominations and Corporate Governance Committee, the Board approved the appointment of two new non-executive directors to the Board. • The Board regularly received and discussed reports from the Group General Counsel and Company Secretary on legal matters, emerging regulation and governance changes. • The Board regularly received and discussed reports from the Chief Risk Officer on risk and compliance matters, including an annual report on whistleblowing and the report on our review of management of conflicts of Interest.
Stakeholders	• During the year, the Board regularly considered the group's relationship with various stakeholder groups. It discussed customers, shareholder matters, employee engagement, and the group's impact on, and relationship with, wider society and the environment. • The Board has focused deep dives, for example sessions with the executive nominated as the Group's Customer Champion, and it considered these matters as part of its decision making on strategic proposals. • Employee engagement continued to be a focus for the Board in 2021 with Lesley Knox, the designated workforce director, providing regular updates on engagement with the workforce, the results of the employee surveys and visits to a number of Legal & General office locations. • The Board approved a proposal to update the Company's Articles of Association to permit hybrid AGMs to allow our shareholders to have greater flexibility in deciding how they wish to participate in our AGMs and with a view to promoting greater participation and engagement. • The Board regularly discussed furthering the group's agenda to create a diverse and inclusive organisation, including with regard to gender and ethnicity. • During the year a number of Board members visited the Modular Homes and Build to Rent sites in Bristol and were also given a tour of the new Cardiff office and Legal & General's regeneration of Cardiff Central Square. Board members also met with employees in Cardiff to celebrate Legal & General's 25th anniversary of being in Cardiff. • Board members visited Oxford as part of their offsite strategy event and met with members of the community to see first-hand the impact of Legal & General's investment in the city. • As part of her induction, Nilufer von Bismarck visited our Solihull office to meet with colleagues, listen to insights from customer feedback and an overview of the future roadmap for developments. Nilufer also visited our Retail Protection colleagues in Cardiff and participated in call listening exercises to learn about the customer journey. • Board members met regularly through the year with key regulators, the Prudential Regulation Authority and Financial Conduct Authority and feedback from the meetings was discussed at each Board meeting.
ESG	• The Board regularly received updates and discussed the range of activities the group is pursuing in respect of climate change. Simon Gadd was appointed as the Group Climate Change Director and works alongside the Board to develop the group's thinking and planning. • The Board appointed Nilufer von Bismarck as designated non-executive director for climate to act as a single point of contact on climate matters for the business and to act as a conduit for the Board. • Whilst considering new investments, the Board ensured that they aligned with the group's macro growth drivers, such as addressing climate change and investing in the real economy to bring societal change. • The Board received an in-depth climate 'stock-take' update which set out how the group is approaching the challenges and opportunities associated with the climate change crisis. The update highlighted the importance of embedding Legal & General's response to climate change and broader environmental impacts into the way it operates. • Michelle Scrimgeour led the group's engagement at the COP26 summit in Glasgow in November in her capacity as co-chair of the government's COP26 Business Leaders Group. As part of our engagement with COP26, we made a range of commitments in support of our ambition to align with the 1.5°C 'Paris' objective. Michelle and John Godfrey, our Group Corporate Affairs Director, provided an update to the Board on the conference and its outcomes. • The Board received updates on the group's housing property portfolio, including an update on our Modular Homes business which helps councils and housing associations deliver affordable homes in shorter delivery timescales to benefit towns and cities across the UK.

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

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

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

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

In addition, all Board members receive continuing education and development at regular intervals throughout the year. It is the responsibility of the Chairman to ensure all directors have the necessary knowledge and training. Board and Committee meetings are used regularly to update the Board on developments in the areas in which the group operates, and specific training sessions for directors are scheduled for key topical issues. In the year, each director was given the opportunity to meet with the Group HR Director to discuss any specific focus areas for training.

For example, in 2021 the Board received detailed training sessions on technology risk and governance, cyber security and IFRS 17. The Board non-executive directors also visited our business operations in different locations and attended one-to-one briefing sessions with key members of the senior management team on a regular basis over the year.

Technology Committee

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

Its other responsibilities include:

- overseeing the control environment in place for information technology and cyber security.
- overseeing technology aspects of major change programmes and understanding their strategic contribution and risks.
- reviewing risks relating to IT and cyber security and plans for mitigation or treatment.
- reviewing and approving any proposed technology projects and contracts within its remit of responsibility.
- considering current capability relating to technology, cyber and digital skills and plans to address any gaps.
- considering the adequacy, resilience and performance of suppliers and supply chains for IT and cyber.

During 2021, the Committee membership comprised the Chairman and four independent non-executive directors, including the Senior Independent Director and the Chairs of the Audit Committee and Risk Committee. In addition, one of the Group CEO, Group CFO, Chief Risk Officer and Chief Technology Officer are expected to attend all meetings; in practice, all four of these executive members attend. The Committee is advised by three independent cyber and IT experts. The Committee met four times during 2021.

The group IT community was at the forefront of the group's Covid-19 response as the group moved to a more agile way of working. The Technology Committee continued to assess the impact of Covid-19 on the group's technology estate and our technology suppliers throughout 2021.

In 2021 the Committee:

- received regular updates from the Technology Executive Committee and the Executive Security Committee.
- reviewed risks relating to cyber security and the cyber-resilience of suppliers.
- Focused on the group's cyber security, information security and access management programmes.
- reviewed and endorsed the organisation and operating model in place for IT and cyber security and subsequently considered its ongoing suitability.
- maintained oversight of the overall resilience of the group's IT systems and reviewed and approved divisional technology transformation programmes.
- maintained oversight of the group's IT, digital and cyber strategies and the corresponding implementation plans.
- received deep dive insights into major IT and cyber programmes across the group.
- received updates on the technological threats and opportunities available to the group.
- received updates on the group's data capabilities and the opportunities this could create.
- received presentations from external speakers to provide an overview of industry trends and potential threats in relation to cyber security.

Board and Committee meetings attendance during 2021[1]

Director	Appointment date	Committee appointments	Board (8)	Audit Committee (5)	Nominations and Corporate Governance Committee (3)	Remuneration Committee (5)	Risk Committee (5)	Technology Committee (4)
Chairman and executive directors								
Sir J Kingman[2]	24 October 2016	N T	8/8		3/3			4/4
Sir N D Wilson	1 September 2009		8/8					
J Davies	9 March 2017		8/8					
Non-executive directors								
H Baldock[3]	4 October 2018	N R Ri	8/8	1/1	3/3	5/5	5/5	
N von Bismarck[4]	1 May 2021	A N Ri T	5/5	4/4	3/3		3/3	3/3
P Broadley	8 July 2016	A N R Ri T	8/8	5/5	3/3	5/5	5/5	4/4
L Knox[5]	1 June 2016	N R Ri	8/8	1/1	3/3	5/5	5/5	
G Lewis[6]	1 November 2018	A N R Ri	8/8	5/5	3/3	1/1	5/5	
R Lewis[7]	18 June 2020	N R Ri	8/8		2/3	5/5	5/5	
T Strauss	1 January 2017	A N Ri T	8/8	5/5	3/3		5/5	4/4
J Wilson[8]	9 November 2011	A N Ri	2/2	1/1			1/1	

1. Attendance at meetings in accordance with the formal schedule of meetings.
2. Attends all Audit, Remuneration and Risk Committee meetings as an invitee.
3. Stood down from the Audit Committee on 31 March 2021.
4. Appointed to the Board, Audit Committee, Nominations and Corporate Governance Committee and Technology Committee on 1 May 2021 and subsequently to the Risk Committee on 1 July 2021.
5. Stood down from the Audit Committee on 31 March 2021.
6. Appointed to the Remuneration Committee on 7 October 2021.
7. Unable to attend January Nominations and Corporate Governance Committee meeting due to a family bereavement.
8. Retired from the Board on 31 March 2021.

Committee membership key

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

Board evaluation

The effectiveness of the Board is essential to the success of the group. The Board undertakes a formal and rigorous review of its performance and that of it's Committees and individual directors each year. In accordance with the Code, the Board commissions externally facilitated reviews regularly. The Board conducted an external evaluation in 2020 which was facilitated by Ffion Hague at Independent Board Evaluation (IBE), an external Board review specialist. IBE had not previously undertaken a Board evaluation for the Company and has no other connection with the Company or individual directors. The recommendations from the 2020 evaluation were reviewed and approved by the Board and regular updates on progress were provided at each Board meeting throughout the year. There is further detail on the progress the Board has made against those recommendations reported on the following page. In 2021 the Board undertook an internal review which was externally facilitated by IBE and commenced in October 2021. In addition, the Senior Independent Director formally appraised the Chairman's performance. The Board has reviewed the findings and approved the associated actions. The Board is kept up to date on the progress made against the agreed actions.

The aim of the review was to assess the effectiveness of the Board, both as a collective unitary Board, and at individual Board member level, in order to implement any actions required to become a more effective Board. The performance of each of the Board Committees was also assessed. Questionnaires were issued to every Board member, according to a set agenda tailored for the Board, which had been agreed in advance with the Chairman and Group Company Secretary. Following the final report, recommendations were considered by the Board and an action plan for areas of focus was agreed.

The Board review focused on, among other things: Board accountability, focus and priorities; Board composition, expertise, decision-making and dynamics; succession planning; selection and induction of new members; oversight and implementation of strategy; communication and relationship with stakeholders; risk management; governance, including links with subsidiary boards; and Board support, including resourcing and quality and volume of papers and presentations. The tone of the feedback was very positive overall and indicated that the Board is working effectively, with Board members noting the further strengthening of the Board in key areas with new non-executive director appointments. The key recommendations continue to reflect important focus areas for the Board, namely (i) the continued and active oversight of Board and senior management succession and (ii) developing newer non-executive directors' knowledge of the business, including through site visits to see the business and investments first-hand. Furthermore, the Board is focused on embedding relationships following a period where physical engagement has been made more challenging as a result of Covid-19. Progress to implement the recommendations is underway and is monitored by the Group Company Secretary and reported to the Board at each Board meeting.

A summary of the recommendations from the 2020 board evaluation and progress against them is provided below:

Recommendations from 2020 review	Progress against 2020 recommendations
Ensure active and regular oversight of Board and senior management succession, discussing and agreeing succession options and timing for key roles.	There was a focused session on non-executive succession planning at the Nominations and Corporate Governance Committee meeting in May 2021. As a result of this session, and following a formal recruitment process, new non-executive directors were appointed during the year. Executive development and succession planning was discussed at the Nominations and Corporate Governance Committee meeting in May and further non-executive director calls were held to discuss succession. Divisional CEOs are encouraged to bring members of their senior leadership team to Board meetings to give the Board the opportunity to meet and interact with some of the Company's valued and high potential individuals across the business, allowing further visibility of the talent pipeline. It is also an opportunity for these employees to meet with Board members and gain some insight into their roles and perspectives. The Nominations and Corporate Governance Committee considered the succession plans in place for the role of designated workforce director at its May meeting. As a result, it was agreed that Nilufer von Bismarck will succeed Lesley Knox as the designated workforce director in April 2022. The Board considers climate change to be a key area of focus. As a result, the Nominations and Corporate Governance Committee appointed Nilufer von Bismarck as the Board's designated non-executive director for climate in January 2022. The Nominations and Corporate Governance Committee also discussed succession planning for the chair of our Audit Committee following Philip Broadley's six-year tenure in the role and his appointment as the Senior Independent Director in 2021. Tushar Morzaria will take over from Philip as Audit Committee chair when he joins the Board in May 2022. As the current Group Finance Director of Barclays Plc and with extensive financial services experience, Tushar is well positioned to fulfil the duties as Audit Committee chair. The Board has continued to focus on contingency, medium-term and long-term succession planning for the executive and senior management, with particular emphasis on leadership succession and capabilities evaluation. A formal process was undertaken which included both internal and external candidates to identify the successor to Laura Mason as Chief Executive, Legal & General Institutional Retirement (LGRI), following her appointment as Chief Executive, Legal & General Capital. At the conclusion of that process and following Committee discussions, a number of changes to our executive team were announced in October 2021, including Andrew Kail's appointment to the role of Chief Executive, LGRI. It was further agreed that the group's retail and insurance businesses (Legal & General Insurance and Legal & General Retail Retirement) would come together to form Legal & General Retail under the leadership of Bernie Hickman. Following well-planned and appropriate handovers, the changes to the executive team took place in January 2022.
Develop newer non-executive directors' knowledge of the business.	Nilufer von Bismarck was appointed to the Board in May 2021 and has undergone a thorough induction plan which has included meeting with all divisional Chief Executives and key senior personnel, site visits to operational centres and call listening exercises. It was important that Nilufer's feedback was sought on the induction plan and she has worked closely with our Company Secretariat team to ensure she has been provided with all the necessary induction sessions to build her knowledge and understanding of the business. The same interactive approach will be adopted and encouraged for our further new non-executive directors.
Refresh, test and clearly articulate the group's medium-term strategy, especially looking beyond the current very strong pipeline.	The group's medium-term strategy was discussed and debated at the Board strategy day in April. It was further considered at the Board's two-day offsite strategy event in November 2021 where the Board focused its discussion on our people, future opportunities for the group and overseas expansion.
Continue to enhance the support provided to the Board in terms of training, facilities and quality of papers.	Covid-19, coupled with the move to remote working, accelerated the Board's digital journey. Improvements have been made to the Board's video conferencing facilities to allow Board meetings to operate on a hybrid basis. Where Government restrictions have allowed, Board members have attended Board meetings in person in a socially distanced environment. Improving the quality of Board papers is an ongoing priority for the Company Secretariat team. In 2020, new formats for Board reporting were introduced to reduce the number of papers and length of reports. A glossary of acronyms was made available to Board members as a reference. A number of Executive Business Awareness sessions have taken place throughout the year to enhance the Board's knowledge and understanding of key areas of the business.

Sir John Kingman
Chairman

Committed to the highest standards

Compliance with the 2018 UK Corporate Governance Code (the 'Code'): for the year ended 31 December 2021, we are pleased to report that we have applied the principles and complied with the provisions of the Code, save in respect of pensions alignment required under Code provision 38, where we will achieve full compliance by 31 December 2022 as further detailed on page 103.

1. Board leadership and company purpose

A. Board's role

There is a formal schedule of matters reserved for the Board that sets out the structure under which the Board manages its responsibilities, providing guidance on how it discharges its authority and manages the Board's activities. 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. The Company continues to be led by an effective and entrepreneurial Board; a yearly planner is reviewed at each Board meeting to ensure the most important and current topics are discussed at meetings throughout the year. Board members are encouraged to discuss strategic matters with relevant executives on an ongoing basis. The Board's main activities throughout the year are detailed on page 76.

B. Purpose and culture

The Board held a strategy meeting in April 2021 and met for a two day, offsite strategy event in November 2021 to consider the group's strategy. The Board regularly reviews the Chief Risk Officer's conduct report, providing insight into culture across the organisation and helping to ensure behaviours throughout the business align with the Company's purpose, values and strategy. Furthermore, the Board is responsible for overseeing implementation of the group-wide diversity and inclusion policy which applies to all individuals directly employed by the group and forms the basis of engagement with customers and suppliers. Board members participate in site visits enabling them to meet with a number of our stakeholders and gain first-hand insight into culture in the various business divisions. As part of these site visits, Board members will set aside time to meet with smaller groups of employees to speak directly with them both with and without management present. Employees are invited to ask questions and feedback is provided to the next Board meeting. The Chairman, Group Chief Executive and Group Chief Financial Officer have also hosted virtual town hall events throughout the year. Lesley Knox, designated non-executive director for engagement with the workforce, provided feedback at each Board meeting, alongside periodic feedback from the Voice survey and the annual performance review process which helps directors to assess Company culture. Lesley Knox has also met with employees to discuss Legal & General's culture and values and has attended various team meetings and away days to experience the culture herself. Lesley encourages an open and transparent question and answer session at each meeting she joins and will progress actions arising from these meetings. Additionally, when the Board is considering entering a new market or business area, culture plays a major part in discussions and Board members remain conscious of the need to embed the Company's inclusive culture in any new business. Building an inclusive culture enables innovation, better decision making and embodiment of our three behaviours: straightforward, collaborative and purposeful. Further information on the purpose of the company is provided on page 2.

C. Resources and controls

The Board's agenda is set by the Chairman 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 Chief Executive Officer include managing the group's business in line with the strategic plan and approved risk appetite and responsibility for the operation of the internal control framework. The Group Risk Committee assists the Board in the oversight of the risks to which the group may be exposed and provides the Board with strategic advice in relation to current and potential future risk exposures. The risk management framework supports the informed risk taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to and the risks that we want to avoid. Further information on risk management can be found on pages 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 68 to 72. Board members receive feedback at each Board meeting from Lesley Knox on her role as designated workforce director and periodic feedback from the employee Voice survey enabling them to assess and monitor culture. 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

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 Lesley Knox, the designated workforce director. Further details are available on page 74. Details on the company's approach to investing in and rewarding its workforce can be found on page 16 and page 112.

2. Division of responsibilities

F. Role of the Chairman

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

G. Composition of the Board

In addition to the Chairman, there were two executive directors and seven independent non-executive directors on the Board as at year-end. In January 2022, a further non-executive director joined the Board bringing the number of independent directors to eight. The roles of the Chairman and Group Chief Executive are clearly defined, and the role profiles are reviewed as part of the annual governance review undertaken by the Board. Sir John Kingman, the Chairman, is responsible for leading the Board while Sir Nigel Wilson, Group Chief Executive Officer, is responsible for the day-to-day management of the Company within the parameters of the strategy set by the Board. Sir John Kingman was identified by the directors as being independent on appointment.

H. Role of the non-executive directors

The non-executive directors' engagement with management, constructive challenge and contribution to Board discussion are assessed as part of the Board's annual effectiveness review. The non-executive directors' letters of appointment set out the time commitment expected from them. At times, this time commitment may go beyond that set out in the letter of appointment and is therefore reviewed regularly. External commitments, which may have an impact on existing time commitments, must be agreed in advance with the Chairman and approved by the Nominations and Corporate Governance Committee under its delegation from the Group Board. In addition, the policy for the identification and management of directors' conflicts of interest is reviewed on an annual basis. The significant commitments of each of the directors are included in the Board biographies on pages 62 to 63. The Chairman's commitments were considered as part of his appointment and the Board agreed that he had no commitments that were expected to have a negative impact upon his time commitment to the company. This is kept under review.

I. Role of the Company Secretary
Procedures are in place to ensure that Board members receive accurate and timely information via a secure 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 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 84 to 85.

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 82 to 83. All directors are subject to shareholder election or re-election at the AGM, 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. The 2021 annual report includes details of the 2021 internal review which was externally facilitated by the Board evaluation specialists Independent Board Evaluation and commenced in October 2021. An update on the progress made against the recommendations from the 2020 external review is also provided.

4. Audit, risk and internal control
M. Internal and external audit
The Audit Committee comprises four independent non-executive directors and the Board delegates a number of responsibilities to the Audit Committee, including oversight of the group's financial reporting processes, 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 91. KPMG were appointed as the group's external auditors 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. A description of the principal risks facing the Company is set out on page 56. 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 Group Risk Committee considers assessments of the group's current risk profile and emerging risk factors, facilitated by the Group Chief Risk Officer. The activities of the Group Audit and Risk Committees are set out on pages 86 to 93.

5. Remuneration
P. Remuneration policies and practices
The Company aims to reward employees fairly and its remuneration policy is designed to promote the long-term success of the Company whilst aligning the interests of both the executive directors and shareholders. An updated remuneration policy was approved by shareholders at the 2020 Annual General Meeting. The directors' remuneration policy is set out on pages 100 to 101.

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

R. Remuneration outcomes and independent judgement
Details of the composition and the work of the Remuneration Committee are reflected in the Remuneration Committee Terms of Reference and set out in the Directors' report on remuneration.

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

Nominations and Corporate Governance Committee report

Sir John Kingman
Chairman

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

Members
Sir John Kingman (Chairman)
Henrietta Baldock
Nilufer von Bismarck (from May 2021)
Philip Broadley
Lesley Knox
George Lewis
Ric Lewis
Toby Strauss
Julia Wilson (retired March 2021)

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

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

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

The Committee's key responsibilities are:

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

How the Committee spent its time in 2021

Board composition and succession

In the first half of the year, the Committee undertook a rigorous review of the Board's composition to support discussions on non-executive director succession. This included 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 the tenure and independence of directors, and diversity. A key theme that emerged from the 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. A second theme, looking to Committee composition in particular, was that additional accounting and financial services experience would be a beneficial addition to the Board's knowledge and skills. The recruitment of the two new non-executive directors, Laura Wade-Gery, who joined the Board in January 2022, and Tushar Morzaria, who will join the

Board in May 2022 was undertaken with these themes as a priority, in addition to the overarching requirement that the appointee must be able to operate at a high level of financial and technical complexity, to maintain effectiveness in overseeing the Company's core strategic priorities.

The Committee engaged independent external search firm Spencer Stuart to undertake a full search against a description of the roles, the time commitment expected of directors and the Board diversity policy. 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. A list of potential candidates was identified and these candidates were assessed against the role specification, 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 Chairman, the Group CEO, the Group HR Director and members of the Board. Following this extensive search, selection and interview process, the Committee, following discussion, recommended Laura Wade-Gery and Tushar Morzaria's appointment to the Board. The Board approved the two appointments. Laura's appointment took effect on 3 January 2022. Tushar Morzaria will join the Board from 27 May 2022.

Laura and Tushar are highly experienced and respected individuals and will add further valuable experience and insight to the Board. The biographies of these two new non-executive directors are set out on pages 62 to 63 and show the strength and depth of skills and experience they bring to the Board.

Succession

In addition to reviewing Board composition, and in line with the recommendations coming out of the 2020 Board evaluation, in 2021 the Committee continued to focus on short, medium and long-term succession planning for the executive and senior management, with particular emphasis on how the composition of the executive management and senior leadership teams can facilitate delivering on the group's six strategic growth drivers. The Committee reviewed management succession plans and debated areas for growth, strengthening and consolidation in the context of the Company's strategy. Executive leadership of the Legal & General Institutional Retirement (LGRI) business was an important short-term succession focus for the Committee in 2021 and critical for the delivery of the strategic pillar to be a global leader in pensions de-risking and retirement income solutions. A formal process was undertaken which included both internal and external candidates to identify the successor to Laura Mason as Chief Executive, following her appointment as Chief Executive, Legal & General Capital. At the conclusion of that process and following Committee discussions, a number of changes to our executive team were announced in October 2021, including Andrew Kail's appointment to the role of Chief Executive, LGRI. In 2021, the executive organisation structure was reviewed to understand opportunities to maximise effectiveness on delivering on another strategic pillar of helping people take responsibility for their own financial security through insurance, pensions and savings. Following discussions, it was further agreed that the group's retail businesses (Legal & General Insurance and Legal & General Retail Retirement) would be combined under the leadership of Bernie Hickman. Following well-planned and appropriate handovers, the changes to the executive team took place in January 2022.

The Committee also discussed succession planning for the chair of our Audit Committee, following Philip Broadley's six year tenure in the role and his appointment as the Senior Independent Director in 2021. Tushar Morzaria will take over from Philip as Audit Committee chair when he joins the Board in May 2022. As the current Group Finance Director of Barclays Plc, the chair of the audit committee at BP plc and with extensive accounting and financial services experience, Tushar is very well positioned to fulfil the duties as Audit Committee chair. When considering Tushar's appointment as Audit Committee chair, the Committee thought carefully about the time commitment required to undertake both this role and his other external commitments and satisfied itself that Tushar has sufficient time to fully commit to the role.

The Committee also spent time considering the successor to Lesley Knox in her role as the designated workforce director. This was an important decision for the Committee as the group's people are its most important asset. It therefore remains vital for the Board to ensure that it continues to hear the voice of the group's employees through a variety of channels, including the designated workforce director. The Committee determined that Nilufer von Bismarck OBE will be an excellent successor.

As detailed on pages 18 and 19, the group continues to show its commitment to addressing climate change, one of the group's strategic growth drivers. As part of this, and to ensure the Board's continued effectiveness in overseeing the successful implementation of the group's strategy, the Committee was delighted to recommend to the Board a designated non-executive director for climate matters across the group. The Committee determined that Nilufer von Bismarck has the necessary skills and experience to take on the role as the Board's designated non-executive director for climate. Nilufer's appointment will further bolster the Board's focus on the group's climate commitments.

The Committee is responsible for evaluating the independence of all non-executive directors and undertakes an annual review of each non-executive director's other interests. The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the company.
The Committee is also responsible for overseeing and monitoring the group's corporate governance framework which includes the following activities:

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

Details of the group's compliance with the UK Corporate Governance Code have been provided on pages 80 and 81.

Nominations and Corporate Governance Committee report continued

Our approach to diversity and inclusion

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

The Committee has three key areas of focus for the Board as part of driving diversity and inclusion across the group.

1. Building a diverse and inclusive Board

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

We are proud to have a Board which is diverse, both in terms of gender and ethnicity, but also diversity of thought and background. Our Board currently comprises 36% women and 64% men (this figure was 30% women and 70% men as at 31 December 2021, prior to Laura Wade-Gery joining the Board on 3 January 2022).

As at 31 December 2021, 20% of the Board was from an ethnically diverse background, which exceeds the target in our Board Diversity Policy and the recommendations of the Parker Review.

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 continue to hold ourselves to the stretching aspirational targets we set in 2017:

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

As of 31 December 2021, female representation across the group stood at 44.5%, down 0.2% vs our position at the end of 2020. At the middle/senior management level, representation was 35.9%, up 0.3% vs our position at the end of 2020.

Our Executive Committee comprises 25% women and 75% men, with two of our five operating businesses led by a female CEO.

Whilst we originally intended our gender targets to be achieved by the end of 2020, we have revised the outcome date to 2025. Our initial targets were aspirational, and, whilst it is disappointing to have missed them, we strongly believe in setting stretching targets to create focus. The new timeline remains challenging, although we have a clear plan to deliver against it.

We are committed to increasing the ethnic diversity of our workforce, including at our most senior grades. We have a clear strategy and plan to do this, which includes a focus on recruitment and retention of minority ethnicity talent and the creation of career development and progression opportunities for under-represented groups. Employee data is important to help us track progress and identify issues and we are keen to improve the quality of the data that we hold. As data is disclosed on a discretionary basis by employees, we have put our efforts into communicating the importance of this data, with the result that disclosure rates, for ethnicity, have increased in the year, from 52.6% to 67.9%. We will continue to engage our employees about the importance of sharing diversity data in 2022.

Recognising that our ethnicity data is not complete, as of 31 December 2021, minority ethnicity representation across the group stood at 11.9%. At senior management level, representation was 12.0%.

We continue to take practical and purposeful steps towards redressing under-representation in our workforce, including, during 2021:

- a diversity and inclusion-led audit of our recruitment processes (early careers, core and volume hiring) across all diversity and inclusion dimensions including gender and ethnicity.
- ongoing investment in development for line managers, with around 200 line managers taking part in either "D&I Basics" or "Inclusive Line Management" training.
- the introduction of anonymised CVs into the recruitment process.
- continued investment in our employee networks across the full spectrum of D&I themes, including gender and ethnicity: 2021 saw the launch of a new internal Women & Tech network to connect women working in technology and data roles and the development of a tech and digital recruitment campaign which cited attracting more women into these roles as an explicit objective.
- provision of wellbeing resources including access to a backup network for child, adult and elder care.
- ongoing external validation and benchmarking through the Women in Finance Charter, the Bloomberg Gender Equality Index, Invest in Ethnicity Matrix, Social Mobility Employers Index and Hampton-Alexander Review.

3. Broadening the diversity & inclusion agenda across our organisation

Our Global Diversity and Inclusion Council (D&I Council) continued to promote our agenda of creating a diverse and inclusive business. It is chaired by Laura Mason, CEO of LGC and our Global Diversity and Inclusion Sponsor. The D&I Council is tasked with developing our plans for improving diversity and inclusion across the group.

The Board is responsible for overseeing the implementation of our group-wide D&I policy. During 2021, members of the Board, including the Chairman, participated in The Listening Project, an exercise which involved Legal & General employees sharing their perspectives on ethnic diversity and lived experience as employees of the group.

Our D&I policy applies to everyone directly employed by the group and forms the basis of our engagement with our clients, suppliers and other third-party providers. Our standards include:

- we will be fair and transparent, and treat our people with integrity and openness. We will be respectful of differences and we will not tolerate behaviour that marginalises, disadvantages or devalues others.
- we will aim to build a workforce that reflects the diverse communities we serve. We will invest in our hiring processes so we can attract a more diverse pool of people, and we will tackle barriers that prevent us from attracting and retaining more diverse talent.
- we will create an inclusive environment where people feel comfortable sharing their opinions and feel like they belong. We will encourage our people to embrace difference, to listen to other points of view, and work together to achieve the best outcome.

- we will ensure that everyone across Legal & General understands their responsibilities in driving an inclusive and diverse culture and the opportunities it can bring.

For more information on our D&I activity during 2021, please see page 48 of the Sustainable Business section of this report.

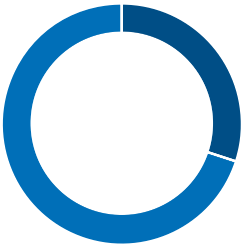
The Committee recognises that being diverse itself will help to promote diversity when considering succession planning, assessing Board and executive candidates and recommending appointments to the Board. As at 8 March 2021, the Committee comprises 44% women and 56% men and comprises individuals from the following ethnic groups:

- Asian – 11%.
- Black – 11%.
- White – 78%.

The Committee only engages executive search firms that are signatories to the Voluntary Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice for corporate board searches. During the year, the company engaged Spencer Stuart, which is a signatory to this Code. This search firm has no other connection to the company or individual directors.

The Committee briefs the search firm to ensure that the pool of candidates presented includes a diverse range of candidates with an appropriate range of experience, knowledge and background, and who demonstrate independence of approach and thought. As detailed on pages 82 to 83, this process was followed for the recruitment of our new non-executive directors.

Diversity
Gender

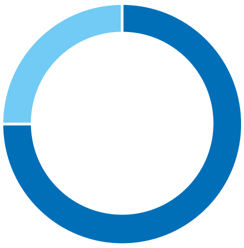


As at 31 December 2021 the Board comprised:

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

As at 8 March 2022: 36% Women and 64% men

Tenure



As at 31 December 2021 the length of tenure of the non-executives varied:

- **0%** Over six years
- **75%** Between three and six years
- **25%** Between zero and three years

Ethnicity

As at 31 December 2021 the Board comprised individuals from the following ethnic groups:

- **10%** Asian
- **10%** Black
- **80%** White

Finding what you need online
We have published our gender pay gap data which can be found online at group.legalandgeneral.com/reports

A summary is available on page 49 of this report.

Audit Committee report

Philip Broadley
Chairman of the Audit Committee

The composition of the Committee
The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

Members
Philip Broadley (Chairman)
Nilufer von Bismarck (from May 2021)
George Lewis
Toby Strauss
Henrietta Baldock (until March 2021)
Lesley Knox (until March 2021)
Julia Wilson (retired March 2021)

Other regular attendees at Committee meetings include the following:

Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Director of Group Finance; Group Chief Internal Auditor; Legal & General Retirement Finance Director; Group Actuary; Chief Tax Officer; Representatives of the external auditor, KPMG LLP.

Letter from the Chairman

Dear Shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2021. The report explains the work of the Committee during the year and meets the disclosure requirements set out in the 2018 UK Corporate Governance Code (the 'Code').

The Code requires that the Audit Committee must operate effectively and efficiently and that its members have a balance of skills and experience to deliver its responsibilities.

The members of the Audit Committee have a wide range of experience, including as executives in the financial services and other sectors, as non-executive directors, and as board members responsible for financial reporting. The Board considers that I meet the requirements of the Code in having recent and relevant financial experience, as do other members of the Committee. The full biographies of all Committee members can be found on pages 62 to 63. At the end of March, Julia Wilson retired from the Audit Committee and resigned from her role on the Board. I would like to take this opportunity to thank Julia for her considerable support and wise counsel during her time as both a member and former Chair of the Committee.

It is worth highlighting that all members of the Committee are also members of the Risk Committee, which ensures that there is appropriate identification and management of any issues that are relevant to both committees.

The Audit Committee meets regularly and privately with the external auditor and the Group Chief Internal Auditor. These meetings allow for regular and open dialogue of any issues relevant to the Committee's work. Audit Committee members also meet regularly with management outside of formal Committee meetings to discuss topical issues and maintain their understanding of the group's businesses.

During 2021, the Secretary of State for Business, Energy and Industrial Strategy issued an extensive and wide-ranging consultation on "Restoring trust in audit and corporate governance." Members of the Committee reviewed the consultation and considered its implications for both the group and the Audit Committee more specifically, as well as in the wider context of ensuring that the UK remains an attractive market for shareholders, investors and broader stakeholders. We are supportive of the early establishment and empowerment of the Audit, Reporting and Governance Authority (ARGA) to ensure that reforms and associated standards are suitably embedded in relevant professional and corporate bodies, and the Committee will continue to keep a close focus on any proposed legislation, changes in corporate governance requirements and emerging best practice to ensure that the group continues to be seen as a strong advocate of high quality and transparent audit and corporate governance.

Audit Committee focus for 2021

The Audit Committee met five times in accordance with its annual plan and additional informal meetings were arranged as necessary. In line with its purpose, the Committee's time over the course of the year was spent in consideration of:

- the resilience of operational and financial controls in a continuing hybrid working environment.
- the integrity of the company's financial statements and Solvency II disclosures, including consideration of the viability statement and going concern assessments.
- key accounting, financial reporting and actuarial areas of judgement, including the impact of Covid-19, the presentation and transparency of the group's financial disclosures, including consideration of the group's Alternative Performance Measures.
- the adequacy of climate disclosures, including consideration of the group's climate report.
- 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 including an externally facilitated review of the Group Internal Audit function.
- the group's preparations for the transition to the new accounting standard for insurance contracts, IFRS 17.

While the global outbreak of Covid-19 has continued to have a profound impact on society, the direct impacts on the group have lessened or been mitigated during 2021, and this has allowed the Committee to adjust its activities to look at other areas of focus. One area associated with Covid-19 where the Committee has continued to spend a proportion of its time is in respect of the move to a hybrid working model. While this is recognised more and more as a 'new normal', and brings with it many benefits from an individual employee and company perspective, it also carries a new set of risks and it is right for the Committee to focus on the resilience of the control environment in light of this changed operating model, including how it is monitored and overseen in the future.

As the implementation date of IFRS 17 draws closer, the Committee's focus on the group's preparedness has continued to increase. While the Committee has continued to monitor the implementation of the systems, processes and operating model to support the delivery of the new financial reporting requirements, time has also been spent in reviewing and approving certain methodologies, policies, assumptions and reporting metrics, supported by a number of Board technical awareness sessions held outside of the normal Committee meetings.

Finally, the Committee has spent time during 2021 in consideration of the scope, focus and quality of the various sources of assurance from which it is able to gain comfort. This has included: working with Group Internal Audit to incorporate timely and independent assurance over specific elements of the IFRS 17 programme; monitoring the continued development and embedding of the group's Model & Financial Control Framework (MFCF), including the receipt and review of regular reporting on the outcome of design and operating effectiveness testing; and a decision to require independent limited assurance over certain elements of the group's climate report.

Effectiveness reviews

The Committee's performance was externally evaluated by Independent Board Evaluation (IBE) in December 2020. The Committee identified two actions as part of its evaluation: undertaking a review of the Committee's composition to ensure that it operated as efficiently and effectively as possible; and enhancing the Committee's engagement with both Group Internal Audit and the external auditor. In response to the evaluation, which suggested that the Committee would benefit from a smaller more technically focused membership, the composition of the Committee was revised on 1 May 2021 and Nilufer von Bismarck was appointed as a member of the Committee. Feedback was also provided to the Internal Audit Function to enhance communication and individual briefing sessions with external auditors were scheduled regularly.

In 2021 the Board undertook an internal evaluation, which was externally facilitated by IBE and included an effectiveness review of the Board Committees, including the Audit Committee. Committee members were satisfied with the effectiveness of the Committee and the progress that had been made on the Committee's succession plans.

I am pleased to report that the Committee continues to operate effectively. Looking ahead to the coming year, I expect the Committee to be focused on an ever-broadening range of topics. IFRS 17 will inevitably require a deeper and more concentrated focus as the group begins to produce comparative information for the year ending 31 December 2022, as KPMG undertakes more detailed audit work on those comparatives, and as the new financial reporting operating model goes through final implementation and testing in advance of go-live in 2023. At the same time, the Committee will continue to consider and review wider aspects of the group's reporting, particularly Alternative Performance Measures under the new accounting standards and the increasing stakeholder focus on non-financial metrics, as well as the continued embedding of the MFCF to support and demonstrate the robustness of the financial reporting control environment.

This will be my last report as Chairman of the Audit Committee. Tushar Morzaria will join the Board in May and will succeed me as Chairman of the Committee upon his appointment. Tushar has a wealth of recent and relevant expertise in financial services and will bring a fresh view to the work of the Committee. I will remain as a member of the Committee to provide continuity of experience.

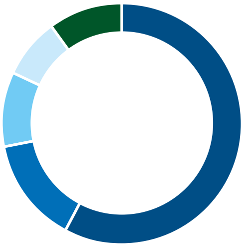
The information on the following pages sets out in detail the activities of the Committee during the year. I hope that you will find this report useful in understanding our work and I welcome any comments from shareholders on my report.

Philip Broadley
Chairman of the Audit Committee

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

Audit Committee report
continued

Percentage of time allocated to specific agenda items



- **58%** Actuarial, accounting and financial reporting, including areas of judgement and reporting developments
- **14%** External audit
- **10%** Internal audit
- **8%** Internal controls
- **10%** Other (including governance)

How the Audit Committee spent its time in 2021

The Audit Committee is a Board Committee with governance responsibilities that include the oversight of financial disclosures and corporate reporting. The Board has delegated to the Audit Committee the principal responsibilities to assist the Board in discharging its responsibilities with regard to monitoring the integrity of the group's financial statements, monitoring the effectiveness of the internal control (including financial internal control) framework and overseeing the independence and objectivity of the internal and external auditors. The Audit Committee is also responsible for advising the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and for reviewing the basis on which the Board provides the viability statement and going concern assessment.

The Audit Committee has an annual work plan aligned with the financial reporting cycle of the Company. The Audit Committee's activities fall into three principal areas:

- accounting and financial reporting.
- internal and external audit.
- internal control.

Accounting and financial reporting

The Audit Committee reviews the appropriateness of the half year and annual financial statements, which it carries out with both management and the external auditors. This review includes ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable, as well as covering compliance with disclosure requirements and the material areas in which significant judgements have been applied.

In collaboration with the Risk Committee, the Audit Committee also reviews the disclosures to be made in relation to internal control and risk management, as well as the principal risks and uncertainties the group faces.

The Committee can confirm that the key judgements and significant issues considered in relation to the 2021 financial statements are consistent with the disclosures of key estimation uncertainties and critical judgements as detailed in Note 1 on page 139.

Robust year-end governance processes are in place to support the Audit Committee's considerations which include:

- ensuring that all of those involved in the preparation of the Company's annual report have been appropriately trained and fully briefed on the 'fair, balanced and understandable' requirements.
- internal legal verification of all factual statements, and descriptions used within the narrative.
- regular engagement with and feedback from senior management on proposed content and changes.
- feedback from external advisors (corporate reporting specialists, remuneration and strategic reporting advisors, external auditor) to enhance the quality of our reporting.
- early opportunity for review and feedback on our annual report by Audit Committee members.

During the year, the Audit Committee has continued to keep abreast of significant and emerging accounting and reporting developments, including consideration of changes in disclosures arising from best practice application and Financial Reporting Council (FRC) publications on aspects of UK reporting.

Significant accounting and reporting judgements considered during 2021 are shown below:

Issue	Committee's response
Valuation of non-participating insurance contract liabilities – retirement: The non-participating insurance liabilities for retirement products are significant in size and their estimation is inherently judgemental.	The Committee evaluated the significant judgements that have an impact on the valuation of non-participating insurance liabilities for retirement products. This included considering: Valuation interest rates – which are used to discount the liabilities. These are sensitive to judgements made, for example, on credit default of the backing assets, as well as the investment data used to calculate the internal rate of return. The Committee focused on management's proposed changes to reserving assumptions, other modelling changes, and the determination of the credit default assumption. This included analysis of internal historic data and external market experience. 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. While 2020 saw increased volatility within asset markets as a result of Covid-19, we have experienced a market recovery and greater stability during 2021, further supported by the diversity of our asset portfolio. These harder to value assets remain a key areas of focus, however, and 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 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 reassurance to reduce mortality risk.	The Committee has reviewed the methodology for calculating reserves including the allowance made for payments to and from reassurance counterparties. The assumptions for the rate of future mortality and morbidity (how many customers will die or become ill during the policy term) and persistency (how many customers will discontinue cover) are based on the Company's internal experience and use judgement about how experience may vary in the future. During 2021, 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. During 2021 the Committee reviewed the rationale and assumptions used to support the change in valuation interest rate methodology for UK protection liabilities to incorporate an illiquidity premium as a reflection of available assets to back later duration cash flows yielding more than the risk-free rate. The Committee reviewed the assumptions and the expected level of prudence taking into account market benchmarking, internal experience studies and the reassurance structures. The Committee considered the effectiveness of controls in place over valuation models. The Committee concluded that the insurance liabilities of the Insurance division 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. In this regard the Committee has reviewed the group's use of APMs in light of the FRC's thematic review in October 2021. 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 2021, covering various areas of policy, methodology and assumptions, such as the application of the General Measurement Model. In particular, the Committee has reviewed the methodology and assumptions to support the transition to IFRS 17, including the decision to apply the fair value approach to calculate the contractual service margin on transition for annuities issued prior to 2016. The Committee has further reviewed certain demographic assumptions which will be applied as part of the transition, as well as broader additions to the group's Accounting Policy Manual in respect of IFRS 17. The Committee concluded that the disclosures in respect of IFRS 17 included in Note 1 Basis of Preparation are appropriate for inclusion in the annual report.

The Audit Committee, having completed its review, recommended to the Board that, when taken as a whole, the 2021 annual report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy and the business risks that it faces. The Audit Committee, together with the Risk Committee, reviewed the key assumptions and methodologies of the risk-based capital model as well as related Solvency II disclosures. 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.

Internal control

The Board has delegated responsibility for reviewing the effectiveness of the group's systems of internal control to the Audit Committee.

The Audit Committee has the primary responsibility for the oversight of the group's system of internal controls including controls over financial reporting and the work of the internal audit function. The Audit Committee, in collaboration with the Risk Committee, seeks to ensure that the group operates within a framework of prudent and effective controls that allow risk to be identified, assessed and managed.

The Audit Committee has completed its review of the effectiveness of the group's system of internal control policies and procedures, during the year and up to the date this report was approved, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. During this review, the Audit Committee did not identify any weaknesses which were determined to be significant to the preparation of the financial statements. Where areas for improvement were identified, processes are in place to ensure that the necessary actions are taken and progress is monitored by the Audit Committee.

Internal Audit

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Group Internal Audit function. In particular, the Audit Committee evaluates the alignment of the internal audit plan with the group's key risks and strategy.

The Group Chief Internal Auditor has a standing agenda item at each Audit Committee meeting to update the Audit Committee on audit activities, progress of the audit plans, the results of any unsatisfactory audits and the action plans to address these areas. The group has adapted quickly to the adoption of a hybrid working model, and Internal Audit were able to undertake all the audits within their Internal Audit Plan, including some additional reviews to test the continued effectiveness of the overall control environment as remote working continued during the year, as approved by the Committee, completing 115 audits in 2021. There was a particular focus on key themes including: the effectiveness of the control framework in a remote working environment; cyber/data management and governance; financial control framework; digital business and regulatory change; conduct risk; financial management and control; model and end user computer risk; outsourcing/vendor management and economic and political volatility.

The Audit Committee meets with the Group Chief Internal Auditor in private throughout the year. The Committee, in line with the Chartered Institute of Internal Auditors Financial Services Code of Practice, conducted an assessment of, and were able to confirm, the independence of the Group Chief Internal Auditor.

The external auditor

The Audit Committee has the primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making recommendations for their appointment, re-appointment, removal and remuneration.

Appointment

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

Following a competitive tender carried out in 2016, KPMG was appointed as the group's external auditors with effect from the financial year ended 31 December 2018. In May 2021, KPMG was reappointed as the group's external auditor for the financial year ended 31 December 2021, which is their fourth year as the group's external auditor. Rees Aronson, who has been the lead audit partner for KPMG since appointment, continued in that role for the year ended 31 December 2021. Mr Aronson will retire from KPMG during the course of 2022. The Committee accepted KPMG's proposal that Salim Tharani succeeds Mr Aronson as lead audit partner for 2022. Mr Tharani has been involved as a partner on the audit for the past four years.

Performance

The Audit Committee assesses the effectiveness of the external auditor against the following criteria:

- provision of timely and accurate industry-specific and technical knowledge.
- maintaining a professional and open dialogue with the Audit Committee Chair and members at all times.
- delivery of an efficient and effective audit and the ability to meet objectives within the agreed timeframes.
- the quality of its judgements and audit findings, management's response and stakeholder feedback.

The Audit Committee receives regular reports from the external auditor on audit findings, significant accounting and actuarial issues, and internal control matters. During 2021, there has been an increase in reporting relating to IFRS 17, including work on key judgement areas, accounting policies, actuarial assumptions and the impact of the transition to IFRS 17 on audit approach and planning.

The Audit Committee meets the external auditor in private throughout the year.

As in the prior year, as a result of Covid-19 much of KPMG's audit work has been undertaken remotely. The Audit Committee has sought to understand whether this has impacted KPMG's audit plan or their ability to undertake their work effectively. KPMG's regular reporting throughout the year has demonstrated no significant or adverse impact from remote working, and the Committee is comfortable that there has been no undue impact on their effectiveness.

The Audit Committee reviews and approves the terms of engagement of the external auditor and monitors its independence. This includes maintaining the policy for overseeing the engagement of the external auditor for pre-approved audit services, audit-related services and other non-audit work. The non-audit services policy includes a 'whitelist' of permitted audit and audit-related services along with a list of prohibited services. The policy, the purpose of which is to ensure that the independence of the external auditor is not impaired, is approved by the Audit Committee and meets the requirements of the FRC Ethical Standard.

Our practice is to approach other firms for significant non-audit work. The group's policy requires that all services with an anticipated cost in excess of a specified amount are subject to a full competitive tender involving at least one other alternate party in addition to the external auditor. If the external auditor is selected following the tender process, the Audit Committee is responsible for approving the external auditors' fees on the engagement.

For services with an anticipated cost below the specified amount, the Group Chief Financial Officer has authority to approve the engagement. The external auditor and management are required to report regularly to the Audit Committee on the nature and fees relating to non-audit services provided under this authority.

KPMG annually reports on whether and why it deems itself to be independent. The Audit Committee remains satisfied that KPMG continues to be independent.

Remuneration

In 2021, the group spent £1.3 million on non-audit services provided by KPMG. It spent £1.3 million on audit-related services required by legislation, which is excluded from any calculation of the ratio of non-audit to audit fees in accordance with the UK FRC Revised Ethical Standard for Auditors (2019). Further details can be found in Note 31 to the consolidated financial statements. The non-audit fee represents 11% of the total audit fee for 2021.

Analysis of current and prior-year spend on audit, other assurance and non-assurance services

	2021	2020	2019
Audit	9.3	10.1	7.1
Audit-related required by legislation	1.3	1.4	0.8
Other audit-related	1.2	0.6	1.1
Other assurance	0.1	0.6	0.3
Non-assurance	–	–	0.2
Total	11.9	12.7	9.5

Group Risk Committee report

Toby Strauss
Chairman of the Group Risk Committee

The composition of the Committee
The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

Members
Toby Strauss (Chairman)
Henrietta Baldock
Nilufer von Bismarck (from July 2021)
Philip Broadley
Lesley Knox
George Lewis
Ric Lewis
Julia Wilson (retired March 2021)

Other attendees at Committee meetings include the following:

Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Chief Internal Auditor; Representatives of the external auditor, KPMG LLP.

The role of the Committee is to assist the Board in the oversight of the risks to which the group may be exposed and to provide the Board with strategic advice in relation to current and potential future risk exposures. This includes reviewing the group's risk profile and appetite for risk and assessing the effectiveness of the group's risk management framework. The group's approach to the management of risk is set out in more detail on pages 52 to 59.

The work of the Committee is supported by the Group Chief Risk Officer and the Company Secretary, who assist the Committee chair in planning the Committee's work and ensuring that the Committee receives accurate and timely information. The Committee met five times during 2021.

Group Chief Risk Officer's report

The Committee receives at each meeting a formal report from the Group Chief Risk Officer. This report brings to the Committee's attention key factors in the operating environment of the group's businesses and an assessment of the potential risks that may emerge. The review includes analysis of risks arising from the macro-economic outlook and conditions in financial markets, together with geopolitical, legislative and regulatory change risks that may impact the group's businesses, and risks associated with the implementation of the group's business strategy.

Alongside the Group Chief Risk Officer's report the Committee is provided with management information on risk appetite, comparing actual positions relative to the group's risk appetite statement and quantitative analysis of the group's exposures to financial and operational risks, including risk-based capital requirements in relation to the core risks implicit in the group's businesses. 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.

Assessing the risk impacts of Covid-19

The Committee has continued to engage with executive and operational management during the pandemic to consider the responses being taken to the range of risks presented by Covid-19, and the wider impacts for our businesses from the global lockdown.

As well as ensuring the wellbeing of those at Legal & General, the Committee has considered the actions taken to maintain the availability of customer facing services, and the resilience of supporting business activities.

The Committee has also considered assessments on the effects of the lockdown for the global economy and our investment portfolios, including the outlook for credit assets. Reviews of credit exposure have included sectors at risk from the global economic downturn and the longer-term impacts from changes in behaviours as a result of the pandemic. Trends in mortality for the group's UK and US protection businesses, and offsetting effects with the group's annuity portfolios have also been evaluated.

Focused business and risk reviews

Focused 'deep dive' reviews of particular risk areas are undertaken at each Committee meeting. The purpose of these reviews is to enable Committee members to examine the risk profile of the core business lines and to consider the robustness of the frameworks in place to manage the key risk exposures. Committee members are invited to participate in setting the agenda for these deep dive reviews, considering both the current operating environment and emerging risk factors. Below are examples of some of the key reviews that took place during 2021, and the areas of focus by the Committee.

- Operational risk management within LGIM: consideration of the operational risks implicit in LGIM's core institutional investment management business, the appetite for those risks and the control processes deployed by management.
- Outsourcing and supply chain risks: review of the group's framework for oversight of third-party supply and service arrangements, and the group's approach to ensuring compliance with new regulatory standards to be implemented in 2022.
- 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.

- LGC risk appetite: the approach, measurement and metrics used to assess risk within the different asset classes in which LGC invests and the approach to ongoing monitoring of investment risks.
- Construction and building safety risks: a 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.
- Reinsurance risk management: a review of the group's approach to setting reinsurance exposure limits and broader reinsurance strategies for the group's PRT and protection businesses.
- Operational resilience: a review of the group's capabilities to ensure continuity of business operations and the availability of important business services.
- Risk profile of Workplace Savings: a review of the end-to-end customer journey within the Workplace Savings business, the key risks, and the controls to ensure good customer outcomes.
- 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.
- Property risk: a review of the different types of property investment-related assets held by Legal & General and the return and risk characteristics of those assets.
- People risk: review of the dynamics of people-related risks, including emerging risk factors from new ways of working and the long-term trends in the UK employment market.
- Transition from IBOR: monitoring the group's preparations for the transition to SONIA in 2022.

The Committee also takes an active role in the group's recovery and resolution planning, which have been put in place in line with the UK regulatory requirements relating to systemically important insurers.

Risk appetite
At its July meeting, the Committee undertook a detailed review of the operation of the group's risk appetite framework and the key measures and tolerances used to determine acceptable risk taking, recommending some refinements to the Board, including the addition of measures for climate-related risk exposures. In December, the Committee considered the risk profile of the group's strategic plan and its alignment with the group's overall risk appetite.

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.

Own Risk and Solvency Assessment (ORSA)
The ORSA is an ongoing assessment of the risks to which Legal & General is exposed and an evaluation of the sufficiency of capital resources to sustain the business strategy over the plan horizon. Over the course of the year, the Committee considered different aspects of the group's ORSA process. This included the review of proposed stress tests and scenarios to be used in the evaluation of capital adequacy, the profile of risks within the group's strategic plan and how they may change over the planning period, and the group's overall capacity to bear the risks identified. A formal ORSA report is subject to annual review by the Committee prior to formal approval by the Group Board.

Risk governance
Sound frameworks of risk management and internal control are essential in the management of risks. During the year, the Committee has received updates on the continued development of the risk governance framework.

Risk-based remuneration
The Committee advises the Remuneration Committee on risk matters to be considered in reviewing bonus pools.

This will be my last report as Chairman of the Risk Committee. I will be standing down from the Board at the end of April 2022 and Sir John Kingman will succeed me on a temporary basis as interim Chairman of the Committee.

Toby Strauss
Chairman of the Group Risk Committee

Directors' report on remuneration

Lesley Knox
Chairman of the Remuneration Committee

Our remuneration report is organised into the following sections

The directors' remuneration policy was subject to a binding vote in 2020, and applies for three years from the 2020 AGM. The annual report on remuneration together with the Chairman's Statement will be subject to an advisory shareholder vote at the 2022 AGM.

Remuneration Committee members

The composition of the Committee

The Committee is composed entirely of independent non-executive directors. The table below sets out its membership during the year.

Members
Lesley Knox (Chairman)
Henrietta Baldock
Philip Broadley
George Lewis (from 7 October 2021)
Ric Lewis

Other regular attendees at the meeting include the following:

Group Chairman; Group Chief Executive Officer; Director of Group Finance; Group HR Director; Group Reward Director; Head of Executive Compensation; Representative of the independent adviser, PwC.

Letter from the Chairman

Dear Shareholder

In this Remuneration Committee's report for 2021, I am pleased to describe our considerations and decisions, and the remuneration outcomes in respect of the year. The Committee is mindful of the UK Corporate Governance Code's six principles in relation to remuneration (clarity, simplicity, risk, predictability, proportionality and alignment to culture) when it considers remuneration. The Committee's view is that the remuneration framework at L&G is aligned with these areas and it will ensure that the new remuneration policy tabled in 2023 continues to be so aligned.

Link between pay and performance

Against a challenging global backdrop, Legal & General's resilience and sound business model has enabled the company to return to growth with post tax profits exceeding £2 billion for the first time, earnings per share (EPS) up 19% on 2019 and ROE of 20.5%.

Annual Variable Pay (AVP)

For executive directors, 70% of the bonus opportunity is determined by group financial performance, measured against pre-determined targets. The outcome for all of the group financial KPIs in 2020 was below threshold, due to Covid-19 disruption, and this resulted in no bonus payments for executive directors in 2020 based on group financial performance.

2021 targets were set based off the group business plan and also recognised that there remained considerable uncertainty regarding the impact of Covid-19. As the year progressed, it became clearer that the impact on 2021 would be less than 2020 and accordingly the Committee debated whether to revise the targets mid-year, but decided to review the outcome at the end of the full year. The outcome for 2021, was a 12% increase in net release from operations, an 11% increase in adjusted operating profit, and a 72% increase in earnings per share (with the 2020 EPS comparator excluding the one-off mortality reserve release of £153 million and the £271 million gain on the Mature Savings disposal in 2020 with no equivalent in 2021). This performance was then considered in the light of the levels to which targets might have been revised in mid-2021 and also the performance in 2020 and 2019. The Committee considered the outcome of maximum bonuses for the financial performance achieved was appropriate. The targets are shown in this report on page 104.

Strategic objectives determine the other 30% of bonus opportunity, including customer, culture and environment, social and governance (ESG) metrics, as described in more detail on page 105 and in our 2021 climate report. The environmental performance measures for 2021 are aligned to the key commitments in our 2020 Task Force on Climate-related Financial Disclosures (TCFD) report, and progress against these environmental commitments will continue to be a feature of the bonus plan.

As noted above and consistent with previous years, the Committee chose to exclude the beneficial impact of mortality assumption changes from the financial results when determining bonus awards. Even excluding these items, 2021 performance significantly exceeded that for 2020 and 2019, resulting in bonus outcomes of 94.5% and 92.2% of maximum for the executive directors. Targets and outcomes are summarised in the 'Quick read' section on page 99 and in further detail on page 104.

Performance Share Plan (PSP)

The long-term incentive (PSP) awards granted in 2019 were subject to EPS growth and total shareholder return (TSR) out-performance over the three-year period ended 31 December 2021. EPS grew by 41.9% over the period (12.4% per annum), and TSR grew by 46.3%, out-performing the median of the FTSE-100 and also the bespoke comparator group. This resulted in 82.9% of the 2019 PSP award vesting with the remaining 17.1% forfeited.

In accordance with the remuneration policy, the Committee assessed the formulaic outcome, considering overall performance, risk management, progress against our environmental commitments, and other capital and solvency measures, and determined that the outcome was appropriate in all the circumstances, and no downward adjustment was required. Under the terms of the PSP plan for executive directors, the vested shares will be deferred for a further two years and released in 2024. The PSP performance targets and outcomes are summarised in the 'Quick read' section on page 99.

PSP awards are normally granted each year, subject to performance. As reported last year, the awards granted in 2020 are subject to an additional provision enabling the Committee to reduce the number of shares at vesting and/or impose further conditions to neutralise any 'windfall gain' that might arise as a result of a rebound in the share price after grant. The 2020 awards were granted at an average share price of £229.26p and are scheduled to vest in 2023. The Committee will determine at that time whether any "windfall" adjustment should be made.

International Financial Reporting Standard 17 (IFRS 17), relating to profitability recognition for insurance contracts, will replace the current reporting standard (IFRS 4) with effect from 1 January 2023. For the 2022 year, key financial results will be disclosed under IFRS 4 and subsequently under IFRS 17 in 2023. This will be the only accounting period where the results under both IFRS 4 and IFRS 17 will be presented.

The current PSP performance metrics use EPS growth over a three-year period to determine 50% of the PSP award. The change in accounting reporting standard during a performance period prevents EPS from being measured on the same basis from the start to the end of that period. The Committee has considered this issue, to determine the fairest way to measure EPS growth for performance periods spanning the change in accounting reporting standard. This issue will be considered in more detail during 2022, and the methodology adopted will be disclosed in the Remuneration Committee's report for 2023.

Base pay

As reported in our annual report last year, base pay increases for executive directors were paused in 2021 due to the economic uncertainty caused by Covid-19. With that uncertainty now diminishing, the Committee considered the broader market and overall business performance, and reviewed pay and conditions across the group to determine any base pay increase for executive directors in 2022. The average base pay increase for UK employees was 2.2% in 2021 and will be 5.2% in 2022, and within the context of the total increase received by other employees in 2021 and 2022, the Committee has determined to increase base pay for Nigel Wilson (Group Chief Executive) by 5.0% and Jeff Davies (Group Chief Financial Officer) by 7.1% with effect from 1 March 2022.

As previously indicated, pension contributions for executive directors will reduce to 10% of base pay in December 2022, to align with that available to the majority of the UK workforce.

Consideration of the wider workforce

The Committee has regard for the remuneration of all employees across the group, and perform this responsibility in the knowledge that Legal & General are an accredited Living Wage employer certified by the Living Wage Foundation. The policies and practices applying to executive directors are the same as for the wider workforce in most instances, although quantum and participation by location and grade may vary. During both 2020 and 2021, it remained important to protect employees against the effects of Covid-19, with work-from-home and protected office facilities made available. All UK employees have access to private medical insurance and a 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 two-thirds of employees now participate in these plans.

The average annual base pay increase for UK employees was around 5.2% in 2022, in recognition of the labour market and rising costs for many employees. Most employees are eligible to be considered for a bonus payment based on group, divisional, individual and/or other specific performance metrics, with bonuses for 2021 paid shortly after the year end, at the same time as bonuses are paid to executive directors.

As the group's designated workforce director, I have had the opportunity to meet with a broad range of employees during the year, in-person and remotely, to ensure their views are appropriately represented in the Boardroom, including when considering Remuneration Committee matters. My report on page 74 provides details of some of those activities, including our continuing work on employee engagement, diversity and inclusion, and achieving a further narrowing of the gender pay gap.

2022 and beyond

At the AGM in 2023, we shall submit a new directors' remuneration policy for approval by shareholders, being the maximum three years since our current remuneration policy was approved in 2020. During 2022, the Committee will closely examine our remuneration principles and policies to ensure that they remain appropriate to support future business strategy and reflect evolving best practice. I look forward to engaging with shareholders and representative bodies to seek input to this process and reporting back to you with our proposals next year.

Again this year, to improve the transparency and clarity of our remuneration report, we have included a 'Quick read' section summarising our current remuneration policy and its implementation in 2021, showing graphically the outcomes against the various performance targets and the remuneration received by executive directors. Full details continue to be disclosed on pages 102 to 117 in accordance with the remuneration reporting regulations.

I hope that you will find this report a clear account of the Committee's considerations and decisions, and the remuneration outcomes for the year.

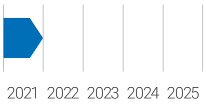
Lesley Knox
Chairman of the Remuneration Committee

Quick read summary

Remuneration policy summary and 2021 implementation

Remuneration element and time horizon | **Policy summary** | **2021 implementation**

Base pay



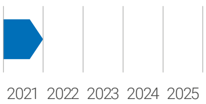
Operation
Reviewed annually, with any increases effective 1 March.

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 2021	Effective 1 March 2022	% increase
Sir Nigel Wilson	£979,500	£1,028,500	5.0%
Jeff Davies	£590,000	£632,000	7.1%
Employees below the Board (average)			*5.2%*

Pension contributions



Operation
Defined contribution pension plan or a cash allowance in lieu. Base pay is the only element of pensionable remuneration.

Opportunity
For executive directors, appointed since 2019, pension contributions are aligned to that available to the majority of the workforce (currently 10% of base pay). Pension contributions for executive directors appointed before 2019 are currently aligned with the contributions for other senior managers in the UK, but will be aligned with the majority of the UK workforce by 2022.

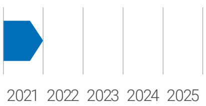
Performance
No performance conditions.

Pension contributions during 2021 (as % of base pay):

Sir Nigel Wilson*	15%
Jeff Davies*	13.2%
Majority of UK workforce	*10%*
Other senior managers in the UK	*15%*

* From 2022 pension contributions will be 10% of base pay in line with the majority of the UK workforce.

Benefits



Operation
In line with benefits provided to other employees and senior managers in the UK.

Opportunity
Maximum amount is the cost of providing benefits, subject to the limits of the benefits plans and HMRC rules.

Performance
No performance conditions.

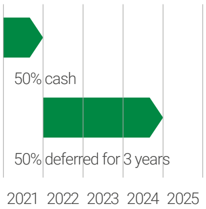
Benefits during 2021 included:

- Allowance in lieu of a company car.
- Private medical insurance.
- Life insurance.
- Income protection.
- All-employee (ShareSave and Share Purchase) plans.

Remuneration policy summary and 2021 implementation

Remuneration element and time horizon	Policy summary	2021 implementation

Annual variable pay (AVP)



Operation
Performance assessed over a one-year period, with targets and weightings set annually. Awards are determined after the year end, taking into consideration performance against targets, individual performance and overall business performance. 50% of any AVP award is paid in cash, and 50% is deferred into shares for a further three years. Malus and clawback provisions apply.

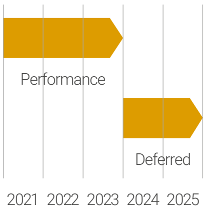
Opportunity
Up to 150% of base pay for the Group Chief Executive and Chief Financial Officer. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance.

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 2021 (as % of base pay):	At target	At max.	Actual 2021 (as % of max.)
Sir Nigel Wilson	75%	150%	94.5%
Jeff Davies	75%	150%	92.2%

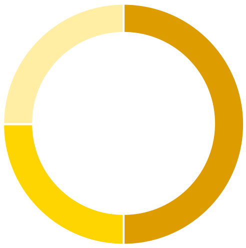
Performance Share Plan (PSP)



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 2021 (as % of base pay):	Maximum	2021 grant	Vesting period end 2021 (% of grant)
Sir Nigel Wilson	300%	250%	82.9%
Jeff Davies	300%	250%	82.9%

Quick read summary
continued

Shareholding requirements

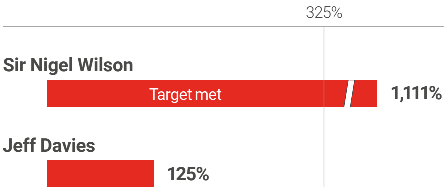
Executive directors' share ownership

Employment + 2 years

Executive directors are expected to retain any after tax vested shares until their shareholding requirements are met, and maintain that shareholding requirement (or actual shareholding if lower) for at least two years after leaving employment.

The shareholding requirement is 325% of base pay for all executive directors.

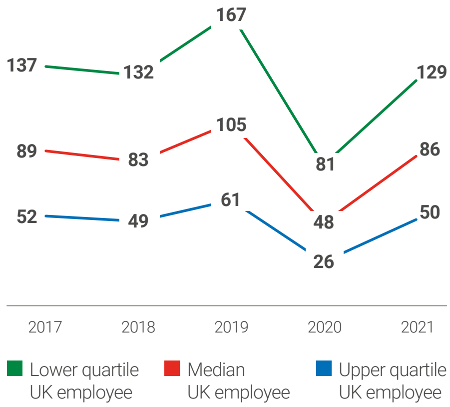
Share ownership at 31 December 2021



CEO pay ratio

Total remuneration
The chart opposite shows the ratio between the CEO single figure total remuneration (as disclosed on page 113) in comparison with the total remuneration of UK employees at lower, median, and upper quartiles.

For 2021, the CEO pay ratio has increased, reflecting the higher bonus and higher level of vesting of PSP awards in respect of 2021 compared to 2020.



Alignment with strategy and 2021 performance outcomes

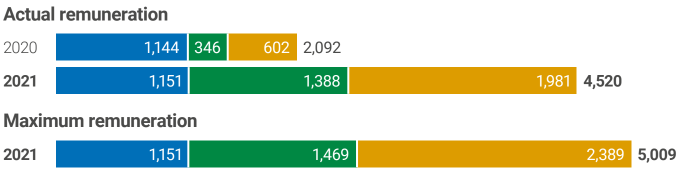
The performance measures for the incentive plans are directly aligned to the group's key performance indicators (KPIs). The Group Board reviews the KPIs annually and adds to or changes them where appropriate. KPIs are explained in more detail on pages 26 to 27 and further details of performance measures and outcomes are provided on pages 104 to 107.

Overarching drivers of the business	Group KPIs	Incentive plans (weightings) AVP	PSP	2021 performance targets and outcomes Threshold	Target	Maximum	Actual
Profitability	Net release from operations (NRO)	20%		£1,374m	£1,477m	£1,529m	£1,688m
	Adjusted operating profit	25%		£1,893m	£2,018m	£2,081m	£2,262m
	Earnings per share (EPS) 1 year growth	12.5%		22.4p	26.1p	29.7p	34.2p
	Return on Equity (ROE)	12.5%		14.5%	15.8%	17.0%	20.5%
	Earnings per share (EPS) 3 year average annual growth		50%	5.0%		12.0%	12.4%
Shareholder value creation	TSR vs FTSE 100 (rank out of 94)		25%	46.5 Median	36.6	19.0 Top 20th	
	TSR vs comparator group (rank out of 24)		25%	12.5 Median	6.2	5.0 Top 20th	
Strategic priorities	(see page 105):	30%					
		100%	**100%**				

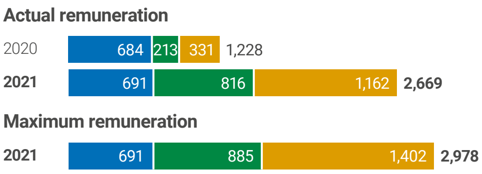
Total remuneration received (£'000)

The charts below provide a breakdown of the total remuneration received by the Executive Directors and their maximum total remuneration opportunity.

Sir Nigel Wilson



Jeff Davies



Key
- Fixed (base pay, benefits and pension contributions)
- Annual Variable Pay (AVP)
- Performance Share Plan (PSP)

The values for the 2018 PSP, which vested in 2020, in the charts above have been adjusted to reflect the share price at vesting on 11 March 2021, which was not known at the publication date of the 2020 report. Further details can be found on page 102.

Remuneration policy (summary)

The directors’ remuneration policy was approved by shareholders by way of a binding vote at the 2020 AGM on 21 May 2020 and applies for three years from the 2020 AGM. The policy table, which contains key aspects of the approved policy, is set out below. A copy of the full remuneration policy, including accompanying disclosure, can be found in the 2019 annual report, and on the company’s website.

	Fixed pay			
	Base pay	**Pension contributions**	**Benefits**	**Annual Variable Pay (AVP)**
Purpose and link to strategy	Provides a fixed level of earnings, appropriate to the market and requirements of the role.	Provides a basis for savings to provide an income in retirement.	Provides benefits and allowances appropriate to the market, and to assist employees in efficiently carrying out their duties.	Incentivises and rewards the achievement of annual financial performance and delivery of strategic priorities. 50% of any AVP award is deferred into shares, reinforcing retention and alignment with shareholders by encouraging long-term focus and risk alignment.
Operation	Reviewed annually with effect from 1 March, taking into account: • the individual’s skills, experience and performance; • scope of the role; • external market data, including other FTSE 100 companies and other financial and non-financial institutions; • pay and conditions elsewhere in the group • overall business performance. There is no obligation to increase base pay upon any such review, and any decision to increase base pay will take into account the associated impact on overall quantum.	In line with other employees in the UK, executive directors may: • Participate in a defined contribution pension plan; or • Receive a cash allowance in lieu; or • Receive some combination thereof. Non-UK national executives may be permitted to participate in home-country pension plans where relevant. Base pay is the only element of pensionable remuneration.	In line with other employees in the UK, benefits currently include: • Private medical insurance; • Life insurance; • Income protection; and • All-employee (ShareSave and Share Purchase) plans. Executive directors may participate in voluntary benefits and choose to acquire Legal & General products which they fund themselves, sometimes through salary sacrifice. In line with other senior managers in the UK, executive directors receive a non-pensionable cash allowance in lieu of a company car. Where an executive director is required to relocate, or perform duties outside their home country, additional benefits may be provided (including healthcare and assistance for housing, school fees, home travel, relocation costs and tax compliance advice) for a period not exceeding two years.	In normal circumstances: • Performance is assessed over a one-year period. • Performance measures and weightings are set annually to ensure they are appropriately stretching, and aligned with the group’s strategic priorities. • Performance targets take into account internal forecasts, market expectations and prior year performance. Targets normally equate to the forecast in the strategic plan, with maximum set at an appropriate stretch above plan, but still within the company’s risk appetite. • AVP awards are determined after the year end, taking into consideration performance against targets, individual performance, and overall business performance. • 50% of any AVP award is paid in cash, after the year end, with 50% deferred into restricted shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements) for a further three years. • Dividends or dividend equivalents may accrue during the deferral period and vest and are paid in shares upon vesting. • Malus and clawback apply to both cash awards and deferred awards.
Opportunity	There is no set maximum base pay, but any increases will normally be in line with the range of increases for other UK employees. In specific circumstances, the Committee may award increases above this level, for example where: • Base pay for a recently appointed executive director has been set with a view to allowing progression in the role over time; or • There has been a significant increase in the size or scope of an executive director’s role or responsibilities; or • There is a significant change in the regulatory environment.	For new executive directors, pension contributions are aligned to that available to the majority of the workforce (currently up to 10% of base pay). Pension contributions for executive directors appointed before 2019 are currently aligned with the contributions for other senior managers in the UK defined contribution pension plan (currently up to 15% of base pay). Pension contributions will be aligned between the majority of the UK workforce and all executive directors by 2022.	The maximum amount paid in respect of benefits will be the actual cost of providing those benefits which, particularly in the case of insured benefits, may vary from year to year, although the Committee is mindful of achieving the best value from benefit providers. The maximum opportunity for participation in the all-employee share plans is the same for all employees and takes into account prevailing HMRC rules.	The maximum opportunity in respect of any financial year is: • 150% of base pay for the Group Chief Executive and Chief Financial Officer. • 175% of base pay for other executive directors. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance. The Committee will consider the calculated outcome in the context of a range of factors (not just the specific performance measures) including risk management, behaviours, culture, capital generation, Solvency II coverage ratio and sustainable financial performance, and may apply a ‘moderator’ to reduce (but not increase) an AVP award if there are factors that warrant such a reduction.
Performance	Personal performance will be taken into consideration in determining any base pay increase.	There are no performance conditions.	There are no performance conditions.	A combination of: • Financial performance (primary measure with at least 70% weighting) – to ensure growth and return to shareholders; and • Strategic and personal performance – to safeguard the future, with the development of future income streams, and focus on key metrics including customers, culture and (from 2021) ESG.

	Performance Share Plan (PSP)	Non-executive directors' fees	Shareholding requirements
Purpose and link to strategy	Provides a direct and transparent link between executive pay and the delivery of shareholder returns over the longer term.	Compensates non-executive directors for their responsibilities and time commitment.	Provides alignment with shareholder returns and ensures the impact on directors' shareholdings moves in line with Legal & General's share price.
Operation	A conditional award of shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements). In normal circumstances: • Subject to a performance period of no less than three years. • Subject to a holding period such that no awards are released before five years from the date of grant. • Performance measures and targets are set annually by the Committee to ensure they are relevant and appropriately stretching, and aligned with the delivery of shareholder returns over the longer term. • Performance targets take into account, internal forecasts, any guidance provided to the market, market expectations, prior performance, and the company's risk appetite. • Dividends or dividend equivalents may accrue in the period following the end of the performance period until vesting and release; and • Malus and clawback apply. Exceptionally, the Committee may adjust and amend the PSP awards in accordance with the rules, including: • Lengthen the performance period and/or the holding period for future awards. • Reduce (but not increase) the level of vesting dependent upon the performance of the group.	Fees for the Chairman and non-executive directors are set at an appropriate level to reflect: • Time commitment required to fulfill the role • Responsibilities and duties of the positions; and • Typical competitor practice in the FTSE 100 and other financial services institutions. Fees comprise a base fee for membership of the Board, plus (where applicable) additional fees for: • Senior Independent Director (SID). • Committee chairmanship; and • Committee membership (not including the Nominations and Corporate Governance Committee). Additional fees for membership of Committee, or chairmanship or membership of subsidiary boards, or other fixed fees may apply if justified by time or commitment. The Chairman receives an inclusive fee for the role. The Chairman's fee is reviewed annually by the Committee, and the non-executive directors' fees are reviewed by the executive directors. There is no obligation to increase fees upon any such review.	Executive directors are expected to retain any after tax vested share awards until their shareholding requirements are met, and maintain that shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment with the group. The Committee retains the discretion to withhold future PSP grants if executive directors are not making sufficient progress towards their shareholding requirement. Non-executive directors may elect to receive a proportion of their fees (normally 50%) in Legal & General shares until their shareholding requirement is met. The sale of shares prior to the shareholding requirements being met may be permitted in extenuating situations, for example, a change to personal circumstances or ill health.
Opportunity or requirement	The maximum opportunity for an executive director in respect of any financial year is 300% of base pay (although the Committee's current intention is that the normal award opportunity will be 250% of base pay). • 15% of the award vests for threshold performance. • 100% of the award vests for achievement of maximum. The Committee assesses the formulaic vesting outcome, and may amend the vesting downwards (but not increase the level of vesting) considering a range of factors including overall performance, risk management, capital generation, Solvency II coverage ratio, and (from 2021) ESG.	Fees are subject to the aggregate limit in the company's Articles of Association. Any changes in this limit would be subject to shareholder approval. The Chairman and non-executive directors are not eligible to participate in any benefit, pension or incentive plan. However, additional benefits may be provided if the Board feels this is justified, such as tax compliance advice, work permits or similar. Expenses incurred in carrying out duties (and any associated tax liability) may be reimbursed or paid directly by the Company.	Shares owned outright equivalent to: • 325% of base pay for executive directors; and • 100% of base fee for non-executive directors.
Performance	An appropriate mix (normally an equal weighting) of: • Earnings performance – to incentivise growth in earnings; and • Shareholder return – to deliver a competitive return for shareholders.	No performance conditions.	Not applicable.

Annual report on remuneration

Audited information
Content contained within a grey outline box indicates that all the information in the panel is audited.

Planned implementation for 2022
Content contained within a black outline box indicates that all the information in the panel is planned for implementation in 2022.

'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 2021 financial year, together with a comparative figure for 2020.

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
2021									
Sir Nigel Wilson	**980**	**24**	**147**	**1,151**	**1,388**	**1,960**	**21**	**3,369**	**4,520**
Jeff Davies	**590**	**23**	**78**	**691**	**816**	**1,150**	**12**	**1,978**	**2,669**
2020									
Sir Nigel Wilson	974	24	146	1,144	346	561[1]	41	948	2,092
Jeff Davies	584	23	77	684	213	309[1]	22	544	1,228

1. **Reporting of the 2018 PSP in the 2020 annual report**
The vesting date of the 2018 PSP award occurred after the 2020 results announcement. As a result, the PSP figures recognised in the 2020 annual report were based on a three-month average share price to 31 December 2020. The 2018 PSP figures reported in the 2020 single figure table above now reflect the share price at vesting on 11 March 2021, at 286.7p per share. The figures in the 2020 report were £479,323 (Sir Nigel Wilson) and £263,705 (Jeff Davies).

Base pay

Executive director	Annual base pay as at 1 January 2021	Annual base pay effective 1 March 2021	Total base pay paid in 2021
Sir Nigel Wilson	**979,500**	**979,500**	**979,500**
Jeff Davies	**590,000**	**590,000**	**590,000**

Annual base pay effective 1 March 2022	% increase
1,028,500	**5.0%**
632,000	**7.1%**

Benefits

Benefits include the elements shown in the table below.

Executive director	Car allowance, insurances and taxable expenses £'000	Dividends £'000	Discount SAYE and SIP matching shares £'000	Total benefits £'000
2021				
Sir Nigel Wilson	**19**	**4**	**1**	**24**
Jeff Davies	**20**	**1**	**2**	**23**
2020				
Sir Nigel Wilson	19	4	1	24
Jeff Davies	20	1	2	23

The Share Incentive Plan (SIP) matching shares and dividends relate to the all-employee share purchase plan. No dividends are payable on outstanding Share Bonus Plan (SBP) or PSP awards. Save As You Earn (SAYE) is calculated based on the value of the discount on SAYE share options exercised in the year.

Benefits for 2022

Benefits for 2022 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. All cash allowances are subject to normal payroll deductions for income tax and national insurance.

Pension for 2022

From December 2022, 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. Prior to this change the cash allowance will remain at the current level.

2021 Annual Variable Pay (AVP) awards

The 2021 AVP awards are based on performance for the year ended 31 December 2021. 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 2021 AVP awards to be paid, incorporating the amount payable in cash in 2022 (50%), and amount deferred into restricted shares for a further three years to be released in 2025 (50%) subject to continued employment with malus and clawback provisions.

	2021 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)	£1,374m	£1,477m	£1,529m	£1,688m	100%	x	20%	=		20%	20%
Adjusted operating profit	£1,893m	£2,018m	£2,081m	£2,262m	100%	x	25%	=		25%	25%
Earnings per share (EPS)	22.4p	26.1p	29.7p	34.2p	100%	x	12.5%	=		12.5%	12.5%
Return on Equity (ROE)	14.5%	15.8%	17.0%	20.5%	100%	x	12.5%	=		12.5%	12.5%
Strategic – Sir Nigel Wilson		See table below			81.7%		30%	=		24.5%	
Strategic – Jeff Davies		See table below			74.0%						22.2%
Total (% of maximum)							100%			94.5%	92.2%
										x	x
Maximum bonus opportunity (% of base pay)										150%	150%
										x	x
Base pay										£979,500	£590,000
										=	=
2021 AVP award										£1,388,400	£815,900

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 of gender and other diversity goals.
- **Other strategic objectives:** focus on safeguarding the future and developing future income streams. For 2021, this includes progress of key environmental commitments as referenced in our 2020 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.

A list of the key focus areas and outcomes for 2021 is set out below.

	Assessment (out of 30%)	
Focus areas	**Sir Nigel Wilson**	**Jeff Davies**
Operational performance and risk management: • Strong performance against Solvency II operational surplus goals (£3.1 billion at the end of 2021) and against ambition for Solvency II net surplus generation to cumulatively exceed dividends paid over 2020 – 2024 (£0.3 billion accrued to the end of 2021) • Strong operational performance across all divisions including: • Building 4,364 new homes in 2021 (an increase from 3,374 in 2020) • Supporting PodPoint to scale up at pace and deliver a successful IPO in Nov. 2021 • £611 million of investments in start ups during 2021 • Continued development of Fintech solutions	24.5/30	22.2/30
Customer and culture: • Positive customer feedback with 80% of customers scoring Legal & General 7 out of 10 or higher for customer satisfaction • Net promoter score of +73 within our institutional retirement division • Reduction in claims timings for retail protection clients (reduction of 19 days for non-medical claims from Q2 to Q4 2021 • Continued positive employee feedback with employee satisfaction index at 76% (higher than pre-Covid 19 levels) • Progressive narrowing of gender pay gap (median gap falling from 26.6% in 2020 to 24.1% in 2021)		
Other strategic: • Portfolio carbon emission intensity reduced by half by 2030, with 2021 reduction of at least 2% (actual reduction of 17.0% compared to 2020). • Provisional science-based targets (SBTs) developed for key group businesses and on track for submission within 2 year deadline • Operational footprint (occupied offices and business travel) net zero carbon emissions from 2030, with initial reduction pathway mapped during 2021 to align with science-based targets (SBTs) (2021: achieved) • Other specific strategic targets (not disclosed).		

In addition, the Committee considers the Solvency II coverage ratio (2021: 187%) 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 2021, 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 2021 AVP awards have been deferred for three years into restricted shares, subject to continued employment and with malus and clawback provisions.

AVP potential 2022

In line with the remuneration policy, for 2022 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 2021. Group financial targets will be disclosed in the 2022 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 2022 AVP awards will be deferred for three years into restricted shares, subject to continued employment, with malus and clawback provisions.

Details of how the 2019 PSP award vested

The 2019 PSP award vested at 82.9% of maximum in March 2022 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 2021.

Performance measure	Weighting	Outcome (% of maximum)
TSR vs FTSE 100	25%	45.5%
TSR vs bespoke comparator group	25%	86.0%
EPS growth (% p.a.)	50%	100%
Total (% of maximum)	100%	82.9%

The bespoke comparator group comprises:

Abrdn, Aegon, Ageas, Allianz, Ameriprise Financial, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck., ING Groep, Lincoln National, Mapfre, Metlife, Muenchener Ruck., Phoenix Group Holdings, Principal Financial Group, Prudential, Prudential Financial, Sampo, 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.

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)
16 April 2019	1 January 2019 to 31 December 2021	FTSE 100		46.5	19.0	36.6	45.5%
		Bespoke comparator group	46.3%	12.5	5.0	6.2	86.0%

	Performance target			
Performance condition	Threshold	Maximum	Actual performance	Outcome (% of maximum)
EPS growth (% p.a.)	5.0%	12.0%	12.4%	100%

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 11 March 2022. 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 102 has been calculated based on the number of shares vesting multiplied by the average share price over the quarter ended 31 December 2021 (288.5p). The actual share price and value at vesting will be reported in the 2022 annual report.

Executive director	Shares granted in 2019	Vesting outcome (% of maximum)	Shares vesting in March 2022	Estimated value of shares on vesting (£)
Sir Nigel Wilson	828,107	82.9%	686,501	1,980,555
Jeff Davies	486,091	82.9%	402,969	1,162,567

Performance Share Plan (PSP) 2022 awards: Sir Nigel Wilson and Jeff Davies will each be granted an award with a face value of 250% of base pay.

For the 2022 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).

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 and market expectations of performance, 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.	12% 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 2021, of £100 invested in Legal & General shares on 31 December 2011, 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.

Group Chief Executive – historic remuneration information

The table below shows the remuneration of the Group Chief Executive in place at the time over the same period.

Year	Name	Group Chief Executive single figure of total remuneration (£'000)	Annual variable element against maximum opportunity	PSP vesting rates against maximum opportunity
2021	Sir Nigel Wilson	4,520	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%
2012	Sir Nigel Wilson – appointed 30 June 2012	898	96.0%	0%[1]
	Tim Breedon – retired 30 June 2012	3,280	84.8%	100%[2]

1. The 2009 PSP vested in full in 2012. However, no PSP is shown in the figure for Sir Nigel Wilson as, while he received the PSP, it vested during the time he was Chief Financial Officer.
2. The 2009 PSP vested in full in 2012. The PSP figure that vested for Tim Breedon is shown in his figure as it vested during the time he was Group Chief Executive.

Due to the timing of the vesting of PSP awards, initially PSP figures within the single figure 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 102, 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 – 2020.

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 2021.

Executive director	Reason for award	Award type	Awards granted in 2021	Grant price £	Face value at grant price £
Sir Nigel Wilson	PSP	Nil-cost option	832,341	2.9420	2,448,747
	Deferred AVP	Restricted shares	58,520	2.9537	172,851
Jeff Davies	PSP	Nil-cost options	501,359	2.9420	1,474,998
	Deferred AVP	Restricted shares	36,039	2.9537	106,448

Performance conditions for PSP awards granted in 2021

The PSP awards were granted on 13 April 2021. 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 2021, 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, 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). The Remuneration Committee may also consider reducing the number of shares vesting and/or impose further conditions on the award to neutralise any 'windfall gain' that may have arisen.

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 2021.

Statement of directors' shareholding and share interests

Total shareholding of executive directors:

	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	Shares sold or acquired during the period 1 January 2022 and 8 March 2022	
						Owned outright/ vested shares	Subject to deferral/ holding period
Sir Nigel Wilson	Shares	3,637,332	530,996	4,168,328	–	–	–
	ESP	19,324	5,295	24,619	–	132	73
	Options	–	475,161	475,161	2,728,558	–	–
Jeff Davies	Shares	244,739	311,031	555,770	–	–	–
	ESP	3,476	1,282	4,758	–	132	73
	Options	–	269,933	269,933	1,630,824	–	–

Shareholding requirement – executive directors

The shareholding requirement for all executive directors is 325% of base pay.

	Actual share ownership as % of 2021 base salary: vested shares[1]	Shareholding requirement met	Shares owned at 1 January 2021	Shares owned at 31 December 2021	Shares sold or acquired during the period 1 January 2022 and 8 March 2022
Sir Nigel Wilson	1,111%	Yes	3,316,706	3,656,656	205
Jeff Davies	125%	No	81,610	248,215	205

1. Closing share price as at 31 December 2021: £2.975

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 2021

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 2021 they are shown below:

Executive director	Date of grant	Shares exercised	Exercise date	Share price at date of exercise £	Gain £
Sir Nigel Wilson	21/04/2016	171,349	12/04/2021	2.962	507,536
Sir Nigel Wilson	18/04/2017	287,560	12/04/2021	2.962	851,753
Jeff Davies	18/04/2017	158,174	15/03/2021	2.870	453,959
Jeff Davies	06/04/2018	2,037	01/06/2021	2.843	1,473

Non-executive directors' remuneration – 2021

Non-executive directors' fees

The fees for the Chairman and non-executive directors were reviewed during 2021 and with effect from 1 August 2021 the fee for the Chairman was increased from £523,000 to £550,000. From 1 August 2021 the additional fee for chairing a Board committee was increased from £30,000 to £40,000 and the committee membership fee was increased from £10,000 to £15,000 for the Audit, Remuneration and Risk committees. No fee was paid for membership of the Nominations and Corporate Governance or Technology committees. The current limit for base fees paid to non-executive directors is an aggregate of £1,500,000 per annum. The table below sets out the current fees.

Annual fees	Current fee £
Chairman	550,000
Base fee	75,000
Additional fees:	
Senior Independent Director	30,000
Committee Chairmanship fee (Audit, Remuneration and Group Risk Committees)	40,000
Committee membership fee (Audit, Remuneration and Group Risk Committees)	15,000

The table below shows the actual fees paid to our non-executive directors in 2021 and 2020.

Non-executive director		Fees for 2021	Benefits for 2021[3]	Total remuneration for 2021	Fees for 2020	Benefits for 2020	Total remuneration for 2020
Sir John Kingman	Chairman T N	**534,250**	**64**	**534,314**	512,500	–	512,500
Henrietta Baldock[1]	N R Ri	**200,833**	**–**	**200,833**	199,167	–	199,167
Nilufer von Bismarck	A T N Ri – appointed 1 May 2021	**67,770**	**–**	**67,770**	–	–	–
Philip Broadley	A T N R Ri	**155,833**	**1,521**	**157,354**	119,167	3,053	122,220
Lesley Knox[2]	N R Ri	**223,750**	**3,263**	**227,013**	219,167	1,628	220,795
George Lewis	A N R Ri	**102,917**	**–**	**102,917**	71,458	21,227	92,685
Ric Lewis	N R Ri	**99,167**	**–**	**99,167**	49,532	–	49,532
Toby Strauss	A T N Ri	**121,250**	**–**	**121,250**	115,000	444	115,444
Julia Wilson		**31,250**	**–**	**31,250**	119,167	89	119,256

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 & 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. Henrietta was also a member of the Audit Committee until 31 March 2021.
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. Lesley was also a member of the Audit Committee until 31 March 2021.
3. The Chairman 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 for 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 4 January 2022, taking into account share purchases in relation to December 2021 fees.

Name	Shareholding as at 4 January 2022	Shareholding as a % of base fee	Guideline met	Shares purchased from 5 January 2022 to 8 March 2022
Sir John Kingman	274,303	148%	Met	1,723
Henrietta Baldock	37,732	150%	Met	2,380
Nilufer von Bismarck – appointed 1 May 2021	13,933	55%	On target[1]	5,967
Philip Broadley	92,260	366%	Met	–
Lesley Knox	77,600	308%	Met	–
George Lewis	41,407	164%	Met	2,977
Ric Lewis	19,711	78%	On target[1]	3,270
Toby Strauss	71,045	282%	Met	3,224
Julia Wilson – retired from the Board on 31 March 2021	51,823	206%	Met	–

1. Director's are on track to meet the shareholding requirement within 3 years based on the proportion of their fee received in shares.

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 2019	08 July 2022
Lesley Knox	01 June 2019	01 June 2022
George Lewis	01 November 2021	01 November 2024
Ric Lewis	18 June 2020	18 June 2023
Toby Strauss	01 January 2020	01 January 2023
Laura Wade-Gery	03 January 2022	03 January 2025

Julia Wilson stepped down from the Board on 31 March 2021. The standard term for non-executive directors is three years and for the Chairman is five years. All non-executive directors are subject to annual re-election 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 the performance share plan (PSP).

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 2021 the approach adopted was for the lowest paid employees (less than £30,000) to receive, on average, the highest increases (generally 3% of base pay). For 2022, the average increases will be around 5.2%.
Benefits	All UK employees have access to private medical insurance, life insurance, and a range of family-friendly policies (maternity, paternity, adoption and shared parental leave). In addition there are several wellbeing support packages including Unmind (a confidential mental health app), childcare and 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 with the deferral amount increasing with the size of the bonus. 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.
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 92 employees during 2021. Where appropriate, grants under the PSP may also be made for new employees who join the company during the year in key roles.
Other	
Other share plans and long-term incentives	The Company operates a Share Bonus Plan (SBP) which provides the vehicle for deferral of annual bonuses in the majority of cases and also allows for a limited number of awards of shares to high potential individuals and those with critical skills.
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 its gender pay report for 2021. Further details can also be found on page 49 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 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
2021	**B**	**50**	**86**	**129**	**90,039**	**52,466**	**34,974**
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
2021	**B**	**14**	**22**	**34**	**68,832**	**43,579**	**28,500**
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 2020 and 2021 the ratio of total remuneration for the Group CEO compared to UK employees has increased. The increase is the result of the higher bonus award and vesting level of the 2019 PSP compared with the PSP awards 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 2021, consistent with the methodology for gender pay reporting. The total remuneration figures for the UK employees are based on salaries at 1 December 2021. Bonus amounts for 2021 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 2021 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 2021 based on the option A method in the 2022 report. We do not believe that this will result in pay ratio figures that are materially different to the 2021 figures disclosed above.

Gender pay gap report

Our 2021 gender pay gap report is available on our group website. See: group.legalandgeneral.com/reports

Percentage change in directors' 2021 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.

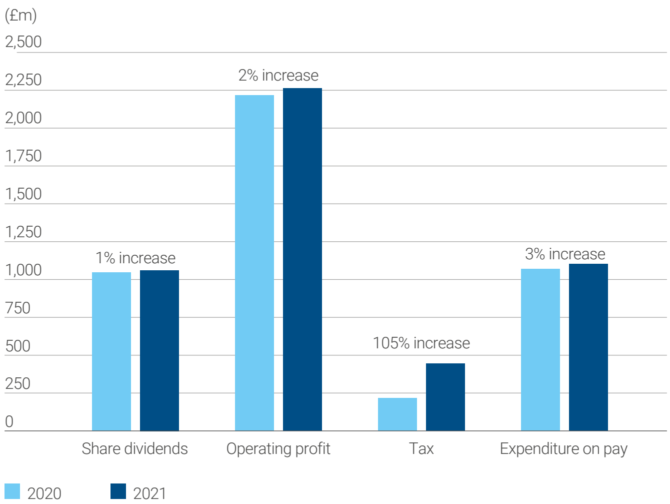
	Year ended 31 December 2021			Year ended 31 December 2020		
	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)
Executive directors						
Sir Nigel Wilson	**0.0%**	**3.3%**	**301.6%**	3.4%	3.4%	(73.2)%
Jeff Davies	**0.0%**	**0.7%**	**282.2%**	6.6%	6.3%	(72.1)%
Chairman and Non Executive Directors[1]						
Sir John Kingman	**4.2%**	**n/a**	**n/a**	3.3%	n/a	n/a
Henrietta Baldock	**0.8%**	**n/a**	**n/a**	4.5%	n/a	n/a
Nilufer von Bismarck – appointed 1 May 2021	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Philip Broadley	**28.7%**	**n/a**	**n/a**	3.6%	n/a	n/a
Lesley Knox	**2.8%**	**n/a**	**n/a**	1.9%	n/a	n/a
George Lewis	**11.0%**	**n/a**	**n/a**	4.9%	n/a	n/a
Ric Lewis	**7.8%**	**n/a**	**n/a**	n/a	n/a	n/a
Toby Strauss	**5.0%**	**n/a**	**n/a**	0.0%	n/a	n/a
Julia Wilson	**4.8%**	**n/a**	**n/a**	3.6%	n/a	n/a
Average for UK employees	**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 changes in the fee structure in relation to chairing a committee and membership of a committee as well as changes to the membership of the committees. The base fee for non-executive directors has not changed since 2019.

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 2020 or 2021.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2021.

Committee members, attendees and advice

Meetings in 2021

During 2021, 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 2021 is shown in the table below. During 2021 the Remuneration Committee comprised the following non-executive directors:

Year	Number of Remuneration Committee meetings attended during 2021
Lesley Knox	5/5
Henrietta Baldock	5/5
Philip Broadley	5/5
George Lewis (from 7 October 2021)	1/1
Ric Lewis	5/5

Committee undertakings

Quarter	Governance	Performance	Remuneration policy	Regulatory
First	• Reviewed findings of the independent Board evaluation	• Reviewed findings of the CRO report and group-wide culture review. • Approved the 2020/21 annual pay review and executive pay awards. • Approved vesting of the 2018 PSP, LGIM and CALA LTIPs.	• Approved the 2021 AVP performance measures. • Approved 2021 PSP awards. • Approved the 2021 ShareSave invitation.	
Third	• Reviewed outcomes of AGM.	• Financial update and indicative variable pay update for executive teams. • Debated adjustments to 2021 AVP targets	• Approved pension plan arrangements for LGIM Japan. • Reviewed proposals for new business unit LTIP.	
Fourth	• Reviewed and approved Committee terms of reference. • Reviewed report on the activities of the Group Reward Steering Committee in 2021.	• Reviewed the base pay increase budget proposals for 2022. • Considered incentive out-turns in respect of 2021.	• Reviewed AVP and PSP performance measures and targets for 2022.	• Reviewed findings of internal audit of remuneration. • Reviewed Code staff lists. • Approved remuneration policy statements for FCA and PRA. • Reviewed IFPR requirements and impact on remuneration.

At the invitation of the Remuneration Committee, the Group Chairman attends Committee meetings. Where appropriate, the Group Chief Executive, the Group HR Director, Group Reward Director, Head of Executive Compensation, Director of Group Finance and Group Chief Risk Officer also attend meetings. No person is present during any discussion relating to that person's own remuneration.

At the invitation of the Remuneration Committee, a representative from PriceWaterhouseCoopers (PwC) also attends Committee meetings. During 2021, 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 2021 were £131,650 (excluding VAT). While fee estimates are required for bespoke pieces of work, fees are generally charged based on time with hourly rates in line with the level of expertise and seniority of the adviser concerned. During the year, 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.

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, Group Conduct Risk Director, Regulatory Risk Director, LGIM Chief Compliance Officer, the Director of Group Finance, the Group Reward Director and the Head of Executive Compensation.

Where a business unit tables a proposal for consideration, the relevant business manager is required to attend the RSC meeting to explain the background and to answer 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 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 the CRO also reviews the executive directors' objectives for the forthcoming year to ensure they are in line with the risk parameters.

Since the implementation of a new Solvency II remuneration policy in 2016, the scope of the 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 2019, we reviewed our approach to remuneration in the context of future business strategy, updated investor guidelines and evolving best practice, and sought feedback from shareholders and representative bodies. The responses that we received helped shape our thinking with respect to the new remuneration policy which was approved by shareholders at the 2020 AGM in May 2020.

During 2022 the Committee will closely examine our remuneration principles and policies to ensure they remain appropriate in the context of future business strategy, updated investor guidelines and evolving best practice and will consult with the group's largest shareholders on any proposed changes, prior to presenting the remuneration policy for shareholder approval at the 2023 AGM.

We engaged regularly with our workforce throughout 2021, 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 2022, including in relation to our new remuneration policy.

Statement of voting at the Annual General Meeting (AGM) 2021

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 2021.

Item	For	Against	Abstain number
Remuneration policy	95.71%	4.29%	
	4,089,839,555	197,291,047	19,465,659
Remuneration report	97.17%	2.83%	
	3,858,805,163	112,466,802	510,910

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 2021, the company had 4.92% of share capital available under the 5% in 10 years limit and 9.60% of share capital under the 10% in 10 years limit.

As at 31 December 2021, 40,331,837 shares were held by the Employee Benefit Trust in respect of outstanding awards of 71,133,543 shares for the PSP and SBP.

Other information relating to directors' remuneration

External appointments

During 2021 the executive directors held no external appointments.

Any 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.


plantronics

Right first time

Throughout 2021, our protection team championed the customer, using digital innovation and education to make sure that however the customer chooses to interact with us, we get it right first time. This has involved expanding our capabilities when our customers choose to interact online; strengthening the telephony experience when customers call us; and improving advisor support to enable a quicker process. We saw 50% fewer customers failed to find the right customer service consultant first time; we are streamlining the customer journey.

"We are streamlining the customer journey."

Natasha Davies,
Retail Customer Services Consultant

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

We have audited the financial statements of Legal & General Group Plc ("the company") for the year ended 31 December 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 17 May 2018. The period of total uninterrupted engagement is for the four financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£107.0 million (2020: £108.0 million) 4.73% (2020: 4.95%) of normalised profit before tax from continuing operations	
Coverage	98.9% (2020: 92.5%) of group profit before tax	
Key audit matters		**vs 2020**
Recurring risks	Valuation of UK annuity policyholder liabilities	◀ ▶
	Valuation of hard to value (Level 3) investments	▼
	Parent company risk: Recoverability of parent company's investment in subsidiaries	◀ ▶

Independent auditor's report to the members of Legal & General Group Plc continued

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2020), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of UK annuity policyholder liabilities

UK annuity policyholder liabilities included within non-participating insurance contract liabilities of £89,755 million; (2020: £88,958 million)

Refer to page 89 (Audit Committee Report), page 140 (accounting policy) and page 179 (financial disclosures).

The risk

Subjective valuation:
The valuation of the UK annuity liabilities is an inherently subjective area, requiring management judgement in the setting of key assumptions. The longevity, expense and credit risk assumptions involve the greatest level of subjectivity. A small change in these assumptions can have a significant impact on the liabilities. We consider the risk remains increased in the current year due to the higher degree of estimation uncertainty resulting from changes in demographic and economic conditions caused by the Coronavirus pandemic (Covid-19).

Longevity assumptions
Longevity assumptions have two main components which include mortality base assumptions and the rate of mortality improvements. Changing trends in longevity and emerging medical trends means that there is a high level of uncertainty in the assumptions. This uncertainty remains heightened in the current year due to the potential longer-term impacts of Covid-19 on trends in longevity. 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.

Expense assumptions
Management judgement is required in setting the maintenance expense assumption which is based on the directors' long-term view of the expected future costs of administering the underlying policies.

Data capture:
There is a risk that incomplete and inaccurate data is used in the calculation of liabilities resulting from inaccurate transfer or conversion of aggregate data from the policy administration systems into model point files used to value the liabilities in the actuarial models. In addition there is a risk that incomplete or inaccurate asset data is used to calculate the default adjustment applied to the VIR.

Calculation error:
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

Our procedures included:

- **Control design and operation:** testing of reconciliation controls to assess completeness of data flows from policy administration systems to the actuarial valuation models;
- **Test of detail:** testing the completeness of data used in the valuation of annuity liabilities by reconciling the data from the policy administration system to the data used in the actuarial models;
- **Test of detail:** By utilising data and analytics procedures, testing the accuracy of the historical data input into the actuarial valuation model by comparing the data used for reporting as at 31 December 2021 to the data used for reporting as at 31 December 2020 in relation to policies that were still 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; and
- **Test of detail:** For a sample of assets, validating the accuracy of the asset data used to project the cash flows used in the calculation of the VIR 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 Covid-19 on policyholder mortality and credit risk. For longevity assumptions, this includes consideration of the cause of death modelling performed by the group 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; assessing the credit default assumptions by comparing to the historical performance of the asset portfolio; and assessing whether the expense assumptions reflect the expected future costs of administering the underlying policies by analysing the allocations of the forecast 2022 costs to maintenance expenses, with reference to historical allocations and planned actions.
- **Test of detail:** testing that changes to the actuarial model from the prior year have been appropriately approved within the group; and evaluating the appropriateness of the financial impact of the changes made to the model during the year.
- **Assessing transparency:** considering whether the disclosures in relation to the assumptions used in the calculation of valuation of UK annuity policyholder liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Our results

- We found the resulting estimate of the valuation of UK annuity policyholder liabilities within non-participating insurance contract liabilities to be acceptable (2020 result: acceptable).

Valuation of hard to value (Level 3) investments

Lifetime mortgages of £6,857m (2020: £6,036m), private credit portfolios of £16,304m (2020: £14,357m), investment property of £10,150m (2020: £8,475m) and income strips of £1,626m (2020: £1,449m).

Refer to page 89 (Audit Committee Report), page 140 (accounting policy) and page 161 (financial disclosures).

The risk

Subjective valuation:
6.7% (2020: 6.0%) of the investment portfolio is classified as Level 3 assets, of which we consider the valuation of lifetime mortgages, private credit, investment property and income strips involve the greatest level of subjectivity. The subjectivity due to Covid-19 on asset valuations remains heightened. However, we consider the subjectivity to have decreased from the prior year, driven by actual experience to date and significant developments made in the UK and US with its response to Covid-19.

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 the group in the valuations adopted is required.

The key assumptions underlying the valuations are:

- Lifetime mortgages: property price at valuation date, property price inflation, property index volatility, voluntary early redemption rate and the illiquidity premium added to the risk-free rate;
- Private credit: yields of selected comparator securities and credit ratings derived from credit rating models; and
- Investment property and income strips: estimated rental value and yield of the property.

Data capture:
Lifetime mortgages
There is a risk that incomplete data is used in the calculation of lifetime mortgages because data does not transfer appropriately from the policyholder system to the actuarial models.

Calculation error:
Lifetime mortgages
The group uses 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. The financial statements (Note 10) disclose the sensitivity estimated by the group.

Our response

Our procedures included:

- **Control design and operation:** testing of the design, and implementation of key controls over the valuation process for the hard to value (Level 3) investments, including the testing of operating effectiveness of key controls relating to the valuation of private credit assets and lifetime mortgages.
- **Our valuation expertise:**
  - using 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 used by the group and reconciling the valuations provided by them to the valuations recorded in the financial statements.
- **Methodology choice:** assessing the appropriateness of the pricing methodologies for private credit and investment property investments with reference to relevant accounting standards and the group's own valuation guidelines as well as industry practice.
- **Benchmarking assumptions:** evaluating and challenging the key assumptions upon which the valuations of lifetime mortgages and investment property investments were based, including consideration of the impacts of the Covid-19 pandemic, by making a comparison to our own understanding of the market, comparable evidence relied on by the valuers used by the group and to industry benchmarks.
- **Test of detail:**
  - Testing that 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
  - Testing the completeness of data used in the valuation of lifetime mortgages by reconciling the data from the policy administration system to the data used in the actuarial valuation models.
- **Assessing transparency:** assessing whether the disclosures in relation to the valuation of hard to value (Level 3) investments are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuations to alternative assumptions.

Our results
- We found the resulting estimate of the valuation of hard to value (Level 3) investments to be acceptable (2020 result: acceptable).

Parent company risk: Recoverability of parent company's investment in subsidiaries

(£9,522 million; 2020: £9,204 million)

Refer to page 228 (accounting policy) and page 231 (financial disclosures).

The risk

Low risk, high value:
The carrying amount of the parent company's investments in subsidiaries represents 78.0% (2020: 74.2%) 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.

Our response

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:

- **Independent re-performance:** 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, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.

Our results
- We found the parent company's conclusion that there is no impairment of its investment in subsidiaries to be acceptable (2020 result: acceptable).

Independent auditor's report to the members of Legal & General Group Plc continued

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £107.0m (2020: £108.0m), 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 as disclosed in Note 2 of the financial statements, of which it represents 4.73% (2020: 4.95%).

Materiality for the parent company financial statements as a whole was set at £28.0m (2020: £29.0m). This is lower than the materiality we would otherwise have determined by reference to total assets to reflect that the parent company is a component of the group, and represents 0.23% of the parent company's total assets (2020: 0.23%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group and parent company was set at 65% (2020: 65%) of materiality for the financial statements as a whole, which equates to £69.6 million (2020: £70.0 million) and £18.2 million (2020: £18.9 million) respectively.

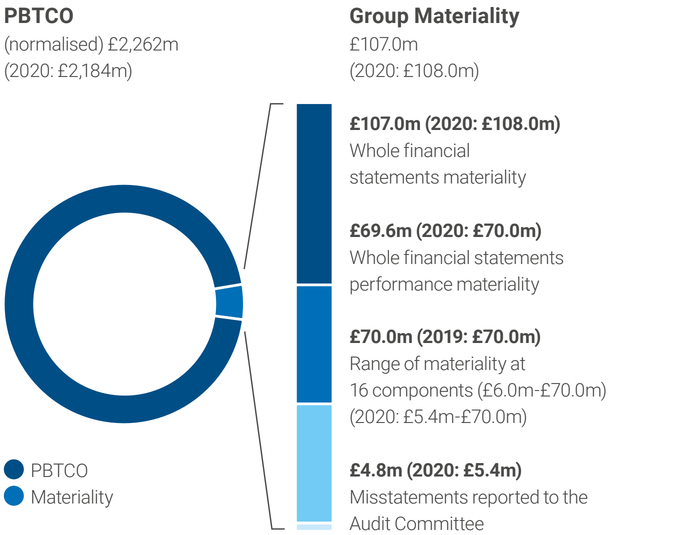
We applied this percentage in our determination of performance materiality based on the level of identified immaterial unadjusted differences and control deficiencies noted during prior periods.

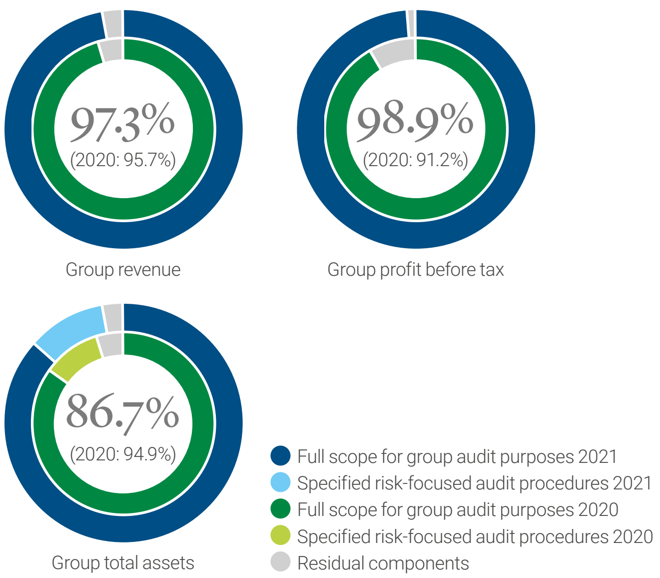
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £4.8 million (2020: £5.4 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

In addition, we applied materiality of £4.4 billion (2020: £4.2 billion) to the classification of unit linked assets and liabilities in the consolidated balance sheet and related notes, determined with reference to a benchmark of total unit linked financial investments and investment property, of which it represents 1.0% (2020: 1.0%). This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items within assets and liabilities, in accordance with FRC Practice Note 20 The Audit of Insurers in the United Kingdom.

We agreed to report to the Audit Committee any corrected or uncorrected classification misstatements in unit linked assets and liabilities exceeding £197 million (2020: £208 million).

Of the group's audit components, we subjected 8 (2020: 7), which are comprised of 18 reporting packs (2020: 13), to full scope audits for group purposes and 8 (2020: 4), which are comprised of 11 reporting packs (2020: 7), to specified risk-focused audit procedures over financial investments, investment property, cash and cash equivalents, defined benefit obligations, and other expenses. The components for which we performed specified risk-focused procedures were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.





The components within the scope of our work accounted for the percentages above.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The group team performed procedures on the items excluded from normalised profit before tax from continuing operations.

The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team approved the component materialities, which ranged from £6.0 million to £70.0 million (2020: £5.4 million to £70.0 million), having regard to the mix of size and risk profile of the group across the components.

Whilst the ability to perform site visits was limited in 2021 due to the restrictions imposed as a result of the Coronavirus pandemic, the group team held video and telephone conference meetings with 10 (2020: 11) component locations in the United Kingdom, Republic of Ireland and the United States (2020: United Kingdom, Republic of Ireland and the United States), to assess the audit risk and strategy. At these meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.

The work on 10 of the 16 components (2020: 9 of the 11 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the group team.

We were able to rely upon the group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4 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 transitional risks and the greater narrative and disclosure of the impact of climate change risk that is incorporated into the annual report. 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 33.

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 key audit matters.

We have also read the disclosures of climate related information in the Strategic Report as set out on pages 43 to 45 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.

Independent auditor's report to the members of Legal & General Group Plc continued

5 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the 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").

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 investments and valuation of policyholder liabilities; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as the failure of counterparties who have transactions with the group (such as banks and reinsurers), which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources by the group's financial forecasts.

We considered whether the going concern disclosure in Note 1 (ii) to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's or 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 237 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the parent company will continue in operation.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the Audit Committee, internal audit, Group Financial Crime 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", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Audit Committee and Risk Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management; and
- consulting with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the group.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group 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 group.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of UK annuity policyholder liabilities and the valuation of hard to value (Level 3) investments.

On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited management judgement involved in the recognition of and measurement of the transaction price for all material revenue streams.

We also identified fraud risks related to the valuation of UK annuity policyholder liabilities and valuation of hard to value (Level 3) investments in response to possible pressures to meet profit targets.

Further detail in respect of the valuation of UK annuity policyholder liabilities and valuation of hard to value (Level 3) investments is set out in the two key audit matters disclosures in section 2 of this report.

We also performed procedures including:

- identifying journal entries to test for full-scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included, but were not limited to, journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedures;
- evaluating the business purpose of significant unusual transactions; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the group is regulated, our assessment of risks involved gaining an understanding of the control environment including the group's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group 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 group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: Listing Rules, Disclosure Guidance and Transparency Rules, regulatory capital and liquidity requirements and certain aspects of company legislation recognising the financial and regulated nature of the group's activities and certain regulated subsidiaries. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Legal & General Group Plc continued

7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the 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 Principal 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 Group Board viability statement of how they have assessed the prospects of the group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Group Board viability statement, set out on page 55 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the group's and parent company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the group's risk management and internal control systems.

We are required to review the part of 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, and to report to you if a corporate governance statement has not been prepared by the company. We have nothing to report in these respects.

Based solely on our work on the other information described above with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:

- we have not identified material misstatements therein; and
- the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 236 and 237, 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.

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.

Rees Aronson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

8 March 2022

Primary statements and performance

Consolidated Income Statement

For the year ended 31 December 2021	Notes	2021 £m	2020 £m
Income			
Gross written premiums	28	**10,375**	12,545
Outward reinsurance premiums		**(3,446)**	(3,187)
Net change in provision for unearned premiums		**42**	12
Net premiums earned		**6,971**	9,370
Fees from fund management and investment contracts	28	**959**	873
Investment return	29	**35,927**	39,168
Other operational income		**1,593**	820
Total income	28	**45,450**	50,231
Expenses			
Claims and change in insurance contract liabilities		**7,353**	17,768
Reinsurance recoveries		**(2,968)**	(3,601)
Net claims and change in insurance contract liabilities		**4,385**	14,167
Change in investment contract liabilities	21	**34,206**	31,410
Acquisition costs		**825**	617
Finance costs	22	**294**	305
Other expenses	3	**3,108**	2,233
Total expenses		**42,818**	48,732
Profit before tax		**2,632**	1,499
Tax expense attributable to policyholder returns	30	**(144)**	(69)
Profit before tax attributable to equity holders		**2,488**	1,430
Total tax expense	30	**(589)**	(218)
Tax expense attributable to policyholder returns	30	**144**	69
Tax expense attributable to equity holders	30	**(445)**	(149)
Profit after tax from continuing operations	28	**2,043**	1,281
Profit after tax from discontinued operations[1]		**–**	290
Profit for the year		**2,043**	1,571
Attributable to:			
Non-controlling interests		**(7)**	(36)
Equity holders		**2,050**	1,607
Dividend distributions to equity holders during the year	4	**1,063**	1,048
Dividend distributions to equity holders proposed after the year end	4	**790**	754

		p	p
Total basic earnings per share[2]	5	**34.19**	27.00
Total diluted earnings per share[2]	5	**32.57**	25.60
Basic earnings per share derived from continuing operations[2]	5	**34.19**	22.11
Diluted earnings per share derived from continuing operations[2]	5	**32.57**	20.98

1. In 2020, discontinued operations included the results of the Mature Savings division, the sale of which completed on 7 September 2020.
2. 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 2021	Note	2021 £m	2020 £m
Profit for the year		**2,043**	1,571
Items that will not be reclassified subsequently to profit or loss			
Actuarial remeasurements on defined benefit pension schemes	23	**53**	(168)
Tax (expense)/credit on actuarial remeasurements on defined benefit pension schemes		**(7)**	48
Total items that will not be reclassified subsequently to profit or loss		**46**	(120)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations		**(11)**	2
Movement in cross-currency hedge		**20**	7
Tax expense on movement in cross-currency hedge		**(7)**	(4)
Movement in financial investments designated as available-for-sale		**(3)**	2
Total items that may be reclassified subsequently to profit or loss		**(1)**	7
Other comprehensive income/(expense) after tax		**45**	(113)
Total comprehensive income for the year		**2,088**	1,458
Total comprehensive income for the year attributable to:			
Continuing operations		**2,088**	1,168
Discontinued operations		**–**	290
Total comprehensive income/(expense) for the year attributable to:			
Non-controlling interests		**(7)**	(36)
Equity holders		**2,095**	1,494

Consolidated Balance Sheet

As at 31 December 2021	Notes	2021 £m	2020 £m
Assets			
Goodwill		**68**	68
Other intangible assets	9	**365**	329
Deferred acquisition costs		**26**	47
Investment in associates and joint ventures accounted for using the equity method		**375**	288
Property, plant and equipment		**316**	274
Investment property	10	**10,150**	8,475
Financial investments	10	**538,374**	526,057
Reinsurers' share of contract liabilities	20,21	**7,180**	6,939
Deferred tax assets	30	**2**	5
Current tax assets	30	**670**	634
Receivables and other assets	13	**8,625**	9,429
Cash and cash equivalents	14	**16,487**	18,020
Total assets		**582,638**	570,565
Equity			
Share capital	34	**149**	149
Share premium	34	**1,012**	1,006
Employee scheme treasury shares	34	**(99)**	(75)
Capital redemption and other reserves		**196**	198
Retained earnings		**9,228**	8,224
Attributable to owners of the parent		**10,486**	9,502
Restricted Tier 1 convertible notes	35	**495**	495
Non-controlling interests	36	**(38)**	(31)
Total equity		**10,943**	9,966
Liabilities			
Non-participating insurance contract liabilities	20	**89,825**	89,029
Non-participating investment contract liabilities	21	**372,954**	343,543
Core borrowings	22	**4,256**	4,558
Operational borrowings	22	**932**	1,055
Provisions	23	**1,238**	1,288
Deferred tax liabilities	30	**251**	207
Current tax liabilities	30	**84**	61
Payables and other financial liabilities	24	**74,264**	91,942
Other liabilities	37	**925**	756
Net asset value attributable to unit holders		**26,966**	28,160
Total liabilities		**571,695**	560,599
Total equity and liabilities		**582,638**	570,565

The notes on pages 136 to 225 form an integral part of these financial statements.

The financial statements on pages 130 to 225 were approved by the board of directors on 8 March 2022 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 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 Changes in Equity continued

For the year ended 31 December 2020	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2020	149	1,000	(65)	205	7,749	9,038	–	55	9,093
Profit for the year	–	–	–	–	1,607	1,607	–	(36)	1,571
Exchange differences on translation of overseas operations	–	–	–	2	–	2	–	–	2
Net movement in cross-currency hedge	–	–	–	3	–	3	–	–	3
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	(120)	(120)	–	–	(120)
Net movement in financial investments designated as available-for-sale	–	–	–	2	–	2	–	–	2
Total comprehensive income for the year	–	–	–	7	1,487	1,494	–	(36)	1,458
Options exercised under share option schemes	–	6	–	–	–	6	–	–	6
Shares purchased	–	–	(23)	–	–	(23)	–	–	(23)
Shares vested	–	–	13	(27)	–	(14)	–	–	(14)
Employee scheme treasury shares:									
– Value of employee services	–	–	–	43	–	43	–	–	43
Share scheme transfers to retained earnings	–	–	–	–	12	12	–	–	12
Dividends	–	–	–	–	(1,048)	(1,048)	–	–	(1,048)
Restricted Tier 1 convertible notes	–	–	–	–	–	–	495	–	495
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(6)	(6)	–	–	(6)
Movement in third party interests	–	–	–	–	–	–	–	(50)	(50)
Currency translation differences	–	–	–	(30)	30	–	–	–	–
As at 31 December 2020	149	1,006	(75)	198	8,224	9,502	495	(31)	9,966

1. Capital redemption and other reserves as at 31 December 2020 include share-based payments £101m, foreign exchange £43m, capital redemption £17m, hedging £35m and available-for-sale reserves £2m.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year		**2,043**	1,571
Adjustments for non cash movements in net profit for the year			
Net gains on financial investments and investment property		**(26,062)**	(28,530)
Investment income		**(9,865)**	(9,761)
Interest expense		**294**	337
Tax expense	30	**589**	144
Other adjustments		**137**	(12)
Net decrease/(increase) in operational assets			
Investments held for trading or designated as fair value through profit or loss		**4,616**	6,519
Investments designated as available-for-sale		**(21)**	1,072
Other assets		**139**	(2,445)
Net increase/(decrease) in operational liabilities			
Insurance contracts		**726**	11,607
Investment contracts		**29,409**	20,855
Other liabilities		**(11,161)**	(5,900)
Cash utilised in operations		**(9,156)**	(4,543)
Interest paid		**(301)**	(301)
Interest received		**5,060**	5,190
Rent received		**373**	384
Tax paid[1]		**(564)**	(554)
Dividends received		**4,419**	4,125
Net cash flows from operations		**(169)**	4,301
Cash flows from investing activities			
Acquisition of plant, equipment, intangibles and other assets		**(205)**	(198)
Disposal of plant, equipment, intangibles and other assets		**–**	34
Acquisition of operations, net of cash acquired		**–**	1
Disposal of subsidiaries and other operations, net of cash transferred		**217**	(278)
Investment in joint ventures and associates		**(56)**	(16)
Disposal of joint ventures and associates		**177**	–
Net cash flows generated/(utilised) from investing activities		**133**	(457)
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	4	**(1,063)**	(1,048)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	35	**(28)**	(7)
Options exercised under share option schemes	34	**6**	6
Treasury shares purchased for employee share schemes	34	**(34)**	(23)
Payment of lease liabilities		**(37)**	(37)
Proceeds from borrowings	22	**449**	1,086
Repayment of borrowings	22	**(798)**	(501)
Proceeds from issuance of restricted Tier 1 convertible notes, net of associated expenses		**–**	495
Net cash flows utilised in financing activities		**(1,505)**	(29)
Net (decrease)/increase in cash and cash equivalents		**(1,541)**	3,815
Exchange gains/(losses) on cash and cash equivalents		**8**	(28)
Cash and cash equivalents at 1 January (before reallocation of held for sale cash)		**18,020**	14,233
Total cash and cash equivalents at 31 December	14	**16,487**	18,020

1. Tax paid comprises UK corporation tax of £368m (2020: £417m), withholding tax of £188m (2020: £137m) and overseas corporate tax of £8m (2020: £nil).

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 & 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, which takes account of the current and future impact of the Covid-19 pandemic, using the information available up to the date of issue of this Annual Report & Accounts.

The group manages and monitors its capital and liquidity, and various stresses are applied to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses is disclosed in section 5.01 of the Full year results 2021 Press Release[1]. These stresses, including additional considerations relating to Covid-19, do not give rise to any material uncertainties over the ability of the group to continue as a going concern. Based upon the available information, the directors consider that the group has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of 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 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2
These amendments, issued in August 2020, address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. In particular, they offer practical expedients, under certain conditions, when a financial contract is modified due to a change resulting directly from IBOR reform. They also allow a series of exemptions from the current rules around hedge accounting. The amendments will be considered as new interest rate benchmarks are introduced.

New disclosure requirements have also been introduced as part of Phase 2, and in line with these the group has provided the below details around the nature and extent of risks to which it is exposed arising from financial instruments subject to IBOR reform, how such risks are managed and the group's progress in completing its transition to alternative benchmark rates.

In the UK, GBP LIBOR has been 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 EMMI (Euro Money Markets Institute).

The key challenges for the group arose in the following areas:

- All financial contracts that reference LIBOR needed to be amended;
- Derivatives and assets on balance sheet that were exposed to changes in market value when the reference rate changes needed to be considered;
- Discount rates that were based on risk free curves, if the risk free curves were based on LIBOR changed. This primarily affected the Solvency II balance sheet, but the resulting impact was small;
- Customers of the group needed to understand the implications for their products and agree the necessary changes.

1. Section 5.01 of the Full year results 2021 Press Release is unaudited.

To deal with these risks and to manage the groupwide conversion, the group initiated a project in 2019 to transition away from LIBOR by 31 December 2021. LGIM is the reportable segment whose operations were most impacted regarding investments linked to LIBOR. Business as usual processes were enhanced to include increased market surveillance on LIBOR trading, added record-keeping specific to LIBOR trades, increased client communications and additional complaints monitoring processes.

The largest shareholder exposures related to LIBOR-linked derivatives that are used for hedging the annuity business. In 2021, the group stopped trading assets referenced to LIBOR (except in some very limited circumstances) and initiated a programme of replacing legacy assets denominated in LIBOR with new SONIA based positions.

For GBP LIBOR, in the third quarter of 2021 it was decided to allow remaining cross-currency positions maturing in March 2022 to roll off rather than actively transition to a new risk-free rate. A residual amount of floating-rate notes remains which will reference a 'synthetic' LIBOR as permitted, and this will be reviewed annually.

Trading out of USD LIBOR has been more gradual as a result of the transition date moving to 23 June 2023, however this has now accelerated following guidance by US regulatory authorities that no new USD LIBOR investments should be made from 1 January 2022.

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 2021 which have not yet transitioned to SONIA or 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 2021 £m	USD LIBOR 2021 £m	Total 2021 £m
Non-derivative financial assets			
Debt securities	229	55	**284**
Derivatives	743	59,356	**60,099**

(iv) Standards, interpretations and amendments to published standards which are not yet effective
Certain standards, amendments and interpretations to existing standards have been published which are mandatory for the group's accounting periods beginning on or after 1 January 2022 or later periods and which the group has not adopted early, as disclosed below.

IFRS 17 – Insurance Contracts
IFRS 17, 'Insurance Contracts' was originally issued in May 2017 by the IASB, and subsequent amendments were issued in June 2020. The standard is expected to be effective for annual periods beginning on or after 1 January 2023 but remains subject to endorsement for use in the UK. The standard will be applied retrospectively, subject to the transitional options provided for in the standard and provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure.

IFRS 17 is an accounting change and therefore while it will have an impact on the timing and profile of profit recognition, we expect the underlying economics and cash generation of the group's businesses will remain the same. While the group is still refining its methodology and completing the development of models and operational capabilities, it is not possible to provide a reliable estimate of the impact on adopting IFRS 17, nor of the ongoing impact on the group's financial results.

In terms of key accounting policies and approaches, the group is able to set out the following at this time:

- The group will be applying the General Measurement Model to all business measured under IFRS 17.
- On transition to IFRS 17, the group will apply the fully retrospective approach unless impracticable. In some instances, this will lead to the modified retrospective and fair value approaches being used for specific groups of insurance contracts.
- For annuity business the selection of a rate at which to discount future cashflows for groups of insurance contracts is a key determinant in the valuation of the insurance liability. We intend to apply a top down discount rate to such groups, starting from an appropriate asset portfolio with economic deductions.
- IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in the profit and 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 we intend to disaggregate such changes.

The group has a fully mobilised programme to implement the standard. Work will continue throughout 2022 to ensure technical compliance as well as to test and embed the required systems and operational capability. Communication and training plans are in place for impacted employees, and the impact on resources across the Finance function is being assessed to ensure the business is ready to implement the new standard.

1 Basis of preparation continued

(iv) Standards, interpretations and amendments to published standards which are not yet effective continued

IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9, 'Financial Instruments' which is effective for annual periods beginning on or after 1 January 2018. The standard replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. It includes new principles around classification and measurement of financial instruments, introduces an impairment model based on expected credit losses (replacing the current model based on incurred losses) and new requirements on hedge accounting. The IASB subsequently issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which allows entities which meet certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17, '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 qualifies for, and is making use of, this deferral option.

In December 2021, in order to alleviate operational complexities and potential one-off accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17, the IASB issued an amendment to IFRS 17 titled 'Initial Application of IFRS 9 and IFRS 17 – Comparative Information'. If an entity applies IFRS 17 and IFRS 9 at the same time, this amendment permits it to present comparative information about financial assets derecognised in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to them. The group has chosen to restate comparative information and to apply this classification overlay to all financial assets in scope. While the group is still refining its methodology and completing the development of models and operational capabilities, it is not possible to provide a reliable estimate of the impact on adopting IFRS 9, nor of the ongoing impact on the group's financial results.

IFRS 9 classifies financial assets into the following three categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets is based on the entity's business model for managing them, as well as their contractual cash flow characteristics. The group expects to reclassify a certain amount of financial assets as a result of these assessments, in order to better align the accounting treatment of assets that are backing insurance contract liabilities under IFRS 17.

With the exception of financial assets measured under FVTPL, the group will apply an expected credit loss impairment model 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. The group will recognise either twelve months' or lifetime expected credit losses in the Consolidated Income Statement at each reporting period. The group intends to use the practical expedient for financial assets with low credit risk at the reporting date, which allows recognising twelve months' expected credit losses. Additionally, for trade receivables, contract assets and lease receivables, the group plans to use a provision matrix method to calculate and recognise lifetime expected credit losses.

Financial liabilities are expected to be classified and measured under their current categories (FVTPL or amortised cost) under IFRS 9.

The group has a fully mobilised programme to implement the standard. Work will continue throughout 2022 to ensure technical compliance as well as to test and embed the required systems and operational capability. Communication and training plans are in place for impacted employees, and the impact on resources across the Finance function is being assessed to ensure the business is ready to implement the new standard.

Annual Improvements to IFRS Standards 2018–2020

These amendments, issued in May 2020, make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 16 – Property, plant and equipment

These amendments, issued in May 2020, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets

These amendments, issued in May 2020, specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IFRS 3 – Business Combinations

These amendments, issued in May 2020, update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 1 – Presentation of Financial Statements

These amendments, issued in February 2021, intend to help preparers in deciding which accounting policies to disclose in their financial statements on or after 1 January 2023, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors
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, subject to UK endorsement. The group does not expect the impact to be significant.

Amendments to IAS 12 – Income Tax
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, subject to UK endorsement. The group does not expect the impact to be significant.

(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 2021 are included within the Audit Committee Report on page 89.

The preparation of the financial statements has also considered the impact of climate change, and as at 31 December 2021 management does not consider this to be a significant area of accounting judgement or source of estimation uncertainty. Specific considerations in respect of climate change have been presented in this Annual Report & Accounts in the following sections:

- Asset risk (Note 7)
- Financial investments and investment property (Note 10)
- IFRS sensitivity analysis (Note 19)

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.

Consolidation (Notes 42–44): 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.

1 Basis of preparation continued

(v) Critical accounting policies and the use of estimates continued

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 18–21)

- Determination of longevity, mortality and morbidity assumptions used in the calculation of the insurance contract liabilities; the assumptions for the rate of future longevity, mortality and morbidity are based on the group's internal experience and judgements about how experience may vary in the future. This assessment takes into account market benchmarking, internal experience studies and independent industry data.
- Determination of the expense assumptions used in the calculation of the insurance liabilities that represent the expected future costs of administering the underlying insurance policies; the expense assumptions are based on management's best estimate of these future costs, and appropriate allocation between servicing new and existing business.
- Determination of valuation interest rates used to discount the liabilities are sensitive to the assumptions made, for example, on credit default of the backing assets; these assumptions take into account consideration of market experience and historic internal data. The valuation interest rate is also sensitive to the selection of assets chosen to back the liabilities.
- Determination of the target long-term asset portfolio at certain period ends, depending on the quantum and timing of pension risk transfer (PRT) volumes; this assumption is used to present LGR's new business metrics.

Insurance and investment contract liabilities are of a long-term nature, and as such, the ultimate impact of Covid-19 will emerge over a long period of time. As at 31 December 2021, 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.

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.

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 alternative assumptions.

(vi) 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 which do not form part of an investment portfolio are initially recognised in the Consolidated Balance Sheet at cost. The carrying amount of the associate is increased or decreased to reflect the group's share of total comprehensive income after the date of the acquisition.

(vii) 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 described in Note 6 for each applicable reportable segment.

Reportable segment	Non-participating insurance contracts	Non-participating investment contracts
LGR	• Pension risk transfers • Individual annuities • Longevity insurance • Lifetime Care Plan	• Lifetime mortgages • Fixed term individual annuities • Assured payment policies • Retirement interest only mortgages • Workplace Savings
LGI	• UK Retail protection • UK Group protection • US Protection • US Universal life • US Individual annuities	
LGIM		• Institutional Pension • Segregated investment management mandates • Collective Investment Schemes

(viii) 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.

(ix) Foreign exchange and exchange rates

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the group's foreign operations is the currency of the primary economic environment in which the entity operates. The assets and liabilities of all of the group's foreign operations are translated into sterling, the group's presentation currency, at the closing rate at the date of the Consolidated Balance Sheet. The income and expenses for each income statement are translated at average exchange rates. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to a separate component of shareholders' equity.

Foreign exchange gains and losses are recognised in the Consolidated Income Statement, except when recognised in equity as qualifying cash flow or net investment hedges.

The closing exchange rates at 31 December 2021 were 1.35 United States dollar and 1.19 euro (31 December 2020: 1.37 United States dollar and 1.12 euro).

The average exchange rates for the year ended 31 December 2021 were 1.38 United States dollar and 1.16 euro (31 December 2020: 1.28 United States dollar and 1.13 euro).

2 Supplementary adjusted operating profit information

(i) Reconciliation between adjusted operating profit and profit from ordinary activities after tax

	Notes	Profit/ (loss) before tax[1] 2021 £m	Tax (expense)/ credit 2021 £m	Profit/ (loss) after tax 2021 £m	Profit/ (loss) before tax[1] 2020 £m	Tax (expense)/ credit 2020 £m	Profit/ (loss) after tax 2020 £m
Legal & General Retirement (LGR)	2(iii)	**1,506**	**(219)**	**1,287**	1,728	(250)	1,478
– LGR Institutional (LGRI)		1,154	(170)	984	1,331	(194)	1,137
– LGR Retail (LGRR)[2]		352	(49)	303	397	(56)	341
Legal & General Investment Management (LGIM)[2]		**422**	**(80)**	**342**	407	(80)	327
Legal & General Capital (LGC)		**461**	**(82)**	**379**	275	(51)	224
Legal & General Insurance (LGI)	2(iii)	**268**	**(41)**	**227**	189	(34)	155
– UK and Other		320	(60)	260	205	(39)	166
– US (LGIA)		(52)	19	(33)	(16)	5	(11)
Adjusted operating profit from continuing operations		**2,657**	**(422)**	**2,235**	2,599	(415)	2,184
Adjusted operating profit from discontinued operations[3]		**–**	**–**	**–**	34	(6)	28
Adjusted operating profit from divisions/(tax expense) on divisions		**2,657**	**(422)**	**2,235**	2,633	(421)	2,212
Group debt costs[4]		**(230)**	**44**	**(186)**	(233)	44	(189)
Group investment projects and expenses		**(165)**	**28**	**(137)**	(155)	38	(117)
Covid-19 costs[5]		**–**	**–**	**–**	(27)	7	(20)
Adjusted operating profit/(tax expense)		**2,262**	**(350)**	**1,912**	2,218	(332)	1,886
Investment and other variances	2(iv)	**233**	**(95)**	**138**	(394)	115	(279)
Losses attributable to non-controlling interests		**(7)**	**–**	**(7)**	(36)	–	(36)
Profit for the year/(tax expense) for the year[6]		**2,488**	**(445)**	**2,043**	1,788	(217)	1,571

1. The profit/(loss) before tax reflects profit/(loss) before tax attributable to equity holders.
2. LGRR includes the Workplace Savings business which was previously reported in LGIM. Prior year comparatives have been restated to reflect the change in reporting structure. Further details are provided in Note 28.
3. In 2020, discontinued operations included the results of the Mature Savings division, the sale of which completed on 7 September 2020.
4. Group debt costs exclude interest on non-recourse financing.
5. Covid-19 costs reflected incremental operational expenses incurred as a result of Covid-19.
6. The 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 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.

The group reports its results across the following business segments:

- LGR represents worldwide pension risk transfer business including longevity insurance (within LGRI), and retail retirement, workplace savings and lifetime mortgage loans (within LGRR).
- LGIM represents institutional and retail investment management.
- 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.
- LGI primarily represents UK and US retail protection business, UK group protection and Fintech business.

(ii) Reconciliation of release from operations to adjusted operating profit before tax

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 £m	Adjusted operating profit/(loss) after tax £m	Tax expense/ (credit) £m	Adjusted operating profit/(loss) before tax £m
LGR	**739**	**220**	**959**	**54**	**251**	**23**	**–**	**1,287**	**219**	**1,506**
– LGRI	512	193	705	40	212	27	–	984	170	1,154
– LGRR[2]	227	27	254	14	39	(4)	–	303	49	352
LGIM[2]	**342**	**–**	**342**	**–**	**–**	**–**	**–**	**342**	**80**	**422**
LGC	**379**	**–**	**379**	**–**	**–**	**–**	**–**	**379**	**82**	**461**
LGI	**236**	**27**	**263**	**14**	**82**	**6**	**(138)**	**227**	**41**	**268**
– UK and Other	131	27	158	14	82	6	–	260	60	320
– US (LGIA)[3]	105	–	105	–	–	–	(138)	(33)	(19)	(52)
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 US (LGIA) includes £80m of dividends from the US.
2. LGRR includes the Workplace Savings business which was previously reported in LGIM. Prior year comparatives have been restated to reflect the change in reporting structure. Further details are provided in Note 28.
3. Other includes experience variances, changes in valuation assumptions and non-cash items for LGIA.

Release from operations for LGR and LGI UK and Other represents the expected IFRS surplus generated in the year from the difference between the prudent assumptions underlying the IFRS liabilities and our best estimate of future experience for in-force annuities and UK protection businesses. For Workplace Savings, the release from operations represents the expected annual management charges generated from the in-force business less the expected expenses. The LGI release from operations also includes dividends remitted from LGIA.

New business surplus/(strain) for LGR and LGI UK and Other represents the initial profit or loss from writing new business. This includes the costs associated with acquiring new business and setting up prudent reserves in respect of new business for UK annuities and protection, 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 LGR and LGI excludes any capital held in excess of the prudent reserves from the liability calculation.

LGR's new business metrics are presented based on a target long-term asset portfolio. At certain 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 LGR and LGI 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 2020	Release from operations[1] £m	New business surplus/(strain) £m	Net release from operations £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items £m	Other £m	Adjusted operating profit/(loss) after tax £m	Tax expense/(credit) £m	Adjusted operating profit/(loss) before tax £m
LGR	685	262	947	99	400	32	–	1,478	250	1,728
– LGRI	492	220	712	81	314	30	–	1,137	194	1,331
– LGRR[2]	193	42	235	18	86	2	–	341	56	397
LGIM[2]	327	–	327	–	–	–	–	327	80	407
LGC	224	–	224	–	–	–	–	224	51	275
LGI	250	8	258	(41)	58	(5)	(115)	155	34	189
– UK and Other	146	8	154	(41)	58	(5)	–	166	39	205
– US (LGIA)[3]	104	–	104	–	–	–	(115)	(11)	(5)	(16)
From continuing operations	1,486	270	1,756	58	458	27	(115)	2,184	415	2,599
From discontinued operations[4]	28	–	28	–	–	–	–	28	6	34
Total from divisions	1,514	270	1,784	58	458	27	(115)	2,212	421	2,633
Group debt costs	(189)	–	(189)	–	–	–	–	(189)	(44)	(233)
Group investment projects and expenses	(56)	–	(56)	–	–	–	(61)	(117)	(38)	(155)
Covid-19 costs[5]	–	–	–	–	–	–	(20)	(20)	(7)	(27)
Total	1,269	270	1,539	58	458	27	(196)	1,886	332	2,218

1. Release from operations within US (LGIA) includes £84m of dividends from the US.
2 LGRR includes the Workplace Savings business which was previously reported in LGIM. Further details are provided in Note 28.
3. Other includes experience variances, changes in valuation assumptions and non-cash items for LGIA.
4. Discontinued operations include the results of the Mature Savings division, the sale of which completed on 7 September 2020.
5. Covid-19 costs reflect incremental operational expenses incurred as a result of Covid-19.

(iii) Analysis of LGR and LGI adjusted operating profit

	LGR[1] 2021 £m	LGI 2021 £m	LGR[1] 2020 £m	LGI 2020 £m
Net release from operations	**959**	**263**	947	258
Experience variances				
– Persistency	**1**	**(5)**	7	3
– Mortality/morbidity[2]	**40**	**13**	104	(46)
– Expenses	**–**	**5**	(18)	(5)
– Project and development costs	**(19)**	**(11)**	(9)	(1)
– Other	**32**	**12**	15	8
Total experience variances	**54**	**14**	99	(41)
Changes in valuation assumptions				
– Persistency	**–**	**(5)**	–	(1)
– Mortality/morbidity[3]	**201**	**(2)**	255	54
– Expenses	**–**	**(1)**	–	2
– Other[4,5]	**50**	**90**	145	3
Total changes in valuation assumptions	**251**	**82**	400	58
Movement in non-cash items				
– Acquisition expense tax relief	**–**	**–**	–	(3)
– Other[6]	**23**	**6**	32	(2)
Total movement in non-cash items	**23**	**6**	32	(5)
Other[2]	**–**	**(138)**	–	(115)
Adjusted operating profit after tax	**1,287**	**227**	1,478	155
Tax expense	**219**	**41**	250	34
Adjusted operating profit before tax	**1,506**	**268**	1,728	189

1. LGR includes the Workplace Savings business which was previously reported in LGIM. Prior year comparatives have been restated to reflect the change in reporting structure. Further details are provided in Note 28.
2. Mortality experience variances in 2020 were driven by increased claims experience due to Covid-19, particularly impacting LGIA (reflected in Other) where we retain the majority of the mortality risk. In 2021, total LGI Covid-19 claims have exceeded the prior year reserves by £79m, and we have further established a provision of £57m for Covid-19 mortality impacts expected in 2022.
3. In 2021, mortality assumption changes for LGR reflect a one-off update to the spouse demography assumption of £100m. We have not recognised an explicit release from adopting CMI 2019 given the uncertainty in the data created by Covid-19. In 2020, the assumption changes included a one-off release of £153m (net of tax) from an update in the longevity trend assumption from adjusted CMI 2017 to adjusted CMI 2018. Other positive longevity variances in both years are driven by routine updates to our assumptions relating to base mortality rates.
4. In 2020, the £145m positive Other changes in valuation assumptions in LGR reflect both a reduction in the assumed late retirement factors applied to deferred annuities and the impact of updating unit cost and investment management expense assumptions.
5. In 2021, the £90m positive Other changes in valuation assumptions in LGI reflect the benefit of modelling improvements in UK retail protection, including the introduction of an illiquidity premium in the liability discount rate.
6. LGR Other movement in non-cash items is driven by the net effect of the capitalisation and unwind of future asset management profits on activity managed by LGIM, and is a function of new business volumes and movements in the main unit cost assumptions.

(iv) Investment and other variances

	2021 £m	2020 £m
Investment variance related to protection liabilities	**111**	(459)
Investment variance related to the traded investment portfolio and direct investments	**19**	(299)
Other investment variance[1]	**211**	67
Investment variance	**341**	(691)
M&A related and other variances[2]	**(108)**	297
Total investment and other variances	**233**	(394)

1. Other investment variance includes variances in respect of the defined benefit pension scheme, reflecting the impact of the acquisition of annuity assets from LGR, and the difference between the IAS 19 and annuity discount rates.
2. M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring. 2021 includes: the impact of the sale of a book of retail investment products within the L&G Personal Investing business to Fidelity International Limited, announced in October 2020; the costs associated with LGIM's appointment of State Street to provide Charles River technology and middle office services, including the recognition of a multi-year restructuring provision; and the impact of impairing capitalised software intangibles as a result of various restructuring exercises.

Investment variance includes differences between actual and long-term expected investment return on traded and real assets (including direct investments), 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.

2 Supplementary adjusted operating profit information continued

(iv) Investment and other variances continued

The long-term expected investment returns are:

	2021	2020
Equities	7%	7%
Commercial property	5%	5%
Residential property	RPI + 50bps	RPI + 50bps

Additionally, other alternative assets within the LGC portfolio comprise investments in housing, specialist commercial real estate, clean energy, digital infrastructure and venture capital. The long-term expected investment return is on average between 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	2021 £m	2020 £m
Staff costs (including pensions and share-based payments)[1]	32	1,014	960
Redundancy costs		4	6
Lease rentals[2]		4	–
Auditors' remuneration	31	12	13
Depreciation and impairment of plant and equipment		53	52
Amortisation and impairment of other intangible assets	9	89	21
Direct operating expenses arising from investment properties which generate rental income		–	6
House building expenses[3]		1,072	643
Other administrative expenses[1]		860	542
Total other expenses		**3,108**	2,243
Less: other expenses from discontinued operations		–	(10)
Other expenses from continuing operations		**3,108**	2,233

1. Defined benefit pension costs, included within Staff costs, represent the sum of current service cost and net interest expense, and not the contributions paid to the defined benefit schemes, as previously disclosed. As set out in Note 32, these amounts have been updated for the prior year, and accordingly Staff costs and Other administrative expenses for 2020 have been represented to be on a basis consistent with 2021. There is no impact on Total other expenses, the Consolidated Income Statement or Consolidated Balance Sheet.
2. Lease rentals represent expenses on short-term leases or low value leases as permitted under IFRS 16.
3. House building expenses represent cost of sales of the group's housing businesses, including CALA Homes. A total of £1,314m (2020: £748m) 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 2021 £m	Per share[1] 2021 p	Dividend 2020 £m	Per share[1] 2020 p
Ordinary dividends paid and charged to equity in the year:				
– Final 2019 dividend paid in June 2020	–	–	754	12.64
– Interim 2020 dividend paid in September 2020	–	–	294	4.93
– Final 2020 dividend paid in June 2021	754	12.64	–	–
– Interim 2021 dividend paid in September 2021	309	5.18	–	–
Total dividends	**1,063**	**17.82**	1,048	17.57
Ordinary share dividend proposed[2]	**790**	**13.27**	754	12.64

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2. Subsequent to 31 December 2021, the directors declared a final dividend for 2021 of 13.27 pence per ordinary share. This dividend will be paid on 1 June 2022. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2022 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2021.

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 2021 £m	**Per share[1] 2021 p**	After tax 2020 £m	Per share[1] 2020 p
Profit for the year attributable to equity holders	**2,050**	**34.58**	1,607	27.10
Less: coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	**(23)**	**(0.39)**	(6)	(0.10)
Total basic earnings	**2,027**	**34.19**	1,601	27.00
Less: earnings derived from discontinued operations	**–**	**–**	(290)	(4.89)
Basic earnings derived from continuing operations	**2,027**	**34.19**	1,311	22.11

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 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**

	After tax 2020 £m	Weighted average number of shares 2020 m	Per share[1] 2020 p
Profit for the year attributable to equity holders	1,607	5,930	27.10
Net shares under options allocable for no further consideration	–	40	(0.18)
Conversion of restricted Tier 1 notes	–	307	(1.32)
Total diluted earnings	1,607	6,277	25.60
Less: diluted earnings derived from discontinued operations	(290)	–	(4.62)
Diluted earnings derived from continuing operations	1,317	6,277	20.98

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.

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 52–59.

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 (LGR)

Annuity contracts

Annuity products provide guaranteed income for a specified time, usually the life of the policyholder, in exchange for a lump sum capital payment. No surrender value is available under any of these products.

Pension Risk Transfer (PRT) represents bulk annuities, whereby the group accepts the assets and liabilities of a company pension scheme or a life fund. These are written predominantly to UK clients but increasing internationally.

Immediate annuity contracts are offered to individual policyholders. Immediate annuities provide a regular income stream to the policyholder, purchased with a lump sum investment, where the income stream starts immediately after the purchase. These annuities may include a guaranteed payment period.

Some deferred annuities sold by the group contain guaranteed cash options, predominantly minimum factors for commuting part of the annuity income into cash at the date of vesting. The value of such guaranteed options is currently immaterial.

There is a block of immediate and deferred annuities within the UK business with benefits linked to changes in the RPI or for a minority the CPI, but with contractual maximum or minimum increases. In particular, most of these annuities have a provision that the annuity will not reduce if RPI, or for a minority CPI, becomes negative. The total annual annuity value of such annuities in payment at 31 December 2021 was £1,510m (2020: £1,170m). Thus, 1% negative inflation, which was reversed in the following year, would result in a guarantee cost of approximately £15m (2020: £12m). Negative inflation sustained over a longer period would give rise to significantly greater guarantee costs. Some of these guarantee costs have been partially matched through the purchase of negative inflation hedges and limited price indexation swaps.

The group also offers products for individuals that provide a guaranteed level of income over a chosen fixed period of time, in exchange for an initial lump sum payment from the policyholder. The products can provide a fixed lump sum at maturity and/or options to surrender on non-guaranteed terms.

The group writes Assured Payment Policies (APP). An APP is a long-term contract under which the policyholder (a registered UK pension scheme) pays a day-one premium and in return receives a contractually fixed and/or inflation-linked set of payments over time from the insurer.

Longevity insurance contracts

The group also provides longevity insurance products for company pension schemes, under which regular payments are made to the scheme reflecting their actual longevity experience, while the scheme makes an agreed set of regular payments in return. Some policies contain a guaranteed surrender value which is currently immaterial.

Lifetime mortgages

Lifetime mortgages are a form of equity release mortgage that provide non-commercial borrowers with a loan secured against their main residence, without the need for regular repayments. They are regulated retail mortgages offered only to borrowers over the age of 55 through specialist intermediaries. Interest accrues over the term of the loan and is repayable at the time the principal becomes due. Loans can be advanced in a single lump sum amount or in several subsequent drawdowns of an agreed facility. All lifetime mortgages provide a 'no negative equity' guarantee, which means that if the loan is repaid from the sale of the property and if the net sale proceeds are lower than the balance of the loan, the group will accept the net sale proceeds as full settlement.

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.

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.

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).

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 are 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.

Legal & General Insurance (LGI)

LGI business comprises UK and US retail protection, UK group protection, US universal life business and Fintech business.

UK protection business (retail and group)

The group offers protection products which provide mortality or morbidity benefits. They may include health, disability, critical illness and accident benefits; these additional benefits are commonly provided as supplements to main life policies but can also be sold separately. The benefit amounts would usually be specified in the policy terms. Some sickness benefits cover the policyholder's mortgage repayments and are linked to the prevailing mortgage interest rates. In addition to these benefits, some contracts may guarantee premium rates, provide guaranteed insurability benefits and offer policyholders conversion options.

US protection business

Protection consists of individual term assurance, which provides death benefits over the medium to long-term. The contracts have level premiums for an initial period with premiums set annually thereafter. During the initial period, there is generally an option to convert the contract to a universal life contract. After the initial period, the premium rates are not guaranteed, but cannot exceed the age-related guaranteed premium.

6 Principal products continued

Reinsurance is used within the protection businesses to manage exposure to large claims. These practices lead to the establishment of reinsurance assets on the group's balance sheet. Within 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 and universal life reserves).

US universal life

Universal life contracts written by LGA provide savings and death benefits over the medium to long-term. The savings element has a guaranteed minimum growth rate. LGA has exposure to loss in the event that interest rates decrease and it is unable to earn enough on the underlying assets to cover the guaranteed rate. LGA is also exposed to loss should interest rates increase, as the underlying market value of assets will generally fall without a change in the surrender value.

Annuities

Immediate annuities have similar characteristics as products sold by LGR. Deferred annuity contracts written by LGA contain a provision that, at maturity, a policyholder may move the account value into an immediate annuity, at rates which are either those currently in effect, or rates guaranteed in the contract.

7 Asset risk

The group is exposed to the following categories of asset risk as a consequence of offering the principal products outlined in Note 6. The group is also exposed to insurance risk as a consequence of offering these products – more detail on insurance risk can be found in Note 17.

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.

Climate risk

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 our 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 directly owned commercial property and housing businesses.

The group is not directly exposed to any market risk, credit risk or liquidity risk associated with LGIM's businesses. As a result, the detailed risk disclosures have not been presented.

The group seeks to manage its exposures to risk through controls which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board. A description of the risks associated with the group's principal products and the associated controls is detailed below.

Market risk

Principal risks	Business segment	Controls to mitigate risks
Investment performance risk The group is exposed to the risk that the income from, and value of, assets held to back insurance liabilities and capital requirements do not perform in line with investment and product pricing assumptions leading to a potential financial loss.	LGR, LGC and LGI	Models are used to assess the impact of a range of future return scenarios on investment values and associated liabilities in order to determine optimum portfolios of invested assets. For annuities, which are sensitive to interest rate 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.	Unit linked	The risk is managed through maintaining a diversified range of funds in which customers may invest. The performance of linked investment funds relative to their investment objectives is subject to regular monitoring. Periodic assessment is also made of the long-term profitability to the group of these funds. For some contracts the group has discretion over the level of management charges levied.
Property risk Lifetime mortgages include a no-negative equity guarantee which transfers a potential loss exposure to the group as a result of low house price inflation and an exposure to specific properties which may experience lower house price inflation for whatever reason.	LGR	To mitigate the risk, maximum loan to value ratios are set for all lending with further underwriting criteria setting out acceptable properties for lending purposes. Policy terms also require properties to be fully insured and maintained, including the right of inspection. The diversification of lending by property type and geographic region seeks to control exposures to specific aspects in the property market.
LGC businesses build homes across the residential market, invest in large commercial and residential development projects and manage several developed real estate assets. The group's revenue streams are exposed to residential sales achieved, as well as the volume of transactions, both of which many be affected by the performance of the housing market. 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.
Currency risk To diversify credit risk within the annuities business corporate bond portfolio, investments are held in corporate bonds denominated in non-sterling currencies. LGC also invest in overseas assets. Fluctuations in the value of, or income from, these assets relative to liabilities denominated in sterling could result in unforeseen foreign exchange losses.	LGR, LGC and LGI	To mitigate the risk of loss from currency fluctuations, currency swaps and forwards are used to hedge exposures to corporate bonds denominated in currencies other than sterling. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties. The hedges do not eliminate all currency risk and the group retains some residual risk.
The consolidated international subsidiaries and financial instruments of subsidiaries are translated into sterling in the consolidated accounts. Changes in the sterling value can impact consolidated equity but may be mitigated by associated hedging transactions.	Group	To mitigate the risk of loss from currency translation the company continuously monitors its exposure and executes appropriate hedging transactions when necessary. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties.
Inflation risk Inflation risk is the potential of realising a loss because of relative or absolute changes in inflation rates. Annuity contracts may provide for future benefits to be paid taking account of changes in the level of inflation. Annuity contracts in payment may include an annual adjustment for movements in price indices.	LGR	The investment strategy for the annuities business takes explicit account of the effect of movements in price indices on contracted liabilities. Significant exposures that may adversely impact profitability are hedged using inflation swaps. Annuity contracts also typically provide for a cap on the annual increase in inflation linked benefit payments. The hedges do not eliminate all inflation risk and the group retains some residual risk.
Interest rate risk Interest rate risk is the risk that the group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.	LGR, LGI and Group	To mitigate the risk that guarantees and commitments are not met, financial instruments are purchased, which broadly match the nature and terms of the expected policy benefits payable. The composition of the investment portfolio is governed by the nature of the insurance or savings liabilities, the expected rate of return applicable on each class of asset and the capital available to meet the price fluctuations of each asset class, relative to the liabilities they support.

7 Asset risk continued

Credit risk

Principal risks	Business segment	Controls to mitigate risks
Bond default risk A significant portfolio of corporate bonds and commercial loans are held to back the liabilities arising from writing insurance and annuities business. Whilst the portfolio is diversified, the asset class is inherently exposed to the risk of issuer default, with the possibility of financial loss.	LGR and LGI	Portfolio level and specific issuer limits are set by financial strength rating, sector and geographic region to limit exposure to a default event. Issuer limits are regularly reviewed to take account of changes in market conditions, sector performance and the re-assessment of financial strength by rating agencies and the group's own internal analysis. Exposures are monitored relative to limits. Financial instruments are also used to mitigate the impact of rating downgrades and defaults. If appropriate, actions are taken to trade out investments at risk of default.
Reinsurance counterparty risk Exposure to insurance risk is mitigated by ceding part of the risks assumed to the reinsurance market. Default of a reinsurer would require the business to be re-brokered potentially on less advantageous terms, or for the risks to be borne directly resulting in possible financial loss. The group is required to carry an element of associated credit risk capital on its balance sheet should the business not be re-brokered on the same terms.	LGR and LGI	When selecting new reinsurance partners for its protection business, the group considers only companies which have a minimum credit rating equivalent to A- from Standard & Poor's. For each reinsurer, exposure limits are determined based on credit ratings and projected exposure over the term of the treaty. Actual exposures are regularly monitored relative to these limits. Similarly, for longevity and credit risk syndication transactions, the group targets the use of strongly rated counterparties and seeks to ensure that positions are fully collateralised. The adequacy and quality of collateral is subject to ongoing monitoring.
Property lending counterparty risk As part of our asset diversification strategy, we hold property lending and sale and leaseback investments. We are inherently exposed to the risk of default by a borrower or tenant.	LGR and LGC	Each property lending and sale and leaseback investment transaction is subject to a due diligence process to assess the credit risks implicit in the transaction and confirm that any risk of default has been appropriately mitigated. We also protect our interests by taking security over the underlying property associated with each investment transaction.
Banking counterparty risk The group is exposed to potential financial loss should banks or the issuers of financial instruments default on their obligations to us. We are also exposed to counterparty risks in respect of the providers of settlement and custody services.	LGR, 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.	LGI and Group	The group seeks to ensure that it meets its obligations as they fall due and avoids incurring material losses on forced asset sales in order to meet those obligations. A limited level of contingent liquidity risk is, however, an accepted element of writing insurance contracts. It is furthermore a consequence of the markets in which the group operates and the execution of investment management strategies. However, the group's insurance businesses seek to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity is identified using techniques including stress tests for shock events and the profile of actual liquid assets is regularly compared to the required liability profile. The group's treasury function provides formal facilities to other areas of the group to cover contingent liquidity requirements arising from more extreme events and where investment assets may not be readily realisable.
Collateral liquidity risk Within the annuities business, the use of financial instruments to hedge default, interest rate, currency and inflation risks can require the posting of collateral with counterparties at short notice.	LGR, LGC and Group	Liquidity requirements to meet potential collateral calls under stressed conditions are actively managed and an appropriate pool of eligible assets is maintained with counterparties as specified in the associated agreements. As at 31 December 2021, LGR held eligible collateral worth more than five times the total amount of outstanding collateral (using the most representative definition of collateral contained within the group's different collateral agreements).
Investment liquidity risk Direct lending, sale and leaseback investments and lifetime mortgage business are inherently illiquid forms of investment, with limited secondary markets to realise the value of assets outside agreed redemption terms.	LGR and LGC	Given the illiquid nature of the annuity and other liabilities the group is able and willing to take advantage of the premium offered by illiquid assets. The group, however, sets limits on the overall exposure to illiquid investments taking account of the nature and type of liabilities that the assets are held to meet.

As at 31 December 2021, the group had £3,596m (2020: £3,616m) of cash and cash equivalents in shareholder funds and a £1.0bn syndicated committed revolving credit facility in place, provided by a number of its key relationship banks, maturing in December 2024.

8 Assets analysis

The group has categorised its assets and liabilities in the following disclosure in accordance with the level of shareholder exposure to market and credit risks. Various reinsurance arrangements are in place as a mechanism to mitigate the risks.

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-profit 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 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**

As at 31 December 2020	Shareholder £m	Unit linked £m	Total £m
Assets			
Goodwill and Other intangible assets	397	–	397
Investment in associates and joint ventures accounted for using the equity method	288	–	288
Property, plant and equipment	274	–	274
Investments[1]	122,060	430,492	552,552
Reinsurers' share of contract liabilities	6,936	3	6,939
Other assets	7,471	2,644	10,115
Total assets	137,426	433,139	570,565
Liabilities			
Core borrowings	4,609	(51)	4,558
Operational borrowings	1,045	10	1,055
Non-participating contract liabilities	90,020	342,552	432,572
Other liabilities	31,792	90,622	122,414
Total liabilities	127,466	433,133	560,599

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 method 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 value in use. Any impairments are charged in Other expenses (see Note 3).

	Capitalised software costs[1] 2021 £m	Other[2] 2021 £m	Total 2021 £m
Cost			
As at 1 January	372	33	405
Additions[1]	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 includes £152m of work in progress assets that are 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 are no longer in use.

	Capitalised software costs[1] 2020 £m	Other[2] 2020 £m	Total 2020 £m
Cost			
As at 1 January	316	33	349
Additions	166	–	166
Disposals[3]	(30)	–	(30)
Decrease due to currency translation	(1)	–	(1)
Other movements[4]	(79)	–	(79)
As at 31 December	372	33	405
Accumulated amortisation and impairment			
As at 1 January	(159)	(3)	(162)
Amortisation for the year	(21)	–	(21)
Disposals[3]	25	–	25
Other movements[4]	82	–	82
As at 31 December	(73)	(3)	(76)
Total net book value as at 31 December	299	30	329
To be amortised within 12 months			60
To be amortised after 12 months			269

1. Total capitalised software costs includes £251m of work in progress assets that are not yet available for use as at 31 December 2020.
2. Other intangible assets include brand (£24m), product design costs (£5m) and customer relationship assets (£1m) as at 31 December 2020.
3. Disposals primarily relate to the sale of the Mature Savings business, which completed on 7 September 2020.
4. Other movements primarily reflect the removal of fully amortised assets that are 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 Investment and Market Risk Committee and the group's investment strategy. Assets designated as FVTPL include debt securities (including lifetime and retirement interest only mortgages) and equity instruments which would otherwise have been classified as AFS and reverse repurchase agreements within loans which would otherwise be designated at amortised cost. Assets backing 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 reflected in the Consolidated Income Statement. Directly attributable transaction costs are included in the initial measurement of the investment.

Financial investments classified as loans are either designated at FVTPL, or initially measured at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method. The designated at FVTPL classification currently only applies to reverse repurchase agreements.

Financial investments are recognised when the group becomes a party to the contractual provisions of the instrument. Financial investments are derecognised only when the contractual rights to the cash flows from the investment expire, or when the group transfers substantially all the risks and rewards of ownership to another entity.

Financial assets, other than those measured at FVTPL, are assessed for impairment at each balance sheet date. They are impaired where there is objective evidence that, as a result of one or more events after initial recognition of the financial asset, the estimated future cash flows have been affected.

Investment property comprises land and buildings which are held for long-term rental yields and capital growth, as well as right-of-use assets of the same nature. It is carried at fair value with changes in fair value recognised in the Consolidated Income Statement within investment return.

Investment property in the UK is valued at least bi-annually by external chartered surveyors at open market values in accordance with the 'Appraisal and Valuation Manual' of The Royal Institution of Chartered Surveyors or using internal valuations and estimates during the intervening period. Outside the UK, valuations are produced in conjunction with external qualified professional valuers in the countries concerned. In the event of a material change in market conditions between the valuation date and balance sheet date, an internal valuation is performed and adjustments made to reflect any material changes in fair value.

Right-of-use investment property assets relate to long-leasehold interests in land held solely for the purposes of the related investment property asset. The group applies the fair value model to these interests as they meet the definition of investment property under IAS 40, 'Investment Property'.

The group receives and pledges collateral in the form of cash or non-cash assets in respect of various transactions, in order to reduce the credit risk of these transactions. The amount and type of collateral required where the group receives collateral depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, where the group has contractual rights to receive the cash flows generated, is recognised as an asset in the Consolidated Balance Sheet with a corresponding liability for its repayment. Non-cash collateral received is not recognised in the Consolidated Balance Sheet unless the counterparty defaults on its obligations under the relevant agreement.

Non-cash collateral pledged where the group retains the contractual rights to receive the cash flows generated is not derecognised from the Consolidated Balance Sheet, unless the group defaults on its obligations under the relevant agreement.

Cash collateral pledged, where the counterparty has contractual rights to receive the cash flows generated, is derecognised from the Consolidated Balance Sheet and a corresponding receivable is recognised for its return.

	Note	Shareholder 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**

	Note	Shareholder 2020 £m	Unit linked 2020 £m	Total 2020 £m
Financial investments at fair value classified as:				
Fair value through profit or loss		87,945	396,161	484,106
Available-for-sale		643	–	643
Held for trading		20,936	3,695	24,631
Loans at fair value	10(ii)	4,117	12,429	16,546
Financial investments at fair value		113,641	412,285	525,926
Loans at amortised cost	10(ii)	131	–	131
Total financial investments		113,772	412,285	526,057
Investment property		4,672	3,803	8,475
Total financial investments and investment property		118,444	416,088	534,532
Expected to be recovered within 12 months				47,809
Expected to be recovered after 12 months				486,723

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 £3,826m (2020: £4,097m) 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 (2020: Treasury Gilts, Foreign Government Bonds, AAA and AA Corporate Bonds and Cash) having a residual maturity of over 34 years (2020: over 25 years). The group is entitled to receive all of the cash flows from the asset during the period when it is pledged as collateral. Further, there is no obligation to pay or transfer these cash flows to another entity. The group can decide to substitute an asset which is designated as collateral at any time, provided the relevant terms and conditions of the International Swap Dealers Association agreement are met.

Financial investments include £46,331m (2020: £53,853m) of assets that have been sold but not derecognised and are subject to repurchase agreements. The related obligation to repurchase the financial assets is included within Payables and other financial liabilities (Note 24).

Various pension risk transfer deals include collateralised structures. £7,586m (2020: £8,022m) of Corporate Bonds and Treasury Gilts are pledged as collateral in relation to these.

Collateral of £900m (2020: £760m) made up of Treasury Gilts, Foreign Government Bonds and Corporate Bonds (AAA, AA, A and BBB) was pledged out in respect of longevity swaps with reinsurance counterparties. These assets are neither past due, nor impaired. The carrying value reflects the full exposure value of these assets.

Financial investments have been allocated between those expected to be settled within 12 months and after 12 months in line with the expected settlement of the backed liabilities. Assets in excess of the insurance and investment contract liabilities have been classified as expected to be settled after 12 months.

10 Financial investments and investment property continued

(i) Financial investments at fair value

	Note	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**

	Note	Shareholder 2020 £m	Unit linked 2020 £m	Total 2020 £m
Equity securities		3,086	186,003	189,089
Debt securities		85,502	210,158	295,660
Derivative assets	12	20,936	3,695	24,631
Loans at fair value	10(ii)	4,117	12,429	16,546
Total financial investments at fair value		113,641	412,285	525,926

Included within unit linked equity securities are £237m (2020: £227m) of debt instruments which incorporate an embedded derivative linked to the value of the group's share price.

(ii) Loans

	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**

	Shareholder 2020 £m	Unit linked 2020 £m	Total 2020 £m
Loans at amortised cost			
Policy loans	31	–	31
Other loans and receivables	100	–	100
	131	–	131
Loans at fair value			
Reverse repurchase agreements	4,117	12,429	16,546
Total loans	4,248	12,429	16,677

There are no material differences between the carrying values reflected above and the fair values of these loans.

(iii) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the group's view of market assumptions in the absence of observable market information. The group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:
Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

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 2021 debt securities totalling net £5.2bn transferred from Level 2 to Level 1 in the fair value hierarchy.

10 Financial investments and investment property continued
(iii) Fair value hierarchy continued

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**

For the year ended 31 December 2020	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder				
Equity securities	3,086	1,905	16	1,165
Debt securities	85,502	29,898	33,935	21,669
Derivative assets	20,936	4	20,932	–
Loans at fair value[1]	4,117	–	4,117	–
Investment property	4,672	–	–	4,672
Total Shareholder	118,313	31,807	59,000	27,506
Unit linked				
Equity securities	186,003	185,345	22	636
Debt securities	210,158	168,155	41,715	288
Derivative assets	3,695	224	3,471	–
Loans at fair value	12,429	–	12,429	–
Investment property	3,803	–	–	3,803
Total Unit linked	416,088	353,724	57,637	4,727
Total financial investments and investment property at fair value[1]	534,401	385,531	116,637	32,233

1. Excludes loans (including accrued interest) of £92m (2020: £131m), which are held at amortised cost.

(a) Level 3 assets measured at fair value

Level 3 assets, where modelling techniques are used, comprise property, unquoted securities, untraded debt securities and securities where unquoted prices are provided by a single broker. Unquoted securities include suspended securities, investments in private equity and property vehicles. Untraded debt securities include private placements, commercial real estate loans, income strips, 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 2021 £m	Other financial investments 2021 £m	Investment property 2021 £m	Total 2021 £m	Equity securities 2020 £m	Other financial investments 2020 £m	Investment property 2020 £m	Total 2020 £m
As at 1 January	**1,801**	**21,957**	**8,475**	**32,233**	2,035	19,402	9,107	30,544
Total gains/(losses) for the year								
– in other comprehensive income	**–**	**(3)**	**–**	**(3)**	–	2	–	2
– realised gains/(losses)[1]	**31**	**12**	**(4)**	**39**	(39)	13	(280)	(306)
– unrealised gains/(losses)[1]	**208**	**(87)**	**1,028**	**1,149**	(46)	1,354	195	1,503
Purchases/Additions	**130**	**5,429**	**985**	**6,544**	283	2,491	1,019	3,793
Sales/Disposals[2]	**(153)**	**(2,351)**	**(334)**	**(2,838)**	(451)	(1,123)	(1,566)	(3,140)
Transfers into Level 3	**2**	**10**	**–**	**12**	52	–	–	52
Transfers out of Level 3	**(31)**	**(112)**	**–**	**(143)**	(32)	(87)	–	(119)
Foreign exchange rate movements	**–**	**31**	**–**	**31**	(1)	(95)	–	(96)
As at 31 December	**1,988**	**24,886**	**10,150**	**37,024**	1,801	21,957	8,475	32,233

1. Realised and unrealised gains/(losses) are recognised in Investment return in the Consolidated Income Statement.
2. Disposals in 2020 include £926m of Investment property and £234m of Equity securities that relate to the sale of the Mature Savings business, which completed on 7 September 2020.

Climate risk

The group's asset portfolio can be exposed to climate change through both:

- 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.

Exposure to the physical risks of climate change are minimised in the direct investment portfolio through rigorous assessment of potential investments, particularly in ensuring there is low susceptibility to extreme weather events. The group monitors the carbon intensity of the investments held at a portfolio level to help understand the environmental impact and reduce high carbon intensive investments in the future. Further detail can be found in our Climate Report (TCFD).

The group's assets are valued, where possible, using standard market pricing sources or appropriately qualified external valuers and therefore reflect current market sentiments in respect of climate risk.

Equity securities

Level 3 equity securities amount to £1,988m (2020: £1,801m), of which the majority is made up of holdings in investment property vehicles and private investment funds. They are valued at the proportion of the group's holding of the Net Asset Value reported by the investment vehicles. Other equity securities are valued by a number of third party specialists using a range of techniques which are often dependent on the maturity of the underlying investment but can also depend on the characteristics of individual investments. Such techniques include transaction values underpinned by analysis of milestone achievement, and cash runway for early/start-up stage investments, discounted cash flow models for investments at the next stage of development and earnings multiples for more mature investments.

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 £6,857m (2020: £6,036m). 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 300bps. This ensures the value of loans at outset is consistent with the purchase price of the loan, and achieves consistency between new and in-force loans. The mortgages include a no negative equity guarantee (NNEG) to borrowers. This ensures that if there is a shortfall between the sale proceeds of the 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 2021 reflects a long-term property growth rate assumption of 2.9% annually, after allowing for the effects of dilapidation. The values of the properties collateralising the LTM loans are updated from the date of the last property valuation to the valuation date by indexing using UK regional house price indices.

Private credit loans (including commercial real estate loans) amount to £13,521m (2020: £11,889m). 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 back as far as 2011, are subject to a range of interest rate formats, although the majority are fixed rate. The weighted average duration of the portfolio is 10.8 years, with a weighted average life of 13.1 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 £1,762m (2020: £2,049m). 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 2021 reflects illiquidity premiums between 20 and 70bps.

Income strip assets amount to £1,626m (2020: £1,449m). 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 2021 reflects equivalent yield ranges between 1% and 9% and estimated rental values (ERV) between £10 and £338 per sq.ft.

Commercial mortgage loans amount to £1,021m (2020: £419m) 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 2021 reflects illiquidity premiums between 20 and 30bps.

Other debt securities which are not traded in an active market amount to £99m (2020: £115m). 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 £10,150m (2020: £8,475m) is valued with the involvement of external valuers. All property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institute of Chartered Surveyors, and are undertaken by appropriately qualified valuers as defined therein. Whilst transaction evidence underpins the valuation process, the definition of market value, including the commentary, in practice requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

The valuation of investment properties also 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 2021 reflects equivalent yield ranges between 1% and 13% and ERV between £1 and £338 per sq.ft.

The table below shows investment property by sector.

	2021 £m	2020 £m
Retail	**1,025**	999
Leisure	**482**	440
Distribution	**1,552**	1,142
Office space	**4,223**	3,703
Industrial and other commercial	**1,767**	1,588
Accommodation	**1,101**	603
Total	**10,150**	8,475

(b) Effect of changes in assumptions on Level 3 assets

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data.

Where material, the group assesses the sensitivity of fair values of Level 3 investments to changes in unobservable inputs to reasonable alternative assumptions. The table below shows the impact of applying these sensitivities on the fair value of Level 3 assets as at 31 December 2021. Further disclosure on how these sensitivities have been applied can be found in the descriptions following the table.

		Sensitivities	
	Fair value 2021 £m	Positive impact 2021 £m	Negative impact 2021 £m
Lifetime mortgages	**6,857**	**234**	**(365)**
Private credit portfolios	**16,304**	**921**	**(921)**
Investment property	**10,150**	**961**	**(793)**
Other investments[1]	**3,713**	**301**	**(269)**
Total Level 3 assets	**37,024**	**2,417**	**(2,348)**

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 to arrive at the overall sensitised values in the above table. The most significant sensitivity by value is +/-10% instant reduction in property valuation across the portfolio which, applied in isolation produces sensitised values of £133m and £(271)m.

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 £339m and £(339)m.

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 £708m and £(708)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.

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') have implemented IFRS 9 in 2018. The financial statements of these entities will be 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] 2021 £m	All other financial assets[3] 2021 £m	Financial assets passing the SPPI test[1,2] 2020 £m	All other financial assets[3] 2020 £m
Equity securities	–	213,049	–	189,089
Debt securities	2,296	294,634	2,350	293,310
Derivative assets	–	16,792	–	24,631
Loans at fair value	–	11,511	–	16,546
Total financial investments at fair value	**2,296**	**535,986**	2,350	523,576
Loans at amortised cost	92	–	131	–
Reinsurance receivables	84	–	73	–
Insurance and intermediaries receivables	60	9	68	8
Other financial assets	5,171	–	5,961	–
Total fair value of financial assets[4]	**7,703**	**535,995**	8,583	523,584

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 2021 there was a change in the fair value in the year of £(64)m (2020: £40m).
3. For all other financial assets held at 31 December 2021 there was a change in the fair value in the year of £25,093m (2020: £28,281m).
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 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 2021 is £30m.
3. Financial assets exclude cash and cash equivalents and receivables under finance leases. The fair value of these assets approximates to their carrying value.

	AAA 2020 £m	AA 2020 £m	A 2020 £m	BBB 2020 £m	BB or below[1] 2020 £m	Other[2] 2020 £m	Total 2020 £m
Total financial investments at fair value	434	207	465	1,181	63	–	2,350
Loans at amortised cost	–	–	1	–	–	130	131
Reinsurance receivables	–	–	–	–	–	73	73
Insurance and intermediaries receivables	–	–	–	–	–	68	68
Other financial assets	–	2	89	4	3	5,863	5,961
Total carrying value of financial assets passing the SPPI test[3]	434	209	555	1,185	66	6,134	8,583

1. Financial assets classified as 'BB or below' are considered to be lower than investment grade, and therefore are not deemed to have low credit risk under IFRS 9.
2. Other financial assets are made up of unrated and short-term receivables for which a formal credit rating is not assigned. The fair value of financial assets passing the SPPI test that are not deemed to have low credit risk as at 31 December 2020 is £81m.
3. Financial assets exclude cash and cash equivalents and receivables under finance leases. The fair value of these assets approximates to their carrying value.

12 Derivative assets and liabilities

The group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The group uses derivatives such as foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The group uses hedge accounting, provided the prescribed criteria in IAS 39, 'Financial instruments: Recognition and measurement' are met, to recognise the offsetting effects of changes in the fair value or cash flow of the derivative instrument and the hedged item. The group's principal uses of hedge accounting are to:

(i) Defer in equity the changes in the fair value of derivatives designated as the hedge of a future cash flow attributable to a recognised asset or liability, a highly probable forecast transaction, or a firm commitment until the period in which the future transaction affects profit or loss or is no longer expected to occur; and
(ii) Hedge the fair value movements in loans due to interest rate and exchange rate fluctuations. Any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the Consolidated Income Statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the Consolidated Income Statement.
(iii) Hedge a net investment in a foreign operation: a hedge of the exposure to the currency risk of a net investment in a foreign entity.

The relationship between the hedging instrument and the hedged item, together with the risk management objective and strategy for undertaking the hedge transaction, are documented at the inception of the transaction. The effectiveness of the hedge is documented and monitored on an ongoing basis. Hedge accounting is only applied for highly effective hedges (between 80% and 125% effectiveness) with any ineffective portion of the gain or loss recognised in the Consolidated Income Statement in the current year.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments which do not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Where the risks and characteristics of derivatives embedded in other contracts are not closely related to those of the host contract and the whole contract is not carried at fair value, the derivative is separated from that host contract and measured at fair value, with fair value movements reflected within investment return, unless the embedded derivative itself meets the definition of an insurance contract.

Cash inflows and outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

Forward foreign exchange contracts – net investment hedges
The group hedges part of the foreign exchange translation exposure on its net investment in certain overseas subsidiaries, using forward foreign exchange contracts. It recognises the portion of the gain or loss which is determined in the Consolidated Statement of Comprehensive Income, along with the gain or loss on translation of the foreign subsidiaries.

Other derivative contracts – held for trading
The group uses certain derivative contracts which are effective hedges of economic exposures in accordance with the group's risk management policy, but for various reasons are not designated within a formal hedge accounting relationship. Therefore, these contracts must be designated as held for trading, and gains and losses on these contracts are recognised immediately in the Consolidated Income Statement.

12 Derivative assets and liabilities continued

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.

	Fair values		Fair values	
	Assets[1] 2021 £m	Liabilities[2] 2021 £m	Assets[1] 2020 £m	Liabilities[2] 2020 £m
Shareholder derivatives:				
Interest rate contracts – held for trading	**9,809**	**10,158**	17,927	15,967
Interest rate contracts – cash flow hedges	**–**	**105**	–	114
Forward foreign exchange contracts – held for trading	**34**	**15**	78	75
Currency swap contracts – held for trading	**463**	**671**	1,092	290
Inflation swap contracts – held for trading	**2,861**	**2,778**	1,782	3,624
Credit derivatives – held for trading	**–**	**23**	–	28
Other derivatives – held for trading	**36**	**347**	57	1,150
Total shareholder derivatives	**13,203**	**14,097**	20,936	21,248
Unit linked derivatives:				
Interest rate contracts – held for trading	**584**	**732**	373	220
Forward foreign exchange contracts – held for trading	**1,851**	**570**	1,767	345
Credit derivatives – held for trading	**16**	**34**	15	36
Inflation swap contracts – held for trading	**955**	**156**	158	601
Inflation rate contracts – held for trading	**1**	**–**	–	–
Equity/index derivatives – held for trading	**70**	**75**	1,282	696
Other derivatives – held for trading	**112**	**54**	100	62
Total unit linked derivatives	**3,589**	**1,621**	3,695	1,960
Total derivative assets and liabilities	**16,792**	**15,718**	24,631	23,208

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.

The group has entered into fixed rate borrowings denominated in USD and is therefore exposed to foreign exchange and interest rate risks. In order to hedge these risks the group has entered into a cross currency interest rate swap, enabling the exposure to be swapped into a fixed rate in its functional currency. These had a fair value liability totalling £44m (2020: £74m) and a notional amount of £1,099m (2020: £1,099m) at 31 December 2021. There was no ineffectiveness recognised in the income statement in respect of these hedges during 2021.

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 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 table above on an expected basis as cash flows within one year.

Cash inflows or outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

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 2020	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	20,936	11,335	13,176	22,767	13,274	12,902	73,454
Derivative liabilities	(21,248)	5,516	3,962	15,930	7,716	8,190	41,314
Total	(312)	16,851	17,138	38,697	20,990	21,092	114,768
Cash outflows							
Shareholder derivatives							
Derivative assets	20,936	(9,610)	(9,300)	(17,204)	(9,036)	(7,199)	(52,349)
Derivative liabilities	(21,248)	(6,958)	(8,861)	(22,459)	(11,508)	(12,691)	(62,477)
Total	(312)	(16,568)	(18,161)	(39,663)	(20,544)	(19,890)	(114,826)
Net cash flows		283	(1,023)	(966)	446	1,202	(58)

Future cash flows on the floating legs of interest rate and exchange derivatives are calculated using current spot rates, which may differ from the market expectation incorporated in the fair value.

Cash flows arising from implied events covered by credit derivatives are presented in the table above on an expected basis as cash flows within one year.

Cash inflows or outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

13 Receivables and other assets

	Note	2021 £m	2020 £m
Reinsurance receivables		**84**	73
Receivables under finance leases	13(i)	**169**	173
Accrued interest and rent		**378**	360
Prepayments and accrued income		**289**	255
Insurance and intermediaries receivables		**69**	76
Inventories[1]		**2,044**	2,179
Contract assets[2]		**322**	292
Other receivables[3]		**5,270**	6,021
Total other assets		**8,625**	9,429
Due within 12 months		**7,012**	7,444
Due after 12 months		**1,613**	1,985

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; 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 2021. 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 2021 £m	Unearned interest income 2021 £m	Present value 2021 £m	Total future payments 2020 £m	Unearned interest income 2020 £m	Present value 2020 £m
Within 1 year	**10**	**(5)**	**5**	10	(6)	4
1–2 years	**11**	**(5)**	**6**	10	(5)	5
2–3 years	**10**	**(5)**	**5**	11	(5)	6
3–4 years	**10**	**(5)**	**5**	10	(5)	5
4–5 years	**10**	**(5)**	**5**	10	(5)	5
After 5 years	**200**	**(57)**	**143**	210	(62)	148
Total	**251**	**(82)**	**169**	261	(88)	173

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 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**

	Shareholder 2020 £m	Unit linked 2020 £m	Total 2020 £m
Cash at bank and in hand	1,152	2,646	3,798
Cash equivalents	2,464	11,758	14,222
Total cash and cash equivalents	3,616	14,404	18,020

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	2021 £m	2020 £m
United Kingdom	**307**	240
North America	**228**	199
Europe	**185**	196
Japan	**17**	26
Asia Pacific	**36**	58
Other	**57**	62
Listed equities	**830**	781
Unlisted equities[1]	**300**	277
Holdings in unit trusts[2]	**2,055**	2,028
Total equities	**3,185**	3,086

1. Unlisted equities are split between £227m (2020: £226m) United Kingdom, £67m (2020: £46m) Europe and £6m (2020: £5m) North America.
2. Limited Partnerships are included within Holdings in unit trusts.

15 Market risk continued

(i) Investment performance risk continued

(b) Debt securities

The group controls its exposure to geographic price risks by using internal country credit ratings. These ratings are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments. The table below indicates the group's exposure to different debt security markets around the world. Unit linked debt securities are excluded from the table as the risk is retained by the policyholder.

Total debt securities and accrued interest	Total 2021 £m	Total 2020 £m
United Kingdom	**43,554**	43,594
USA	**26,859**	27,165
Netherlands	**2,763**	2,599
France	**1,899**	1,710
Germany	**640**	610
GIIPS:		
– Ireland	**1,475**	1,343
– Italy	**36**	36
– Spain	**278**	300
Belgium	**394**	374
Rest of Europe	**2,551**	3,383
Brazil	**59**	63
Rest of World	**6,228**	4,253
Collateralised debt obligations[1]	**67**	72
Total	**86,803**	85,502

1. All CDOs of £67m (2020: £72m) are domiciled in the Rest of World.

(c) Additional disclosures on shareholder securities exposure

	2021 £m	2021 %	2020 £m	2020 %
Sovereigns, supras and sub-sovereigns	**14,027**	**16**	16,244	19
Banks:				
– Tier 2 and other subordinated	**95**	**–**	107	–
– Senior	**6,690**	**8**	5,175	6
– Covered	**138**	**–**	158	–
Financial services:				
– Tier 2 and other subordinated	**251**	**–**	204	–
– Senior	**1,210**	**1**	1,077	1
Insurance:				
– Tier 2 and other subordinated	**347**	**–**	293	–
– Senior	**1,195**	**1**	1,166	1
Consumer services and goods:				
– Cyclical	**3,398**	**4**	3,241	4
– Non-cyclical	**8,272**	**10**	8,749	10
– Healthcare	**2,421**	**3**	1,997	2
Infrastructure:				
– Social	**6,975**	**8**	6,455	8
– Economic	**5,959**	**7**	5,469	7
Technology and telecoms	**5,062**	**6**	5,167	6
Industrials	**1,307**	**2**	1,510	2
Utilities	**11,876**	**14**	11,794	14
Energy	**1,241**	**1**	1,232	1
Commodities	**1,262**	**1**	1,277	2
Oil and gas	**2,175**	**3**	2,474	3
Real estate	**3,527**	**4**	3,398	4
Structured finance ABS/RMBS/CMBS/Other	**2,451**	**3**	2,207	3
Lifetime mortgage loans	**6,857**	**8**	6,036	7
Collateralised debt obligations	**67**	**–**	72	–
Total	**86,803**	**100**	85,502	100

15 Market risk continued
(i) Investment performance risk continued
(c) Additional disclosures on shareholder debt securities exposure continued

Analysis of Sovereigns, Supras and Sub-Sovereigns	2021 £m	2020 £m
Market value by region		
United Kingdom	**9,829**	11,568
USA	**1,892**	2,654
Netherlands	**23**	27
France	**485**	295
Germany	**380**	423
GIIPS:		
– Ireland	**302**	318
Rest of Europe	**54**	335
Rest of World	**1,062**	624
Total	**14,027**	16,244

(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 2021, the group held 5% (2020: 14%) of its total equity attributable to shareholders in currencies, mainly United States dollar and euro, other than the functional currency of the relevant business unit. The exchange risks inherent in these exposures may be mitigated through the use of derivatives, mainly forward currency contracts.

Consistent with the group's accounting policies, the profits of overseas business units (reported as functional currencies) are translated at average exchange rates and the net assets (reported as functional currencies) at the closing rate for the reporting period. A 10% increase (weakening of foreign currencies) or decrease (strengthening of foreign currencies) in these rates would increase or reduce the profit for the year and net assets as follows:

	A 10% increase in USD:GBP exchange rate		A 10% decrease in USD:GBP exchange rate	
	2021 £m	2020 £m	2021 £m	2020 £m
Profit for the year[1]	**(2)**	18	**3**	(22)
Net assets attributable to USD exposures[1]	**(19)**	(80)	**23**	98

	A 10% increase in EUR:GBP exchange rate		A 10% decrease in EUR:GBP exchange rate	
	2021 £m	2020 £m	2021 £m	2020 £m
Profit for the year[1]	**(1)**	–	**1**	–
Net assets attributable to EUR exposures[1]	**(39)**	(73)	**47**	90

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 represent the maximum exposure to credit risk.

Shareholder

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.

As at 31 December 2020	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated and other[1] £m	Total £m
Government securities		2,336	9,527	88	385	9	223	12,568
Other fixed rate securities		1,660	5,467	18,270	18,771	966	13,061	58,195
Variable rate securities		80	2,046	2,705	1,915	60	1,335	8,141
Lifetime mortgages		–	–	–	–	–	6,036	6,036
Accrued interest		25	61	172	236	14	54	562
Total debt securities[1]	10(i)	4,101	17,101	21,235	21,307	1,049	20,709	85,502
Loans	10(ii)	44	3,030	886	203	–	85	4,248
Derivative assets	12	–	36	18,421	2,436	–	43	20,936
Cash and cash equivalents	14	250	1,002	2,068	89	–	207	3,616
Reinsurers' share of contract liabilities		–	5,591	958	3	–	384	6,936
Other assets		79	31	696	48	3	6,541	7,398
Total		4,474	26,791	44,264	24,086	1,052	27,969	128,636

1. Of the total debt securities and accrued interest that have been internally rated and unrated, £4,068m is rated AAA, £3,347m AA, £6,702m A, £6,109m BBB, £465m BB or below and £18m 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 fair value of assets classified as available for sale.

The table below includes assets at FVTPL and held at amortised cost, which provides information regarding the carrying value of financial assets which have been impaired and the ageing analysis of financial assets which are past due but not impaired. Unit linked assets have not been included as shareholders are not exposed to the risks from unit linked policies.

Ageing analysis

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**

As at 31 December 2020	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	128,314	250	24	30	18	–	128,636

Offsetting

Financial assets and liabilities are offset in the Consolidated Balance Sheet when the group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and liability simultaneously.

The group has not entered into any financial transactions resulting in financial assets and liabilities being offset in the Consolidated Balance Sheet. The table below shows the financial assets and liabilities that are subject to master netting agreements in the shareholder. 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 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 represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.
2. Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties.

16 Credit risk continued

As at 31 December 2020	Amounts subject to enforceable netting arrangements				
		Amounts under master netting arrangements but not offset			
	Gross and net amounts reported in the Consolidated Balance Sheet £m	Related financial instruments[1] £m	Cash collateral[2] £m	Securities collateral pledged[2] £m	Net amount £m
Derivative assets	20,936	(18,593)	(823)	(1,758)	(238)
Reverse repurchase agreements	4,117	–	–	(4,121)	(4)
Total	25,053	(18,593)	(823)	(5,879)	(242)
Derivative liabilities	(21,249)	18,593	2,118	610	72
Repurchase agreements	(2,004)	–	–	2,010	6
Total	(23,253)	18,593	2,118	2,620	78

1. Related financial instruments represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.
2. Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties.

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 experience being different to that anticipated. Detailed below are the risks associated with each of the group's segments and the associated controls operated. They are applicable to all stated products across the group.

Principal risks	Division	Controls to mitigate risks
Longevity, mortality & morbidity risks For contracts providing death benefits, higher mortality rates would lead to an increase in claims costs. The cost of health related claims depends on both the incidence of policyholders becoming ill and the duration over which they remain ill. Higher than expected incidence or duration would increase costs over the level currently assumed in the calculation of liabilities.	LGI	The pricing of protection business is based on assumptions as to future trends in mortality and morbidity having regard to past experience. Underwriting criteria are defined setting out the risks that are unacceptable and the terms for non-standard risks presented by the lives to be insured. Extensive use of reinsurance is made within the UK retail protection business, placing a proportion of all risks meeting prescribed criteria. Mortality and morbidity experience is compared to that assumed within the pricing basis with variances subject to actuarial investigation.
For annuity contracts, the group is exposed to the risk that mortality experience is lower than assumed. Lower than expected mortality would require payments to be made for longer and increase the cost of benefits provided. Lifetime mortgage business also explicitly has some exposure to the life expectancy of borrowers.	LGR	Annuity business is priced having regard to trends in improvements in future mortality. Enhanced annuities, which are priced taking account of impairments to life expectancy, are subject to specific underwriting criteria. Certain annuitant mortality risks, including enhanced annuities, are placed with reinsurers. The group regularly reviews its mortality experience and industry projections of longevity and adjusts the pricing and valuation assumptions accordingly. In pricing lifetime mortgage business, account is taken of trends in mortality rates in setting the amounts that are advanced to borrowers relative to the value of the property on which the loan is secured.
Persistency risk In the early years of a policy, lapses may result in a loss to the group, as the acquisition costs associated with the contract would not have been recovered from product margins.	LGI	The pricing basis for protection business includes provision for policy lapses. The persistency assumption for non-participating protection business allows for the expected pattern of persistency, adjusted to incorporate a margin for adverse deviation. Actual trends in policy lapse rates are monitored with adverse trends being subject to actuarial investigation.
Expense risk In pricing long-term insurance business, assumptions are made as to the future cost of product servicing. A significant adverse divergence in actual expenses experience could reduce product profitability.	LGR and LGI	In determining pricing assumptions, account is taken of changes in price indices and the costs of employment, with stress testing used to evaluate the effect of significant deviations. Actual product servicing costs are monitored relative to the costs assumed with the product pricing basis, with variances investigated.
Concentration (catastrophe) risk Insurance risk may be concentrated in geographic regions, altering the risk profile of the group. The most significant exposure of this type arises for group protection business, where a single event could result in a large number of related claims.	LGI	Group protection business contracts include an 'event limit' capping the total liability under the policy from a single event. Excess of loss reinsurance further mitigates loss from the exposure. Additionally, exposure by location is monitored to ensure there is a geographic spread of risk. Catastrophe reinsurance cover also mitigates loss from concentrations of risk.
Epidemic (catastrophe) risk The spread of an epidemic could cause large aggregate claims across the group's portfolio of protection businesses.	LGI	The pricing basis for protection business includes an assessment of potential claims as a result of epidemic risks. Quota share and excess of loss reinsurance contracts are used by individual and group protection, respectively, to further mitigate the risk. Depending on the nature of an epidemic, mortality experience may lead to a reduction in the cost of claims for annuity business. As in the current pandemic, we can update the pricing for new business to reflect the change in expected claims. The provision for future Covid-19 claims relies on assumptions about the future developments of the pandemic, including the impact of new variants, vaccines, social distancing and treatment, all of which could result in a higher or lower loss than assumed.

Accumulation of risks

There is limited potential for single incidents to give rise to a large number of claims across the different contract types written by the group. In particular, there is little significant overlap between the long-term and short-term insurance business written by the group. However, there are potentially material correlations of insurance risk with other types of risk exposure. The group's capital model seeks to measure risk correlations particularly those that would tend to be more acute as the underlying risk scenarios become more extreme. An example of the accumulation of risk is the correlation between reinsurer credit risk with mortality and morbidity exposures.

Operational risk

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events. Potential for exposure to operational risk extends to all the group's businesses. The group has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action or reputational damage.

18 Long-term insurance valuation assumptions

The group's insurance assumptions, described below, relate to the UK insurance business and material lines of the US insurance business, Legal & General America (LGA). Other non-UK businesses do not constitute a material component of the group's operations and consideration of geographically determined assumptions is therefore not included.

The group seeks to make prudent assumptions about future experience based on current market conditions and recent experience. Assumptions incorporate prudent margins in excess of our best estimate assumptions to reduce the possibility of actual experience being less favourable than assumed.

(i) Mortality and morbidity

Mortality and morbidity assumptions for the UK business are set with reference to standard tables drawn up by the Continuous Mortality Investigation (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 and 2021 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 been revised to reflect this experience. Certain short-term allowances continue to be made for higher mortality expected in the short term.

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	2021	2020
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]	**107%–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, AM92/AF92 and UK death registrations
Whole of Life over 50[4]	**Bespoke Tables based on ELT15 and Whole of Life Protection Plan assumptions**	Bespoke Tables based on ELT15 and Whole of Life Protection Plan assumptions
Annuity business		
UK Annuities in deferment[5]	**70.9%–81.1% PNMA00/PNFA00**	71.9%–81.9% PNMA00/PNFA00
UK Vested annuities[6]		
Pension risk transfer	**71.6%–81.1% PCMA00/PCFA00**	72.7%–81.9% PCMA00/PCFA00
Other annuities	**59.3%–98.4% PCMA00/PCFA00**	57.6%–105.1% 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 (2020: 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 (2020: 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 2019 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females (2020: Mortality rates are assumed to reduce based on CMI 2018 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females).
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 2019 (2020: CMI 2018) with the following parameters:
   Males: Long-term Rate of 1.50% p.a. up to age 85 tapering to 0% at 110 (2020: 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 (2020: Long-term Rate of 1.00% p.a. up to age 85 tapering to 0% at 110).
   Smoothing is applied to derive initial rates using a smoothing parameter (Sk) value of 7.5 applied to L&G bespoke population data to 2019. The resulting initial rates are then adjusted to reflect socio-economic class. (2020: smoothing parameter (Sk) value of 7.5 applied to L&G bespoke population data to 2018).
   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 (2020: improvement table is MP2018).

(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 (2020: 9bps) and 43bps for corporate bonds and direct investments (2020: 45bps). This is equivalent to a default provision of £3.4 billion at 31 December 2021 (2020: £3.5 billion). For lifetime mortgage business, the allowance for risk in respect of lifetime mortgage assets is equivalent to £0.6 billion at 31 December 2021 (2020: £0.6 billion).

For UK assurance business, a change in methodology was introduced in 2021, to allow for an illiquidity premium in the valuation interest rate calculation. 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	2021	2020
UK Life assurances	**1.40%–2.52% p.a.**	0.72%–2.24% p.a.
UK Pension assurances	**1.40%–2.52% p.a.**	0.25%–2.15% p.a.
US Life assurances	**1.20%–3.80% p.a.**	0.80%–2.40% p.a.
UK Annuities – Fixed	**1.78% p.a.**	1.28% p.a.
UK Annuities – Index Linked	**(1.88%) p.a.**	(1.85%) p.a.
US annuities	**2.62% p.a.**	2.29% 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	2021	2020
UK Level term	**1.6%–34.5%**	2.3%–25.7%
UK Decreasing term	**5.3%–18.0%**	6.1%–14.6%
UK Accelerated critical illness cover	**2.6%–37.3%**	2.6%–26.4%
Pensions term	**2.3%–3.8%**	2.3%–3.8%
Whole of Life (conventional non profit)	**0.5%–6.1%**	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 2021 £m	Impact on group equity net of reinsurance 2021 £m	Impact on pre-tax group profit net of reinsurance 2020 £m	Impact on group equity net of reinsurance 2020 £m
Economic sensitivity				
100bps increase in interest rates[1]	**55**	**188**	260	350
50bps decrease in interest rates[1]	**(77)**	**(139)**	(194)	(227)
50bps increase in future inflation expectations	**(41)**	**(60)**	(148)	(119)
Credit spreads widen by 100bps with no change in expected defaults	**(311)**	**(234)**	(304)	(246)
25% rise in equity markets	**513**	**423**	482	399
25% fall in equity markets	**(513)**	**(423)**	(482)	(399)
15% rise in property values	**1,299**	**1,084**	1,111	903
15% fall in property values	**(1,368)**	**(1,144)**	(1,187)	(964)
10bps increase in credit default assumptions	**(765)**	**(651)**	(856)	(692)
10bps decrease in credit default assumptions	**754**	**642**	832	672
Non-economic sensitivity				
1% increase in annuitant mortality	**166**	**146**	209	176
1% decrease in annuitant mortality	**(170)**	**(150)**	(218)	(183)
5% increase in assurance mortality	**(451)**	**(357)**	(450)	(356)
10% increase in maintenance expenses	**(254)**	**(208)**	(254)	(205)

1. Following improvements to the modelling of market risk sensitivities during the current year, the 2020 impacts on pre-tax group profit net of reinsurance under interest rates sensitivities have been restated to be on a basis consistent with the 2021 results. These restatements do not impact any items reported in the Consolidated Income Statement or Consolidated Balance Sheet.

The table above shows the impacts on group pre-tax profit and equity, net of reinsurance, under each sensitivity scenario. The 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, items of the group's experience may be correlated.

The sensitivity analyses do not take into account management actions that could be taken to reduce the impacts. The group seeks to actively manage its asset and liability position. A change in market conditions may lead to changes in the asset allocation or charging structure which may have a more, or less, significant impact on the value of the liabilities. The analysis also ignores any second order effects of the assumption change, including the potential impact on the group asset and liability position and any second order tax effects.

The sensitivity of 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 stress assumes a 100 basis point increase and a 50 basis point decrease in the gross redemption yield on fixed interest securities together with the same change in the real yields on variable securities. Valuation interest rates are assumed to move in line with market yields, adjusted to allow for prudence calculated in a manner consistent with the base results.

The inflation stress adopted is a 0.5% per annum (p.a.) increase in inflation, resulting in a 0.5% p.a. reduction in real yield and no change to the nominal yield. In addition, the expense inflation rate is increased by 0.5% p.a.

In the sensitivity for credit spreads, corporate bond yields have increased by 100bps, gilt and approved security yields 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 above.

The equity stresses are a 25% rise and 25% fall in listed equity market values.

The property stresses adopted are a 15% rise and 15% fall in property market values including lifetime mortgages. Rental income is assumed to be unchanged. Where property is being used to back liabilities, valuation interest rates move with property yields, and so the value of the liabilities will also move.

The credit default assumption is set based on the credit rating of individual bonds and their outstanding term using Moody's global credit default rates. The credit default stress assumes a +/-10bps stress to the current unapproved credit default assumption, which will have an impact on the valuation interest rates used to discount liabilities. Other credit default allowances are unchanged. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress above.

The 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 expense in future years.

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 or changes to insurance liabilities as a result of severe weather events and longer-term shifts in climate.

Climate change impacts will emerge through risks to which we are already exposed to, with the key existing risk exposures covered by the economic and non-economic sensitivities shown in this section. In addition, given the uncertain nature of the risks from climate change, and the lack of historical data to support decision making, a specific scenario testing approach over a longer term time horizon has been developed by the group to manage the risks from climate change. To understand our exposures and how these risks may emerge we have developed climate scenario modelling capabilities. Possible climate pathways and their impact are considered in the climate scenario analysis detailed in the 2021 Climate Report (TCFD).

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. 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.

20 Insurance contract liabilities continued

(i) Analysis of non-participating insurance contract liabilities

	Note	Gross 2021 £m	Reinsurance 2021 £m	Gross 2020 £m	Reinsurance 2020 £m
Non-participating insurance contracts	20(iii)	**89,755**	**(7,138)**	88,958	(6,936)
General insurance contracts		**70**	**(42)**	71	–
Insurance contract liabilities		**89,825**	**(7,180)**	89,029	(6,936)

(ii) Expected non-participating insurance contract liability cash flows

	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**

	Undiscounted cash flows				
As at 31 December 2020	0–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
Non-participating insurance contract liabilities	16,878	32,311	22,259	21,358	92,806

Non-participating insurance contract undiscounted cash flows are based on the expected date of settlement.

Amounts under unit linked contracts are generally repayable on demand and the group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions. Accordingly, unit linked liabilities have been excluded from the table.

(iii) Movement in non-participating insurance contract liabilities

	Gross 2021 £m	Reinsurance 2021 £m	Gross 2020 £m	Reinsurance 2020 £m
As at 1 January	**88,958**	**(6,936)**	78,715	(5,970)
New liabilities in the year	**6,976**	**(1,296)**	9,316	(1,223)
Liabilities discharged in the year	**(4,744)**	**390**	(4,595)	652
Unwinding of discount rates	**1,250**	**(141)**	1,530	(102)
Effect of change in non-economic assumptions	**(787)**	**408**	(835)	120
Effect of change in economic assumptions	**(1,971)**	**519**	5,975	(492)
Foreign exchange adjustments	**(35)**	**(12)**	(231)	51
Modelling and methodology changes	**37**	**6**	(49)	8
Other	**71**	**(76)**	(31)	(3)
Disposals	**–**	**–**	(837)	23
As at 31 December	**89,755**	**(7,138)**	88,958	(6,936)
Expected to be settled within 12 months (net of reinsurance)	**1,838**		1,339	
Expected to be settled after 12 months (net of reinsurance)	**80,779**		80,683	

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 2021 £m	Reinsurance 2021 £m	Gross 2020 £m	Reinsurance 2020 £m
Non-participating investment contract liabilities	**372,954**	**–**	343,543	(3)
Expected to be settled within 12 months (net of reinsurance)	**45,483**		44,878	
Expected to be settled after 12 months (net of reinsurance)	**327,471**		298,662	

Amounts under unit linked contracts are generally repayable on demand and the group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

The presented fair values of the non-participating investment contract liabilities reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

(ii) Movement in non-participating investment contract liabilities

	Gross 2021 £m	Reinsurance 2021 £m	Gross 2020 £m	Reinsurance 2020 £m
As at 1 January	**343,543**	**(3)**	343,845	(149)
Reserves in respect of new business	**55,434**	**–**	43,407	(1)
Amounts paid on surrenders and maturities during the year	**(60,132)**	**3**	(53,407)	4
Investment return and related benefits[1]	**34,206**	**–**	30,579	(3)
Management charges	**(97)**	**–**	(180)	–
Disposals[2]	**–**	**–**	(20,701)	146
Total as at 31 December	**372,954**	**–**	343,543	(3)

1. Investment return and related benefits is disclosed on a total basis including discontinued operations. In the Consolidated Income Statement, the investment return for discontinued operations is included within 'Profit after tax from discontinued operations'.
2. Full year 2020 relates to the Mature Savings profit on disposal, the sale of which completed on 7 September 2020.

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 2021 £m	Unit linked borrowings 2021 £m	Total 2021 £m	Borrowings excluding unit linked borrowings 2020 £m	Unit linked borrowings 2020 £m	Total 2020 £m
Core borrowings	4,256	–	4,256	4,558	–	4,558
Operational borrowings	924	8	932	1,045	10	1,055
Total borrowings	**5,180**	**8**	**5,188**	5,603	10	5,613

£229m of interest expense was incurred during the year (2020: £233m) on borrowings excluding non-recourse and unit linked borrowings. The total finance costs incurred in the year were £294m (2020: £305m), which also includes £10m of finance costs on lease liabilities (2020: £11m).

(ii) Analysis by nature
(a) Core borrowings

	Carrying amount 2021 £m	Coupon rate 2021 %	Fair value 2021 £m	Carrying amount 2020 £m	Coupon rate 2020 %	Fair value 2020 £m
Subordinated borrowings						
10% Sterling subordinated notes 2041 (Tier 2)[1]	–	–	–	313	10.00	329
5.5% Sterling subordinated notes 2064 (Tier 2)	590	5.50	776	589	5.50	813
5.375% Sterling subordinated notes 2045 (Tier 2)	604	5.38	673	604	5.38	714
5.25% US Dollar subordinated notes 2047 (Tier 2)	635	5.25	694	628	5.25	703
5.55% US Dollar subordinated notes 2052 (Tier 2)	373	5.55	428	369	5.55	411
5.125% Sterling subordinated notes 2048 (Tier 2)	400	5.13	461	400	5.13	484
3.75% Sterling subordinated notes 2049 (Tier 2)	598	3.75	632	598	3.75	662
4.5% Sterling subordinated notes 2050 (Tier 2)	500	4.50	558	499	4.50	587
Client fund holdings of group debt (Tier 2)[2]	(44)	–	(51)	(42)	–	(51)
Total subordinated borrowings	**3,656**	**–**	**4,171**	3,958	–	4,652
Senior borrowings						
Sterling medium-term notes 2031–2041	609	5.87	846	609	5.88	926
Client fund holdings of group debt[2]	(9)	–	(11)	(9)	–	(12)
Total senior borrowings	**600**	**–**	**835**	600	–	914
Total core borrowings	**4,256**	**–**	**5,006**	4,558	–	5,566

1. These notes were redeemed in full on 23 July 2021.
2. £53m (31 December 2020: £51m) of the group's subordinated and senior borrowings are held by Legal & General customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

The presented fair values of the group's core borrowings reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

Subordinated borrowings

10% Sterling subordinated notes 2041
In 2009, Legal & General Group Plc issued £300m of 10% dated subordinated notes. These notes were called at par on 23 July 2021.

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.

22 Borrowings continued

(ii) Analysis by nature continued

(b) Operational borrowings

	Carrying amount 2021 £m	Interest rate 2021 %	Fair value 2021 £m	Carrying amount 2020 £m	Interest rate 2020 %	Fair value 2020 £m
Short-term operational borrowings						
Euro Commercial Paper	**50**	**0.16**	**50**	50	0.78	50
Bank loans and overdrafts	**–**	**–**	**–**	54	–	54
Non-recourse borrowings						
Cardiff Interchange Limited	**45**	**2.29**	**45**	–	–	–
Later Living portfolio	**–**	**–**	**–**	72	2.77	72
CALA revolving credit facility	**100**	**1.96**	**100**	170	2.95	170
Class B Surplus Notes	**664**	**1.72**	**664**	639	2.45	639
Affordable Homes revolving credit facility	**56**	**2.08**	**56**	60	2.13	60
Homes Modular revolving credit facility	**9**	**3.27**	**9**	–	–	–
Operational borrowings[1]	**924**	**–**	**924**	1,045	–	1,045

1 Unit linked borrowings with a carrying value of £8m (31 December 2020: £10m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £932m (31 December 2020: £1,055m).

Non-recourse borrowings

- Cardiff Interchange Limited entered into a debt facility agreement with National Westminster Bank Plc. The facility is secured on the assets of Cardiff Interchange Limited and LGCIL's shares in, and intercompany debt owed by, Cardiff Interchange Limited.
- Loan facilities to Later Living portfolio had a charge on all assets of each individual SPV company.
- CALA Group (Holdings) Limited's revolving credit facility is secured by way of a bond and floating charge, and guarantees and fixed charges granted by CALA Group Limited and its main subsidiaries (CALA 1999 Limited, CALA Limited, and CALA Management Limited). A number of other bonds and floating charges, fixed securities, debentures and share pledges over land and assets have been granted by certain subsidiaries of CALA Group Limited in favour of the lenders.
- The Class B Surplus Notes have been issued by a US subsidiary of the group as part of a coinsurance structure for the purpose of US statutory regulations. The notes were issued in exchange for bonds of the same value from an unrelated party, included within financial investments on the group's Consolidated Balance Sheet.
- The revolving credit facility to Affordable Homes is subject to agreed covenants, the breach of which could result in a charge on the land and work in progress of Legal & General Affordable Homes (Development 2) 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. There are also fixed and floating charges over the other assets of 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 Affordable Homes revolving credit facilities which have been classified as Level 3.

(iii) Analysis by maturity

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)
Senior borrowings							
Sterling medium-term notes 2031–2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of group debt	(53)	–	–	–	–	–	–
Total core borrowings	**4,256**	**(39)**	**–**	**(590)**	**(610)**	**(3,098)**	**(4,337)**
Short-term operational borrowings							
Euro Commercial Paper	50	(50)	–	–	–	–	(50)
Non-recourse borrowings							
Cardiff Interchange Limited	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.

Balance sheet management continued

22 Borrowings continued
(iii) Analysis by maturity continued

As at 31 December 2020	Carrying amount £m	Maturity profile of undiscounted cash flows Within 1 year £m	1–5 years £m	5–15 years £m	15–25 years £m	Over 25 years £m	Total £m
Subordinated borrowings							
10% Sterling subordinated notes 2041 (Tier 2)	313	(13)	–	–	(300)	–	(313)
5.5% Sterling subordinated notes 2064 (Tier 2)	589	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	604	(6)	–	–	(600)	–	(606)
5.25% US Dollar subordinated notes 2047 (Tier 2)	628	(9)	–	–	–	(622)	(631)
5.55% US Dollar subordinated notes 2052 (Tier 2)	369	(4)	–	–	–	(366)	(370)
5.125% Sterling subordinated notes 2048 (Tier 2)	400	(3)	–	–	–	(400)	(403)
3.75% Sterling subordinated notes 2049 (Tier 2)	598	(2)	–	–	–	(600)	(602)
4.5% Sterling subordinated notes 2050 (Tier 2)	499	(4)	–	–	–	(500)	(504)
Senior borrowings							
Sterling medium-term notes 2031-2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of group debt	(51)	–	–	–	–	–	–
Total core borrowings	4,558	(52)	–	(590)	(910)	(3,088)	(4,640)
Short-term operational borrowings							
Euro Commercial Paper	50	(50)	–	–	–	–	(50)
Bank loans and overdrafts	54	(54)	–	–	–	–	(54)
Non-recourse borrowings							
Later Living portfolio	72	(72)	–	–	–	–	(72)
CALA revolving credit facility	170	(91)	(80)	–	–	–	(171)
Class B Surplus Notes	639	(26)	(91)	(186)	(338)	–	(641)
Affordable Homes revolving credit facility	60	(1)	(60)	–	–	–	(61)
Total operational borrowings	1,045	(294)	(231)	(186)	(338)	–	(1,049)
Total borrowings excluding unit linked borrowings[1]	5,603	(346)	(231)	(776)	(1,248)	(3,088)	(5,689)
Contractual undiscounted interest payments		(223)	(1,414)	(2,489)	(1,981)	(885)	(6,992)
Total contractual undiscounted cash flows		(569)	(1,645)	(3,265)	(3,229)	(3,973)	(12,681)

1. Unit linked borrowings are excluded from the analysis above as the risk is retained by 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 2021, the group had in place a £1bn syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in December 2024. No amounts were outstanding at 31 December 2021.

(iv) Movement in borrowings

	2021 £m	2020 £m
As at 1 January	**5,613**	5,140
Cash movements:		
– Proceeds from borrowings	**503**	1,022
– Repayment of borrowings	**(798)**	(501)
– Net (decrease)/increase in bank loans and overdrafts	**(54)**	64
Non-cash movements:		
– Amortisation	**3**	2
– Foreign exchange rate movements	**10**	(56)
– Other	**(89)**	(58)
Core and operational borrowings as at 31 December	**5,188**	5,613

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

	2021 £m	2020 £m
Other provisions	**213**	123
Retirement benefit obligations	**1,025**	1,165
Provisions	**1,238**	1,288

(ii) Other provisions

Included within Other provisions are amounts relating to new and existing M&A and restructuring transactions. In 2021, the group announced that Legal & General Investment Management (LGIM) is extending its existing partnership with State Street, to increase the use of Charles River technology across the front office and to deliver middle office services going forward.

As a result of this announcement, in line with the requirements of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', a provision was recognised, which reflects the costs that LGIM is committed to incur in order to implement the new arrangement. These 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 2021, the outstanding provision was £89m.

23 Provisions continued

(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 £82m (2020: £75m) were made during the year in respect of defined contribution schemes.

Defined benefit schemes

The group operates the following defined benefit pension schemes in the UK and overseas:

- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund was closed to new members from January 1995; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020. The triennial valuation at 31 December 2021 is in progress;
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme was, with a few exceptions (principally transfers from the Fund), closed to new members from August 2000 and finally closed to new members from April 2007; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020. The triennial valuation at 31 December 2021 is in progress;
- Legal & General America Inc. Cash Balance Plan (US); the last full actuarial valuation was as at 31 December 2021; 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 2018. The triennial valuation at 6 April 2021 is in progress.

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. In addition, as part of the closure, the company will contribute an additional £3m per annum until 31 December 2024 towards the deficit.

The assets of all UK defined benefit schemes are held in separate trustee administered funds to meet long-term pension obligations to past and present employees. Trustees are appointed to the schemes and have a responsibility to act in the best interest of the scheme beneficiaries. The trustees' long-term objectives are to minimise the risk that there are insufficient assets to meet the liabilities of the scheme over the longer term, control the 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:

	2021	2020
Employed deferreds	79	93
Deferreds	2,782	2,960
Pensioners	3,791	3,723
Total	**6,652**	6,776

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.

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 2021 the value of these annuities, on an IAS 19 basis, was £990m (2020: £1,051m).

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.
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.

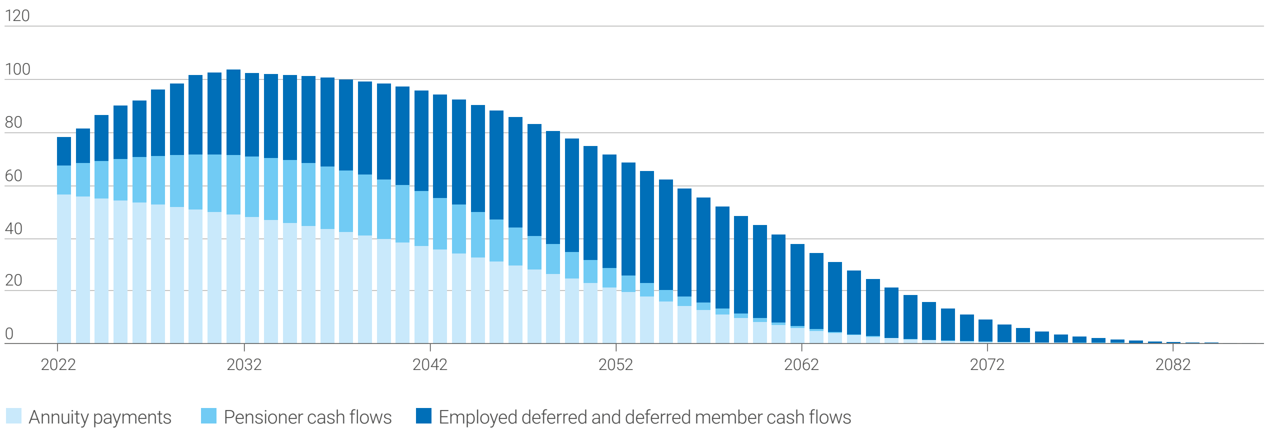
These risks are managed within the risk appetite of the Fund and Scheme. The sensitivity of the net obligations to changes in any of the variables are monitored and action is taken if any risk moves outside of the appetite.

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 at 31 December 2018 was completed on 1 July 2020, and the 31 December 2021 triennial valuation is underway. 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 at 31 December 2018 showed a total funding deficit for both the Fund and Scheme of £541m. As a result of this, a recovery plan was agreed of £77m per annum from 1 January 2019 to 30 June 2020, £98m per annum from 1 July 2020 to 31 December 2024 and a one-off catch-up payment of £33m by 31 July 2020.

The Fund and Scheme liabilities have an average duration of 17.8 years (2020: 19.0 years) and 16.9 years (2020: 18.4 years) respectively. The expected undiscounted benefits payments to members of the Fund and Scheme, including pensions in payment secured by annuities purchased from the group, are shown in the unaudited chart below:

Undiscounted benefit payments

Projected benefit payments (£m)



The benefits paid from the defined benefit schemes are based on percentages of the employees' final pensionable salary for each year of credited service. The group has no liability for retirement benefits other than for pensions. The Fund and Scheme account for all of the UK and over 90% of worldwide assets of the group's defined benefit schemes.

The principal actuarial assumptions for the Fund and Scheme are set out below. In 2021, the calculation of IAS 19 defined benefit obligations was performed within the group, having previously been performed by an external consultancy. The methodology underlying the assumption setting has remained unchanged, but for inflation and mortality improvements, assumptions have been set consistently with assumptions used in the calculation of other insurance liabilities within the group. The overall impact of this change to assumptions is a small increase in defined benefit obligation.

The higher mortality experience observed in 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 2021 %	Fund and Scheme 2020 %
Rate used to discount liabilities	**1.84**	1.25
Rate of increase in pensions in payment (pre-2006 service)	**3.79**	3.59
Rate of increase in deferred pensions (pre-2006 service)	**3.97**	3.63
Rate of general inflation (RPI)	**3.49**	2.97

23 Provisions continued

(iii) Retirement benefit obligations continued

Defined contribution schemes continued

Post retirement mortality	2021	2020
Fund	**72.5% PCMA00/82.5% PCFA00**	75% PCMA00/85% PCFA00
Scheme	**67.5% PCMA00/77.5% PCFA00**	70% PCMA00/80% PCFA00
Mortality Improvements (Fund and Scheme)[1,2]	**CMI 2019, base date 2018 Sk = 7.5**	CMI 2018, base date 2015 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 (2020: long-term rates of 1.5% males and 1.0% females to age 90, tapering to nil by age 120).
2. In 2020, an approximation of the full longevity basis was used as the calculation of liabilities was outsourced. The full basis has been used in 2021.

This equates to average life expectancy as follows:

	Fund and Scheme 2021[1] years	Fund and Scheme 2020 years
Normal retirement age	**60.0**	60.0
Male life expectancy at retirement age	**87.2**	87.5
Female life expectancy at retirement age	**88.4**	88.8
Male life expectancy at age 60, for a current 40-year old	**89.3**	89.6
Female life expectancy at age 60, for a current 40-year old	**89.8**	90.1

1. Differences between 2020 and 2021 life expectancies arise from the approximation in the 2020 longevity basis due to the outsourced liability calculation.

	Fund and Scheme 2021 £m	CALA Homes and Overseas 2021 £m	Fund and Scheme 2020 £m	CALA Homes and Overseas 2020 £m
Movement in present value of defined benefit obligations				
As at 1 January	**(2,615)**	**(153)**	(2,375)	(135)
Current service cost	**(2)**	**(4)**	(2)	(3)
Interest expense	**(32)**	**(3)**	(48)	(4)
Actuarial remeasurement (recognised in Consolidated Statement of Comprehensive Income)				
– Change in financial assumptions	**194**	**11**	(350)	(17)
– Change in demographic assumptions	**(19)**	**–**	24	–
– Experience	**23**	**(1)**	8	(2)
Benefits paid	**103**	**6**	128	6
Exchange differences	**–**	**(1)**	–	2
As at 31 December	**(2,348)**	**(145)**	(2,615)	(153)
Movement in fair value of plan assets				
As at 1 January	**1,477**	**126**	1,292	111
Expected return on plan assets at liability discount rate	**18**	**2**	27	2
Actuarial remeasurement (recognised in Consolidated Statement of Comprehensive Income)	**(165)**	**10**	159	10
Employer contributions	**101**	**8**	127	10
Benefits paid	**(103)**	**(6)**	(128)	(6)
Exchange differences	**–**	**–**	–	(1)
As at 31 December	**1,328**	**140**	1,477	126
Gross pension obligations included in provisions	**(1,020)**	**(5)**	(1,138)	(27)
Annuity obligations insured by LGAS	**990**	**–**	1,051	–
Gross defined benefit pension deficit	**(30)**	**(5)**	(87)	(27)
Deferred tax on defined benefit pension deficit	**8**	**1**	17	5
Net defined benefit pension deficit	**(22)**	**(4)**	(70)	(22)

During 2021 annuities were purchased from the group. A premium of £82m (2020: £50m) was paid from the assets of the Fund and the Scheme to purchase these annuities. These annuities are not recognised as an asset for IAS 19 purposes and so the actuarial remeasurement recognised in the Consolidated Statement of Comprehensive Income includes allowance for this premium payment as well as annuity receipts over 2021 of £53m (2020: £53m).

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. In 2021, a large APP asset was purchased by the Fund, significantly reducing the sensitivity of the defined benefit obligation to movements in discount rates and inflation.

	2021 £m	2020 £m
1 year increase in life expectancy	**(76)**	(92)
0.1% p.a. decrease in discount rate	**(6)**	(27)
0.1% p.a. increase in RPI and CPI	**(3)**	(14)

The fair value of the plan assets at the end of the year is made up as follows:

	Valuation based on quoted market price		**Valuation based on other than quoted market price**	
As at 31 December 2021	**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]	**–**	**–**	**1,214**	**–**
Cash and cash equivalents	**114**	**16**	**–**	**–**
Fair value of plan assets	**114**	**140**	**1,214**	**–**

	Valuation based on quoted market price		Valuation based on other than quoted market price	
As at 31 December 2020	Fund and Scheme £m	CALA Homes and Overseas £m	Fund and Scheme £m	CALA Homes and Overseas £m
Equities	22	27	–	–
Bonds	–	12	–	–
Investment funds	1,029	72	–	–
Properties	–	3	–	–
Assured Payment Policy[2]	–	–	396	–
Cash and cash equivalents	30	12	–	–
Fair value of plan assets	1,081	126	396	–

1. During the year, the Fund completed an APP transaction with Legal and General Assurance Society Limited (LGAS), a group company, resulting in a premium paid by the Fund of £925m. The plan asset recognised is transferable and therefore has not been eliminated on consolidation within the group's financial statements.
2. In 2020, the Scheme completed an APP transaction with LGAS, a group company, resulting in a premium paid by the Scheme of £397m. The plan asset recognised is transferable and therefore has not been eliminated on consolidation within the group's financial statements.

The bond assets are all AAA rated as at 31 December 2021 (31 December 2020: AAA rated).

Employer contributions of £109m (2020: £137m) have been made during 2021. Employer contributions of £110m are expected to be paid to the plan during 2022.

The following amounts have been charged to the income statement:

	Fund and Scheme 2021 £m	**CALA Homes and Overseas 2021 £m**	Fund and Scheme 2020 £m	CALA Homes and Overseas 2020 £m
Current service costs	**2**	**4**	2	3
Net interest expense	**14**	**1**	21	2
Total amounts included in other expenses	**16**	**5**	23	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.

	2021 £m	2020 £m
Derivative liabilities	15,718	23,208
Repurchase agreements[1]	46,331	53,853
Other financial liabilities[2]	12,215	14,881
Total payables and other financial liabilities	**74,264**	91,942
Due within 12 months	53,250	65,316
Due after 12 months	21,014	26,626

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 includes 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 2021 was £5,418m (2020: £5,147m).

Fair value hierarchy

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**

As at 31 December 2020	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	23,208	300	22,826	82	–
Repurchase agreements	53,853	–	53,853	–	–
Other financial liabilities[2]	14,881	7,438	29	11	7,403
Total payables and other financial liabilities	91,942	7,738	76,708	93	7,403

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.
2. For 2020, £2,216m of Other financial liabilities have been reclassified from Amortised cost to Level 1 in the Fair value hierarchy, such that they are consistent with their treatment in the current year.

Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the year ended 31 December 2021 (2020: 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 by the standard in respect of short-term leases (lease contracts with a term of 12 months or less), and lease contracts for which the underlying asset is of low value. Such leases are not recognised on the consolidated balance sheet but the group recognises the associated lease payments as an expense over the lease term.

As a lessee, the group recognises leases on the balance sheet as 'right-of-use' assets and lease liabilities. The right-of-use assets are either classified as property, plant and equipment or investment property.

The right-of-use assets' value is initially recognised as the calculated value of the lease liabilities, initial direct costs and incentives received. The right-of-use assets are subsequently accounted for in accordance with the cost model in IAS 16, 'Property, Plant and Equipment' or as investment property under IAS 40, 'Investment Property'. The group also assesses right-of-use assets classified as property, plant and equipment for impairment when such indicators exist.

The initial measurement of the lease liabilities is made up of the present value of lease payments to be made over the lease term, including fixed lease payments and excluding lease incentive receivables. The group uses the incremental borrowing rate as a discount rate for calculating the lease liabilities. The lease liabilities are unwound over the term of the lease giving rise to an interest expense. Additionally, the liabilities are reduced when lease payments are made. The group reassesses the carrying amount of lease liabilities and right-of-use assets if certain events occur that modify the original assumptions used to calculate the lease balances upon initial recognition.

Extension and termination options are included in various leases across the group. These are generally used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised on balance sheet within property, plant and equipment:[1]

Carrying amount	Office buildings 2021 £m	IT 2021 £m	Vehicles 2021 £m	Total 2021 £m	Office buildings 2020 £m	IT 2020 £m	Vehicles 2020 £m	Total 2020 £m
As at 1 January	**167**	**35**	**3**	**205**	189	46	3	238
Additions	**14**	**–**	**–**	**14**	7	1	1	9
Depreciation for the period	**(23)**	**(13)**	**(2)**	**(38)**	(27)	(12)	(1)	(40)
Disposals	**(1)**	**–**	**–**	**(1)**	–	–	–	–
Decrease due to currency translation	**–**	**–**	**–**	**–**	(2)	–	–	(2)
As at 31 December	**157**	**22**	**1**	**180**	167	35	3	205

1. Excludes investment property right-of-use assets, which are presented as part of the Investment property disclosure in Note 10.

The maturity profile of lease liabilities is presented in the table below. Lease liabilities are included within Payables and other financial liabilities (See Note 24)[1].

As at 31 December	Undiscounted lease payments 2021 £m	Unpaid finance charge 2021 £m	Present value 2021 £m	Undiscounted lease payments 2020 £m	Unpaid finance charge 2020 £m	Present value 2020 £m
Within 1 year	**44**	**(9)**	**35**	44	(10)	34
1–2 years	**35**	**(7)**	**28**	43	(8)	35
2–3 years	**33**	**(6)**	**27**	34	(7)	27
3–4 years	**27**	**(5)**	**22**	31	(6)	25
4–5 years	**26**	**(4)**	**22**	26	(5)	21
After 5 years	**181**	**(106)**	**75**	203	(110)	93
Total lease liabilities	**346**	**(137)**	**209**	381	(146)	235

1. Includes investment property lease liability.

25 Leases continued

Interest expense of £10m (2020: £11m) on lease liabilities is included in finance costs.

The remaining terms on the group's leases range from 1 to 236 years (2020: 1 to 237 years), with approximately 29% of the leases (2020: 36%) having extension options and 72% of these leases (2020: 70%) 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 2021 the group had committed to no additional leases which had not yet commenced (2020: committed to no additional leases).

Income from sub-leasing right-of-use assets is presented 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 vast majority of the risk to which the group is exposed is assessed on the Partial Internal Model basis approved by the Prudential Regulation Authority (PRA). Capital requirements for a few smaller entities are assessed using the Standard Formula basis on materiality grounds. The group's US insurance businesses and Legal & General Reinsurance Company No. 2 (L&G Re 2 – a new subsidiary incorporated in 2021) are valued on a local statutory basis, following the PRA's approval to use the Deduction and Aggregation method of including these businesses in the group solvency calculation.

The table below shows the 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 2021). The TMTP incorporates impacts of 31 December 2021 economic conditions and changes during 2021 to the Internal Model and Matching Adjustment. This is in line with the group's management of the capital position on a dynamic TMTP basis.

In previous years, the capital position was shown on a "shareholder view", where the contribution from the final salary pension schemes was excluded from the group position. The impact of excluding the contribution is now less than 1% and so the results below, which are on a proforma basis, include the impact of the final salary pension schemes. The 2020 results have been adjusted to be consistent with 2021.

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 2021, and on the above basis, the group had a surplus of £8,185m (31 December 2020: £7,436m) over its Solvency Capital Requirement, corresponding to a Solvency II capital coverage ratio of 187% (31 December 2020: 175%). The Solvency II capital position is as follows:

	2021 £m	2020[1] £m
Unrestricted Tier 1 Own Funds	**13,254**	12,478
Restricted Tier 1 Own Funds[2]	**495**	495
Tier 2 Subordinated liabilities[3]	**3,995**	4,531
Eligibility restrictions	**(183)**	(188)
Solvency II Own Funds[4, 5]	**17,561**	17,316
Solvency Capital Requirement	**(9,376)**	(9,880)
Solvency II surplus	**8,185**	7,436
SCR coverage ratio	**187%**	175%

1. 2020 figures have been restated to include the contribution from the final salary pension schemes, replacing the "shareholder view" from prior years' disclosures.
2. Restricted Tier 1 Own Funds represent restricted Tier 1 contingent convertible notes.
3. £300m of Tier 2 subordinated liabilities were redeemed in full on 23 July 2021.
4. Solvency II Own Funds do not include an accrual for the final dividend of £790m (31 December 2020: £754m) declared after the balance sheet date.
5. Solvency II Own Funds allow for a Risk Margin of £5,488m (2020: £6,064m) and TMTP of £4,736m (2020: £5,564m).

A reconciliation of the group's IFRS shareholders' equity to Solvency II Own Funds is given below:

	2021 £m	2020 £m
IFRS equity[1]	**10,981**	9,997
Remove DAC, goodwill and other intangible assets and associated liabilities	**(406)**	(391)
Add IFRS carrying value of subordinated borrowings[2]	**3,700**	4,000
Insurance contract valuation differences[3]	**4,132**	4,495
Difference in value of net deferred tax liabilities	**(716)**	(638)
Other	**53**	41
Eligibility restrictions	**(183)**	(188)
Solvency II Own Funds[4]	**17,561**	17,316

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 £790m (31 December 2020: £754m) 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.

The group maintains a risk-based capital model that is used to calculate the group's Economic Capital position and support the management of risk within the group. This modelling framework, suitably adjusted for regulatory constraints, also meets the needs of the Solvency II regime. Our Economic Capital model has not been reviewed by the Prudential Regulatory Authority (PRA), nor will it be.

Regulatory bases
The financial strength of the group's insurance subsidiaries is measured under various local regulatory requirements (see below).

Basis of regulatory capital and corresponding regulatory capital requirements
In each country in which the group operates, the local insurance regulator specifies rules and guidance for the minimum amount and type of capital which must be held by insurance subsidiaries in excess of their insurance liabilities. The minimum capital requirements have been maintained at all times throughout the year. This helps to ensure that payments to policyholders can be made as they fall due.

The required capital is calculated by either assessing the additional assets which would be required to meet the insurance company's liabilities in specified, stressed financial conditions, or by applying fixed percentages to the insurance company's liabilities and risk exposures. The requirements in the different jurisdictions in which the group operates are detailed below:

Group regulatory basis
The group is required to comply with the Solvency II capital requirements calculated using the group's Partial Internal Model. The vast majority of the risk to which the group is exposed is assessed on the Internal Model basis approved by the PRA. The group capital requirements for a handful of smaller entities are assessed using the Standard Formula basis on materiality grounds. The group's capital requirements in respect of its US insurance businesses and Legal & General Reinsurance Company No. 2 (L&G Re 2) are valued on a local statutory basis, following PRA approval of the group's application to use the Deduction and Aggregation method of including these businesses in the group solvency calculation.

UK regulatory basis
At the balance sheet date, required capital for the life business was based on the Solvency II Framework Directive, as adopted by the PRA. All material EEA insurance firms, including Legal and General Assurance Society Limited, and Legal and General Assurance (Pensions Management) Limited (LGIM's insurance subsidiary) are required to hold eligible own funds in excess of their Solvency Capital Requirement, calculated on an Internal Model basis. These firms, as well as the non-EEA insurance firm (Legal & General Reinsurance Company Limited (LGRe) based in Bermuda) contribute over 93% of the group's SCR.

US regulatory basis
Required capital is determined to be the Company Action Level Risk Based Capital (RBC) based on the National Association of Insurance Commissioners RBC model. RBC is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations, taking into account its size and risk profile. The calculation is based on applying factors to various asset, premium, claims, expense and reserve items, with higher factors used for those items with greater underlying risk and lower factors for less risky items.

26 Management of capital resources continued

Solvency II continued

Bermudan regulatory basis

Bermudan regulated insurers are required to hold sufficient capital to meet 120% of the Bermudan Solvency Capital Requirement (BSCR). The BSCR model follows a standard formula framework; capital attributed to each risk is calculated by applying specified stresses to the assets and liabilities. The individual risk elements (excluding operational risk) are combined using a covariance matrix and then added to an operational risk charge.

27 Disposals

During 2021, the group made the following disposals, the impacts of which are recognised in other operational income in the Consolidated Income Statement:

- On 3 August 2021, the group entered into a 15 year joint venture arrangement with NatWest Group Pension Trustee Limited (NWPTL), the defined benefit pension scheme of NatWest Group, in order to invest up to £500m of equity into later living communities which will be developed and operated by Inspired Villages Group, a group subsidiary. As part of the transaction, the group sold a 50% stake in the entities which own the portfolio of property sites to NWPTL for £127m, and its interest in such entities reduced from 100% to 50%. This resulted in a change of control for a number of subsidiaries, which have been deconsolidated and are now equity accounted. The group has recognised a pre-tax gain on disposal, net of transaction costs, of £23m, which includes £13m related to the portion of the gain attributable to remeasuring the remaining interests to fair value as at the date of the transaction.
- On 2 November 2021, the group completed the disposal of its 10% stake in Current Health Limited to Best Buy for £30m, which resulted in a pre-tax gain on disposal, net of transaction costs, of £21m.
- On 3 November 2021, the group completed the disposal of its 50% stake in Peel Holdings (Media) Limited (MediaCity) to LandSec for £141m, which resulted in a pre-tax gain on disposal, net of transaction costs, of £7m.

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 has announced changes to the business unit responsibilities within the Executive Committee. Andrew Kail will become the Chief Executive Officer of LGRI, succeeding Laura Mason who has previously moved to become CEO of Legal & General Capital (LGC). Our two retail businesses, LGRR and LGI, will come together under the leadership of Bernie Hickman. As noted on page 14 of the strategic report, this will enable the creation of a single interface for the group's UK retail customers.

As a result of these changes, from 1 January 2022 the group will align its reportable segments to the five core businesses, comprising LGRI, LGRR, LGI, LGIM, and LGC. Group central expenses and debt costs will continue to be reported separately.

In 2021, management of the Workplace Savings business has transferred from LGIM to LGRR, where it complements their retirement solutions offering and retail customer focus. The change in reporting structure has no impact on the profit or loss, or net assets, of the group. To enable comparison, segmental information for prior year has been restated accordingly.

In 2020, continuing operations exclude the results of the Mature Savings business, the sale of which was completed on 7 September 2020.

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 2021	LGR[1] £m	LGIM[1] £m	LGC £m	LGI £m	Group expenses and debt costs[2] £m	Total continuing operations £m
Adjusted operating profit/(loss)	**1,506**	**422**	**461**	**268**	**(395)**	**2,262**
Investment and other variances	242	(11)	19	111	(128)	233
Losses attributable to non-controlling interests	–	–	–	–	(7)	(7)
Profit/(loss) before tax attributable to equity holders	**1,748**	**411**	**480**	**379**	**(530)**	**2,488**
Tax (expense)/credit attributable to equity holders	(276)	(79)	(93)	(59)	62	(445)
Profit/(loss) for the year	**1,472**	**332**	**387**	**320**	**(468)**	**2,043**

For the year ended 31 December 2020	LGR[1] £m	LGIM[1] £m	LGC £m	LGI £m	Group expenses and debt costs[2] £m	Total continuing operations £m
Adjusted operating profit/(loss)	1,728	407	275	189	(415)	2,184
Investment and other variances	15	1	(299)	(459)	24	(718)
Losses attributable to non-controlling interests	–	–	–	–	(36)	(36)
Profit/(loss) before tax attributable to equity holders	1,743	408	(24)	(270)	(427)	1,430
Tax (expense)/credit attributable to equity holders	(228)	(65)	(8)	58	94	(149)
Profit/(loss) for the year	1,515	343	(32)	(212)	(333)	1,281

1. LGR includes the Workplace Savings business which was previously reported in LGIM. Prior year comparatives have been restated to reflect the change in reporting structure.
2. Group expenses and debt costs include £nil of incremental costs incurred as a result of Covid-19 (2020: £27m).

28 Segmental analysis continued

(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.

(a) Total revenue

	Note	2021 £m	2020 £m
Total income		**45,450**	50,231
Adjusted for:			
Share of (profit)/loss from associates and joint ventures, net of tax	43	**(25)**	28
Gains on disposal of subsidiaries, associates and joint ventures, and other operations[1]		**(149)**	–
Total revenue from continuing operations		**45,276**	50,259

1. For further information on the gains on disposal refer to Note 2 (iv) and Note 27.

(b) Total income

For the year ended 31 December 2021	LGR £m	LGIM[1,2] £m	LGI £m	LGC and other[3] £m	Total continuing operations £m
Internal income	**–**	**179**	**–**	**(179)**	**–**
External income	**5,959**	**35,738**	**2,029**	**1,724**	**45,450**
Total income	**5,959**	**35,917**	**2,029**	**1,545**	**45,450**

For the year ended 31 December 2020	LGR £m	LGIM[1,2] £m	LGI £m	LGC and other[3] £m	Total continuing operations £m
Internal income	–	201	–	(201)	–
External income	15,057	20,878	1,799	12,497	50,231
Total income	15,057	21,079	1,799	12,296	50,231

1. LGIM internal income relates to investment management services provided to other segments.
2. LGIM external income primarily includes fees from fund management and investment returns on unit linked funds.
3. LGC and other includes LGC income, intra-segmental eliminations and group consolidation adjustments.

(c) Fees from fund management and investment contracts

For the year ended 31 December 2021	LGR[1] £m	LGIM[1] £m	LGI £m	LGC and other[2] £m	Total continuing operations £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]	**97**	**1,041**	**–**	**(179)**	**959**

For the year ended 31 December 2020	LGR[1] £m	LGIM[1] £m	LGI £m	LGC and other[2] £m	Total continuing operations £m
Investment contracts	79	–	1	–	80
Investment management fees	–	954	–	(188)	766
Transaction fees	–	27	–	–	27
Total fees from fund management and investment contracts[3]	79	981	1	(188)	873

1. LGR includes the Workplace Savings business which was previously reported in LGIM. Prior year comparatives have been restated to reflect the 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 from continuing operations disclosed in Note 28 (ii)(a).

28 Segmental analysis continued

(ii) Revenue continued

(d) Other operational income from contracts with customers

For the year ended 31 December 2021	LGR £m	LGI £m	LGC and other £m	Total continuing operations £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[1]	**5**	**100**	**1,314**	**1,419**

For the year ended 31 December 2020	LGR £m	LGI £m	LGC and other £m	Total continuing operations £m
House building	–	–	748	748
Professional services fees	1	83	–	84
Insurance broker	–	16	–	16
Total other operational income from contracts with customers[1]	1	99	748	848

1. Total other operational income from contracts with customers is a component of Total revenue from continuing operations 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 from continuing operations are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured.

For the year ended 31 December 2021	LGR £m	LGI[1] £m	Total continuing operations £m
Gross written premiums	**7,364**	**3,011**	**10,375**

For the year ended 31 December 2020	LGR £m	LGI[1] £m	Total continuing operations £m
Gross written premiums	9,582	2,963	12,545

1. Includes £109m (2020: £114m) 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 deliver returns on group capital.

	2021 £m	2020 £m
Dividend income	**4,437**	4,098
Interest income on financial investments at fair value through profit or loss	**4,837**	5,172
Other investment income[1]	**219**	110
Gains on financial investments designated at fair value through profit or loss	**25,066**	28,545
(Losses)/gains on derivative instruments designated as held for trading	**(30)**	42
Realised (losses)/gains on financial assets designated as available-for-sale	**(1)**	16
Financial investment return	**34,528**	37,983
Rental income	**375**	387
Net fair value gains/(losses) on properties	**1,024**	(79)
Property investment return	**1,399**	308
Total investment return	**35,927**	38,291
Investment return from discontinued operations	**–**	877
Investment return from continuing operations	**35,927**	39,168

1. Other investment income comprises interest, gains and losses from loans, receivables and other financial instruments including those held at amortised cost. £11m (2020: £13m) 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.

	2021	2020
UK	**19.0%**	19.0%
USA	**21.0%**	21.0%
Bermuda	**0.0%**	0.0%
Ireland	**12.5%**	12.5%

(i) Tax expense in the Consolidated Income Statement

	2021 £m	2020 £m
Current tax	**531**	333
Deferred tax		
– Origination or reversal of temporary differences in the year	**(24)**	(163)
– Impact of revaluation of deferred tax balances	**58**	16
Total deferred tax	**34**	(147)
Adjustment to equity holders' tax in respect of prior years	**24**	(42)
Total tax expense[1]	**589**	144
Less: tax attributable to policyholder returns		
– Continuing operations	**(144)**	(69)
– Discontinued operations	**–**	142
	(144)	73
Total tax charge attributable to equity holders	**445**	217
Less: tax from discontinued operations attributable to equity holders	**–**	(68)
Tax from continuing operations attributable to equity holders	**445**	149

1. In 2021, the total tax expense of £589m is attributable to continuing operations (2020: £218m tax expense attributable to continuing operations and £74m tax credit attributable to discontinued operations).

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:

	Total 2021 £m	Continuing operations 2020 £m	Total 2020 £m
Profit before tax attributable to equity holders	**2,488**	1,430	1,788
Tax calculated at 19.00%	**473**	272	340
Adjusted for the effects of:			
Recurring reconciling items:			
(Lower)/higher rate of profits taxed overseas[1]	**(104)**	(111)	(111)
Income not subject to tax	**–**	(1)	(1)
Non-deductible expenses	**6**	11	11
Differences between taxable and accounting investment gains	**(13)**	(10)	(10)
Foreign tax	**–**	1	1
Unrecognised tax losses	**1**	14	14
Non-recurring reconciling items:			
Adjustments in respect of prior years[2]	**24**	(42)	(42)
Impact of the revaluation of deferred tax balances[3]	**58**	16	16
Other	**–**	(1)	(1)
Tax expense/(credit) attributable to equity holders	**445**	149	217
Equity holders' effective tax rate	**17.9%**	10.4%	12.1%

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. Adjustments in respect of prior years relate to revisions of prior estimates.
3. 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.

30 Tax continued

(ii) Deferred tax – Consolidated Balance Sheet

Deferred tax assets and liabilities have been recognised/(provided) for temporary differences and unused tax losses. The recognition of deferred tax assets in respect of temporary differences and tax losses are supported by management's best estimate of future taxable profits to absorb the losses in future years. Deferred tax assets and liabilities presented on the Consolidated Balance Sheet have been offset to the extent it is permissible under the relevant accounting standards. The net movement in deferred tax assets and liabilities during the year is as follows:

	Net tax liability as at 1 January 2021[1] £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions/ disposals £m	Net tax liability as at 31 December 2021 £m
Deferred acquisition expenses	85	10	–	–	95
– Overseas	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[4]	(113)	23	–	7	(83)
Excess of depreciation over capital allowances	18	5	–	(1)	22
Excess expenses	1	(1)	–	–	–
Accounting provisions and other[4]	54	1	–	–	55
Trading losses[1]	289	60	–	(1)	348
Pension fund deficit	22	(6)	(7)	–	9
Acquired intangibles	(1)	1	–	–	–
Total net deferred tax liabilities	(202)	(42)	(10)	5	(249)
Less: net deferred tax liabilities transferred on disposal[2]	–	5	–	(5)	–
Net deferred tax liabilities	(202)	(37)	(10)	–	(249)
Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets[3]	5	(3)	–	–	2
– UK deferred tax liabilities	(168)	(36)	(11)	–	(215)
– Overseas net deferred tax liabilities	(39)	2	1	–	(36)

1. 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.
2. 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 (see Note 27 for further details).
3. 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.
4. 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.

	Net tax liability as at 1 January 2020 £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions/ disposals £m	Net tax liability as at 31 December 2020 £m
Deferred acquisition expenses	35	50	–	–	85
– UK	(40)	40	–	–	–
– Overseas	75	10	–	–	85
Difference between the tax and accounting value of insurance contracts	(524)	(34)	1	–	(557)
– UK	(198)	(12)	3	–	(207)
– Overseas	(326)	(22)	(2)	–	(350)
Realised and unrealised gains on investments[4]	(224)	84	–	27	(113)
Excess of depreciation over capital allowances	15	3	–	–	18
Excess expenses	20	(9)	–	(10)	1
Accounting provisions and other[4]	(4)	58	–	–	54
Trading losses[1]	217	72	–	–	289
Pension fund deficit	28	(54)	48	–	22
Acquired intangibles	(2)	1	–	–	(1)
Total net deferred tax liabilities	(439)	171	49	17	(202)
Less: net deferred tax liabilities of operations classified as held for sale[2]	182	(165)	–	(17)	–
Net deferred tax liabilities	(257)	6	49	–	(202)
Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets	8	(3)	–	–	5
– UK deferred tax liabilities	(189)	(30)	51	–	(168)
– Overseas deferred tax liabilities[3]	(76)	39	(2)	–	(39)

1. Trading losses reflect deferred tax on UK trade and US operating losses of £5m (2019: £4m) and £284m (2019: £213m) respectively.
2. Liabilities of operations classified as held for sale relate to the Mature Savings business, the sale of which completed on 7 September 2020.
3. Overseas deferred tax liability is wholly comprised of US balances as at 31 December 2020.
4. The US deferred tax liability of £40m 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.

Unrecognised deferred tax assets

The group has the following unrelieved tax losses and deductible temporary differences carried forward as at 31 December 2021. No deferred tax asset has been recognised in respect of these as at 31 December 2021 (or 31 December 2020), 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 2021 £m	**Tax 2021 £m**	Gross 2020 £m	Tax 2020 £m
Trading losses[1]	**172**	**36**	190	31
Capital losses	**74**	**19**	70	13
Excess management expense	**9**	**2**	60	12
Unrelieved interest payments on debt instruments	**14**	**4**	14	3
Unrecognised deferred tax assets[2]	**269**	**61**	334	59

1. Trading losses includes £14m (2020: £13m) related to the US business which are expected to expire between 2026 and 2032.
2. Unrecognised deferred tax assets include UK balances of £39m (2020: £39m) and trade losses arising overseas of £22m (2020: £20m).

30 Tax continued

(iii) Current tax – Consolidated Balance Sheet

	2021 £m	2020 £m
Tax recoverable within 12 months	46	363
Tax recoverable after 12 months	624	271
Current tax assets	**670**	634

	2021 £m	2020 £m
Tax due within 12 months	4	–
Tax due after 12 months	80	61
Current tax liabilities	**84**	61

1. Of the total current tax asset of £670m, £619m (2020: £572m) relates to amount recoverable in respect of withholding tax reclaims attributable to funds.

(iv) Tax charged directly in equity

	Note	2021 £m	2020 £m
Current tax		4	(2)
Deferred tax	30(ii)	(3)	(11)
Tax charge/(credit) recognised directly in equity		**1**	(13)

31 Auditors' remuneration

	2021 £m	2020 £m
Remuneration receivable by the company's auditors for the audit of the consolidated and company financial statements	1.5	1.4
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	7.8	8.7
Audit related assurance services – required by national or EU legislation	1.3	1.4
Audit related assurance services – other	1.2	0.6
Other assurance services	0.1	0.6
Total remuneration	**11.9**	12.7

32 Employee information

	2021	2020
Monthly average number of staff employed during the year:		
UK	9,705	9,083
USA	927	874
Europe	43	33
Other	66	56
Worldwide employees	**10,741**	10,046

	Note	2021 £m	2020 £m
Wages and salaries		789	732
Social security costs		89	82
Share-based incentive awards	33	33	43
Defined benefit pension costs[1]	23	21	28
Defined contribution pension costs	23	82	75
Total employee related expenses		**1,014**	960

1. Defined benefit pension costs, included within Total other expenses, represent the sum of current service cost and net interest expense, and not the contributions paid to the defined benefit schemes, as previously disclosed. For 2020, the amounts have been updated to reflect the appropriate costs and to be on a basis consistent with 2021. There is no impact on the Consolidated Income Statement or Consolidated Balance Sheet.

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.

The Savings Related Share Option Plan (ShareSave) allows employees to enter into a regular savings contract over three and/or five years, coupled with a corresponding option over shares of the group. The grant price is equal to 80% of the quoted market price of the group shares on the invitation date. Fair value is calculated using the Black-Scholes model.

Nil Cost Options can be granted to senior managers under the Performance Share Plan (PSP), based upon individual and company performance. Pre the 2014 award, the number of performance shares transferred to the individual at the end of the three year vesting period was dependent on the group's relative Total Shareholder Return (TSR). New performance conditions attached to awards from 2014 result in the number of options that vest being equally dependent on the group's relative TSR and Earnings per Share (EPS)/Dividend per Share (DPS) growth. In addition, the awards vest after the end of the three year performance period and become exercisable in thirds over three, four and five years. Further changes were made to the performance conditions for awards granted in 2018. The number of options that vest in respect of these awards is equally dependent on the group's relative TSR and EPS growth (subject to Solvency II objectives). The majority of awards vest after the end of the three year performance period and become exercisable in thirds in year three, four and five. Awards granted to Executive Directors and Persons Delivering Managerial Responsibilities vest after three years but any options that vest will not become exercisable until year five.

The Share Bonus Plan (SBP) awards conditional shares, restricted shares, combined awards of CSOP options and restricted shares and combined awards of CSOP options and nil-paid options. Recipients of restricted shares are entitled to both vote and receive dividends. Fair value is calculated as the market value on the grant date, adjusted to reflect the eligibility for dividend payments. Conditional Share awards, which include awards to Executive Directors, do not have voting or dividend rights.

Under the HMRC tax-advantaged Employee share plan (ESP), UK employees may elect to purchase group shares from the market at the prevailing market price on a monthly basis. The group supplements the number of shares purchased by giving employees one free matching share for every one share purchased up to the first £20 of the employees' contributions and one free matching share for every two shares purchased with contributions between £20 and £125. There is currently no match on contributions between £125 and £150. From time to time, the group may make an award of free shares. Both the free and matching shares must be held in trust for three years. The fair value of awarded shares is equal to the market value on award date.

The weighted average fair value of options and awards granted during the year, estimated by using Monte Carlo simulations were 61.9p and 197.3p for the SAYE options and PSP awards respectively.

The fair values of the share awards made during the year have been calculated using the following assumptions:

	SAYE	PSP
Award date	09 April 2021	13 April 2021
Weighted average share price (pence)	296.4	294.2
Weighted average exercise price (pence)	230.0	n/a
Expected volatility	38%	44%
Expected life	3 – 5 years	3 – 5 years
Risk free investment rate	0.13 – 0.36%	0.09%
Dividend yield	7.7%	6.0%

33 Share-based payments continued

(ii) Total recognised expense

The total recognised expense relating to share-based payments in 2021 was £33m (2020: £43m) before tax, all of which related to equity settled share schemes. This is broken down between the group's plans as detailed below:

	2021 £m	2020 £m
Share Bonus Plan (SBP)	24	27
Performance Share Plan (PSP)	5	13
Employee Share Plan (ESP)	2	2
Savings related share option scheme (SAYE)	2	1
Total share-based payment expense	**33**	43

(iii) Outstanding share options

	SAYE 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	

	SAYE options 2020	Weighted average exercise price 2020 p	CSOP options 2020	Weighted average exercise price 2020 p	SBP options 2020	Weighted average exercise price 2020 p
Outstanding at 1 January	13,316,235	210	3,570,864	267	418,327	–
Granted during the year	11,119,385	199	1,716,010	204	208,276	–
Forfeited during the year	(2,835,918)	210	–	–	–	–
Exercised during the year	(2,009,106)	203	–	–	(1,203)	–
Expired during the year	(1,357,622)	210	(1,329,719)	248	(38,886)	–
Outstanding at 31 December	18,232,974	204	3,957,155	245	586,514	–
Exercisable at 31 December	39,424	221	3,252	118	109,358	–
Weighted average remaining contractual life (years)	3		9		8	

Exercised during the year includes 1,202 options, which were predominantly CSOP options linked to SBP which have been settled using employee scheme shares.

(iv) Total options

Options over 23,738,488 shares (2020: 22,776,643 shares) are outstanding under CSOP, SAYE and SBP as at 31 December 2021. These options have a range of exercise prices between 0p and 295p (2020: 0 and 287p) and maximum remaining contractual life up to 2031 (2020: 2030).

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	**2021 Number of shares**	**2021 £m**	2020 Number of shares	2020 £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 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**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2020	5,965,349,607	149	1,000
Options exercised under share option schemes	2,009,106	–	6
As at 31 December 2020	5,967,358,713	149	1,006

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.

	2021 Number of shares	**2021 £m**	2020 Number of shares	2020 £m
As at 1 January	**35,306,671**	**75**	31,190,048	65
Shares purchased	**11,862,090**	**34**	10,054,526	23
Shares vested	**(4,468,703)**	**(10)**	(5,937,903)	(13)
As at 31 December	**42,700,058**	**99**	35,306,671	75

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 (2020: £7m). 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 2021, non-controlling interests primarily represent third party ownership in Thorpe Park Holdings, a mixed residential/commercial retail space in which the group holds 50%.

No other individual non-controlling interest is considered to be material on the basis of the year end carrying value or share of profit or loss.

37 Other liabilities

	2021 £m	2020 £m
Accruals	**454**	410
Deferred income	**26**	2
Other	**445**	344
Total other liabilities	**925**	756
Due within 12 months	**887**	715
Due after 12 months	**38**	41

38 Reconciliation of assets under management to Consolidated Balance Sheet

	2021 £bn	2020 £bn
Assets under management[1]	**1,421**	1,279
Derivative notionals[1, 2]	**(383)**	(340)
Third party assets[1, 3]	**(480)**	(419)
Other[1, 4]	**7**	33
Total financial investments, investment property and cash and cash equivalents	**565**	553

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

There were no material transactions between key management and the Legal & General group of companies during the period. All transactions between the group and its key management are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment defined benefit plans were £109m (31 December 2020: £137m) for all employees.

At 31 December 2021 and 31 December 2020 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:

	2021 £m	2020 £m
Salaries	**10**	8
Share-based incentive awards	**5**	5
Key management personnel compensation	**15**	13

(ii) Services provided to and by related parties

All transactions between the group and associates, joint ventures and other related parties during the year are on commercial terms which are no more favourable than those available to companies in general.

Loans and commitments to related parties are made in the normal course of business.

The group has entered into the following material related party transactions during the year:

- Annuity contracts issued by Legal and General Assurance Society Limited for consideration of £82m (2020: £50m) have been purchased by the group's UK defined benefit pension schemes, priced on an arm's length basis.
- The Legal & General Group UK Pension and Assurance Fund (the Fund) completed an Assured Payment Policy (APP) transaction with Legal and General Assurance Society Limited (LGAS), a group company. An APP is an investment contract product sold by LGR which, issued to a pension scheme, provides the scheme with a fixed or inflation linked schedule of payments to match the scheme's expected liabilities. In June 2021, £925m was paid by the Fund to LGAS, and LGAS and the Fund recognised an investment contract liability and an APP plan asset of the same amount, respectively.

As at 31 December 2021, LGAS recognised a liability related to this APP transaction with the Fund of £882m which is included in the group's non-participating investment contract liabilities. Following a similar transaction in 2020 between the Legal & General Group UK Senior Pension Scheme (the Scheme) and LGAS, a further £332m (2020: £396m) is included in the group's non-participating investment contract liabilities as at 31 December 2021. The Fund and Scheme hold transferable plan assets of the same amounts which do not eliminate on consolidation.

- Loans outstanding from related parties at 31 December 2021 of £15m (2020: £89m), with a further commitment of £2m.
- The group has total other commitments of £1,158m to related parties (2020: £1,207m), of which £726m has been drawn at 31 December 2021 (2020: £772m).

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

	2021 £m	2020 £m
Authorised and contracted commitments not provided for in respect of investment property development, payable after 31 December:		
– Long-term business	**680**	570

(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 2021 £m	Total future payments 2020 £m
Within 1 year	**342**	310
1–2 years	**330**	310
2–3 years	**311**	301
3–4 years	**298**	288
4–5 years	**287**	275
After 5 years	**3,391**	4,124
Total lease commitment receivable	**4,959**	5,608

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 2021 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.

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Country of incorporation: England and Wales				
245 Hammersmith Road (General Partner) Limited	Development of building projects	Ordinary	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	Members capital	31-Dec	50.0
Accelerated Digital Ventures Limited	Venture capital investing	Ordinary	31-Dec	100.0
ADV (GP) LLP	Limited liability partnership	Ordinary	31-Dec	100.0
ADV ECF LP	Limited partnership	Ordinary	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
Banner (Spare) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Construction Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Developments Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Freehold Limited[1]	Letting and operating of leased real estate	Ordinary	31-Dec	100.0
Banner Homes Bentley Priory Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Central Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Group[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Limited[1]	Dormant company	Ordinary	31-Dec	100.0
Banner Homes Midlands Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Southern Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Homes Ventures Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Banner Management Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Begbroke Oxford Limited	Construction of commercial buildings	Ordinary	31-Dec	100.0
BQN 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
CALA (ESOP) Trustees Limited[1]	Financial intermediation	Ordinary	31-Dec	100.0
CALA 1 Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Group (Holdings) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Chiltern) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Midlands) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (North Home Counties) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (South Home Counties) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Southern) Limited[1]	Non-trading company	Ordinary	31-Dec	100.0
CALA Homes (Thames) Limited[1]	Non-trading company	Ordinary	31-Dec	100.0
CALA Homes (Yorkshire) Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Properties Banbury Limited[1]	Dormant company	Ordinary	31-Dec	100.0
Cardiff Interchange Limited	Development of building projects	Ordinary	31-Dec	100.0
Cardiff Interchange ManCo Limited	Management company	Ordinary	31-Jan	66.0
Care Secured Limited[1]	Dormant company	Ordinary	31-Dec	100.0
City & Urban Developments Limited	Holding company	Ordinary	31-Dec	100.0
CleverMover Limited	Provision of services	Ordinary	31-Dec	100.0
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	Residents property management	Limited by guarantee	31-Dec	100.0
ECV Partnerships Tattenhall Limited[2]	Limited partnership	Ordinary	31-Dec	50.0
Finchwood Park Management Company Limited	Residents property management	Limited by guarantee	31-Dec	100.0
Finovation UK Limited[3]	Pension tracing and transfer service	Ordinary	31-Dec	100.0
GO ETF Solutions LLP	Investment management	Partnership	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
Inspired Villages Group Limited	Activities of other holding companies not elsewhere classified	Ordinary	31-Dec	54.6

1. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
2. Registered office: The Stanley Building, 7 St Pancras Square, London N1C 4AG
3. Registered office: One Coleman Street, London EC2R 5AA

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Interchange Central Square (General Partner) Limited	General Partner	Ordinary	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	General Partner	Ordinary	31-Dec	100.0
IPIF Trade Nominee Limited	Dormant company	Ordinary	31-Dec	100.0
Jimcourt Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
L&G Bristol Temple Island Limited	Construction of commercial buildings	Ordinary	31-Jan	100.0
L&G Cash Trust	Unit trust	Unit	31-Dec	50.7
L&G Diversified Fund	Unit trust	Unit	15-Feb	74.3
L&G European Equity Income Fund	Unit trust	Unit	30-Apr	10.4
L&G Future World ESG UK Index Fund	Unit trust	Unit	30-Sep	76.3
L&G Future World Sustainable Global Equity Focus Fund	Unit trust	Unit	15-Nov	25.0
L&G Future World Sustainable Opportunities Fund	Unit trust	Unit	31-Dec	92.3
L&G Global Developed Four Factor Scientific Beta Index Fund	Authorised contractual schemes	Ordinary	31-Dec	34.6
L&G Global Emerging Markets Index Fund	Unit trust	Unit	31-Jul	10.3
L&G Global High Yield Fund	Unit trust	Unit	5-Sep	21.7
L&G Global Infrastructure Fund	Unit trust	Unit	31-Dec	11.9
L&G Global Real Estate Dividend Index Fund	Unit trust	Unit	20-Apr	13.6
L&G Global Thematic Fund	Unit trust	Unit	31-Mar	29.1
L&G MSCI World Socially Responsible Investment (SRI) Fund	Unit trust	Unit	12-Dec	11.7
L&G Multi-Asset Target Return Fund	Unit trust	Unit	31-Dec	35.5
L&G Short Dated Sterling Corporate Bond Index Fund	Unit trust	Unit	15-Feb	14.2
L&G UK Equity Income Fund	Unit trust	Unit	24-Jan	19.1
L&G UK Smaller Companies Trust	Unit trust	Unit	31-Dec	27.1
Legal & General Residential (BTR) 1 LLP	Investment management	Ordinary	31-Dec	100.0
Legal & General Residential (BTR) 2 LLP	Investment management	Ordinary	31-Dec	100.0
Legal & General (PMC Trustee) Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General (Portfolio Management Services) Limited	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General (Portfolio Management Services) Nominees Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General (Strategic Land Harpenden) Limited	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
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	Ordinary	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	Ordinary	31-Dec	100.0
Legal & General Affordable Homes Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Capital Investments Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Co Sec Limited	Dormant company	Ordinary	31-Dec	100.0
Legal & General Development Assets Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Digital Solutions Limited	Technology services	Ordinary	31-Dec	100.0
Legal & General Employee Benefits Administration Limited	Non-trading company	Ordinary	31-Dec	100.0
Legal & General Estate Agencies Limited	Mortgage finance companies	Ordinary	31-Dec	100.0
Legal & General Finance PLC	Treasury operations	Ordinary	31-Dec	100.0
Legal & General Financial Advice Limited	Mortgage finance companies	Ordinary	31-Dec	100.0
Legal & General FX Structuring (SPV) Limited	Special Purpose Vehicle	Ordinary	31-Dec	100.0
Legal & General GP LLP	Development of building projects	Ordinary	31-Dec	100.0

1. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX

Company name	**Nature of business**	**Share class**	**Year end reporting date**	**% of equity shares held by the group**
Legal & General Holdings No.2 Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Home Finance Administration Services Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Home Finance Holding Company Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Home Finance Limited	Mortgage finance companies	Ordinary	31-Dec	100.0
Legal & General Homes (Services Co) Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Arborfield) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Crowthorne) Limited	Development of building projects	Ordinary	31-Dec	100.0
Legal & General Homes Communities (Didcot) Limited	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 Limited	Development of modular housing	Ordinary	31-Dec	100.0
Legal & General Insurance Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Insurance Holdings No. 2 Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Investment Management (Holdings) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Investment Management Funds ICVC	Open ended investment company	Ordinary	31-Dec	100.0
Legal & General Investment Management Limited	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General Later Living Limited	Holding company	Ordinary	31-Oct	100.0
Legal & General Leisure Fund Trustee Limited	Trustee	–	31-Dec	100.0
Legal & General Life Fund Limited Partnership	Limited partnership	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
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	Dormant company	Ordinary	31-Dec	100.0
Legal & General Property Partners (IPIF GP) LLP	General Partner	Partnership	31-Dec	100.0
Legal & General Property Partners (Leisure GP) LLP	General Partner	Partnership	31-Dec	100.0
Legal & General Property Partners (Leisure) Limited	General Partner	Ordinary	31-Dec	100.0
Legal & General Property Partners (Life Fund) Limited	Investment vehicle	Ordinary	31-Dec	100.0
Legal & General Property Partners (Life Fund) Nominee Limited	Investment vehicle	Ordinary	31-Dec	100.0
Legal & General Property Partners (UKPIF Geared Two) Limited	Investment in UK real estate	Ordinary	31-Dec	100.0
Legal & General Property Partners (UKPIF 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 Property Partners (UKPIF) Limited	General Partner	Ordinary	31-Dec	100.0
Legal & General Re Holdings Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Residential (Holdco) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Resources Limited	Provision of services	Ordinary	31-Dec	100.0
Legal & General Retail Investments (Holdings) Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General Senior Living Limited	Holding company	Ordinary	31-Dec	100.0
Legal & General 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	–	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 Six LLP	Limited liability partnership	Partnership	31-Dec	100.0

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Legal & General UK BTR GP Three LLP	Limited liability partnership	Partnership	31-Dec	100.0
Legal & General UK BTR GP Two LLP	Limited liability partnership	Partnership	31-Dec	100.0
Legal & General UK BTR Investment GP LLP	Limited liability partnership	Ordinary	31-Dec	100.0
Legal & General UKPIF Two GP LLP	Limited liability partnership	Partnership	31-Dec	100.0
Legal & General Assurance (Pensions Management) Limited	Long-term business	Ordinary	31-Dec	100.0
Legal & General Assurance Society Limited	Long-term and general insurance	Ordinary	31-Dec	100.0
LGIM Commercial Lending Limited	Commercial lending	Ordinary	31-Dec	100.0
LGIM Corporate Director Limited	Non-trading company	Ordinary	31-Dec	100.0
LGIM Global Corporate Bond Fund	Open ended investment company	Ordinary	31-Dec	73.0
LGIM International Limited	Institutional fund management	Ordinary	31-Dec	100.0
LGIM Real Assets (Operator) Limited	Development of building projects	Ordinary	31-Dec	100.0
LGIM Real Assets Limited	Development of building projects	Ordinary	31-Dec	100.0
LGP Newco Limited	Dormant company	Ordinary	31-Dec	100.0
LGPL 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	Development of building projects	Ordinary	31-Dec	100.0
NSC Building A Limited	Real estate trading	Ordinary	31-Dec	100.0
NSC Building B Limited	Real estate trading	Ordinary	31-Dec	100.0
Performance Retail (General Partner) Limited	Development of building projects	Ordinary	31-Dec	100.0
Performance Retail (Nominee) Limited	Dormant company	Ordinary	31-Dec	100.0
PRLP GP LLP	Limited partnership	Ordinary	31-Dec	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[2]	Dormant company	Ordinary	31-Dec	100.0
Senior Living Medici Limited[2]	Dormant company	Ordinary	31-Dec	100.0
Senior Living Tattenhall (Holdco) Limited	Activities of other holding companies not elsewhere classified	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
Senior Living Warwick (Holdco) Limited	Activities of other holding companies not elsewhere classified	Ordinary	31-Dec	100.0
Stratford City Offices (No. 2) General Partner Limited	General Partner	Ordinary	31-Dec	100.0
Stratford City Offices (No. 2) Limited Partnership	Limited partnership	Partnership	31-Dec	100.0
Sunderland Vaux 1 Limited	Construction of commercial buildings	Ordinary	31-Dec	100.0
Terminus Road (Nominee 1) Limited	Dormant company	Ordinary	31-Dec	100.0
Terminus Road (Nominee 2) Limited	Dormant company	Ordinary	31-Dec	100.0
The Advantage Collection Limited[1]	Domestic building construction	Ordinary	31-Dec	100.0
Thorpe Park 3175 Limited[4]	Buying and selling of own real estate	Ordinary	31-Dec	50.0
Thorpe Park A2 Limited[4]	Other letting and operating of own or leased real estate	Ordinary	31-Dec	50.0
Thorpe Park Developments Limited[4]	Property development company	Ordinary	31-Dec	50.0
Thorpe Park Holdings Limited[4]	Holding company	Ordinary	31-Dec	50.0
TP Property Services Limited[4]	Property services	Ordinary	31-Dec	50.0
UKPIF Two Founder Partner LP	Limited partnership	Partnership	31-Dec	–
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[5]	Institutional fund management	Ordinary	31-Dec	100.0

1. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
2. Registered office: The Stanley Building, 7 St Pancras Square, London N1C 4AG
4. Registered office: Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ
5. Registered office: Room 902, 9th Floor, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong, Hong Kong

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
Country of incorporation: Ireland				
Euro Liquidity Fund	OEUIC[6]	Ordinary	31-Dec	41.4
Finovation Limited[7]	Pension tracing and transfer service	Ordinary and convertible	31-Dec	100.0
L&G Asia Pacific ex Japan Equity Index Fund	ICAV[8]	Ordinary	31-Dec	49.0
L&G Asia Pacific ex Japan Equity UCITS ETF[9]	Exchange Traded Funds	Ordinary	30-Jun	13.9
L&G ESG China CNY Bond UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	46.5
L&G ESG Emerging Markets Government Bond (USD) 0-5 Year UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	85.2
L&G ESG GBP Corporate Bond 0-5 Year UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	81.0
L&G ESG GBP Corporate Bond UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	72.9
L&G ESG Paris Aligned World Equity Index Fund[11]	CCF[10]	Ordinary	30-Sep	100.0
L&G ESG USD Corporate Bond UCITS ETF[9]	Exchange Traded Funds	Ordinary	30-Jun	79.8
L&G Europe ex UK Equity UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	64.3
L&G Frontier Markets Equity Fund	ICAV[8]	Ordinary	31-Dec	54.4
L&G Future World Global Credit Fund - UK	QIAIF[12]	Ordinary	31-Dec	100.0
L&G Global Equity UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	68.9
L&G Global Sustainable Multi-Factor Equity Index Fund	UCITS investment fund[13]	Ordinary	3-Oct	100.0
L&G Heitman Global Property Securities Index Fund	UCITS investment fund[13]	Ordinary	4-Oct	18.7
L&G India INR Government Bond UCITS ETF[9]	Exchange Traded Funds	Ordinary	30-Jun	27.2
L&G Japan Equity UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	69.0
L&G Lifesight Alternative Assets Fund[11]	QIAIF ICAV[14]	Ordinary	31-Dec	69.0
L&G MFGAM Global Core Infrastructure Equity Index Fund	UCITS investment fund[13]	Ordinary	5-Oct	100.0
L&G Multi Asset Core 20 Fund	ICAV[8]	Ordinary	31-Dec	100.0
L&G Multi Asset Core 20 Fund	Unit trust	Unit	31-Dec	87.4
L&G Multi Asset Core 45 Fund	ICAV[8]	Ordinary	31-Dec	100.0
L&G Multi Asset Core 45 Fund	Unit trust	Unit	31-Dec	87.4
L&G Multi Asset Core 75 Fund	ICAV[8]	Ordinary	31-Dec	100.0
L&G Multi Asset Core 75 Fund	Unit trust	Unit	31-Dec	87.8
L&G Rafi Multi-Factor Climate Transition Index Fund[11]	CCF[10]	Ordinary	30-Sep	100.0
L&G UK Gilt 0-5 Year UCITS ETF[9]	Exchange Traded Funds	Ordinary	31-Dec	79.5
Legal & General CCF	UCITS investment fund[13]	Ordinary	30-Sep	100.0
Legal & General Fund Managers (Ireland) Limited[15]	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General ICAV	OEUIC[6]	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[12]	Ordinary	31-Dec	100.0
LGIM 2025 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2025 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2025 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2030 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2030 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2030 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2030 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2034 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2035 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2035 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2035 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2037 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2038 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0

6. Open Ended Umbrella Investment Company
7. Registered office: Dillon Eustace, 33 Sir John Rogerson's Quay, Dublin 2, Ireland
8. Irish Collective Asset-management Vehicle
9. Registered office: 2 Grand Canal Square, Dublin 2, D02 A342
10. Common Contractual Fund
11. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland, D02 XK09
12. Qualifying Investor Alternative Investment Fund
13. Undertakings for Collective Investment in Transferable Securities investment fund
14. Qualifying Investor Alternative Investment Fund Irish Collective Asset-management Vehicle
15. Registered office: Grand Canal House, 1 Upper Grand Canal Street, Dublin 4, Ireland

42 Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM 2040 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2040 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2040 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2040 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2042 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2042 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2045 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2045 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2045 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2045 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2047 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2049 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2050 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2050 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2050 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2050 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2055 Fixed Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2055 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2055 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2060 Inflation Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2060 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2060 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2062 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2068 Leveraged Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM 2068 Leveraged Index Linked Gilt Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Bespoke Active Credit Fund BP	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Credit and Liquidity - Fund BN	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Credit and Liquidity - Fund BM	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM ETF Managers Limited[9]	Investment management	Ordinary	31-Dec	100.0
LGIM Euro 2030 Real Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Fixed Long Duration Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Fixed Short Duration Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund A	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AC	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AK	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AR	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AS	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AU	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AV	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AW	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AY	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AZ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund B	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BH	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BJ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund C	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DC	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund L	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund O	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund Q	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund R	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund V	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund WH	QIAIF[12]	Ordinary	31-Dec	100.0

9. Registered office: 2 Grand Canal Square, Dublin 2, D02 A342
12. Qualifying Investor Alternative Investment Fund

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
LGIM Hedging Fund WS	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund WT	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund ZZ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AE	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AI	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund AT	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BG	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BI	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BL	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BT	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BU	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund BV	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CI	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CJ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CK	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund CL	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DJ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DK	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Hedging Fund DO	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Leveraged Gilt Plus Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Leveraged Index Link Gilt Plus Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Leveraged Synthetic Equity Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Synthetic Leveraged Equity Fund - GBP Currency Hedged Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Liquidity Fund plc	OEUIC[6]	Ordinary	31-Dec	100.0
LGIM Managers (Europe) Limited	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2030-2034	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2020-2024	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2025-2029	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2035-2039	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2040-2054	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Real Long Duration Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Real Short Duration Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund M	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund AO	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund AQ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BA	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BB	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BF	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BK	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BW	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BX	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BY	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund BZ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CA	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CB	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CC	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CD	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CE	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CF	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CG	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CH	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CP	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CQ	QIAIF[12]	Ordinary	31-Dec	100.0

6. Open Ended Umbrella Investment Company
12. 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
LGIM Solutions Fund CS	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CT	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CU	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CW	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DB	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DD	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DE	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DF	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DH	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DI	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CM	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund CN	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DQ	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DR	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund DU	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Solutions Fund P	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Synthetic Leveraged Credit Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LGIM Unlev Defensive Synthetic Equity Fund	QIAIF[12]	Ordinary	31-Dec	100.0
LifeSight Alternative Assets Fund	QIAIF[12]	Ordinary	5-Jan	100.0
LifeSight Credit Fund	QIAIF[12]	Ordinary	7-Jan	100.0
LifeSight Equity Fund	QIAIF[12]	Ordinary	1-Jan	100.0
LifeSight ESG Equity Fund	QIAIF[12]	Ordinary	2-Jan	100.0
LifeSight Higher Target Return Diversified Fund	QIAIF[12]	Ordinary	4-Jan	100.0
LifeSight Medium Target Return Diversified Fund	QIAIF[12]	Ordinary	3-Jan	100.0
LifeSight Pre-Retirement Fund	QIAIF[12]	Ordinary	6-Jan	100.0
Sterling Liquidity Fund	OEUIC[6]	Ordinary	31-Dec	55.8
Sterling Liquidity Plus Fund	OEUIC[6]	Ordinary	31-Dec	25.4
US Dollar Liquidity Fund	OEUIC[6]	Ordinary	31-Dec	44.8
Country of incorporation: Japan				
Legal & General Investment Management Japan KK[16]	Investment management	Ordinary	31-Dec	100.0
Country of incorporation: Jersey				
Access Development General Partner Limited[17]	Fund general partner	Ordinary	31-Dec	100.0
Bishopsgate Long Term Property Fund General Partner Limited[18]	Fund general partner	Ordinary	31-Dec	25.0
Bishopsgate Long-term Property Fund Nominees No 1 Limited[18]	Real estate operator	Ordinary	31-Dec	100.0
Bishopsgate Long-term Property Fund Nominees No 2 Limited[18]	Real estate operator	Ordinary	31-Dec	100.0
Borehamwood Property Unit Trust[18]	Unit trust	Unit	31-Dec	100.0
Canary Property Unit Trust[19]	Unit trust	Unit	31-Dec	100.0
Chineham Shopping Centre Unit Trust[20]	Unit trust	Unit	31-Dec	100.0
Gresham Street Unit Trust[20]	Unit trust	Unit	31-Dec	100.0
SCBD S6 Trust[19]	Unit trust	Unit	31-Dec	100.0
Sheffield Vulcan House SPV Limited[18]	Limited Company (Jersey)	Ordinary	30-Jun	100.0
Stratford City Offices Jersey Unit Trust[19]	Unit Trust	Unit	31-Dec	100.0
Synergy Gracechurch Holdings Limited[19]	Investment vehicle	Ordinary	31-Dec	100.0
Vantage General Partner Limited[17]	Fund general partner	Ordinary	31-Dec	100.0
Country of incorporation: Luxembourg				
L&G Absolute Return Bond Fund[22]	SICAV[21]	Ordinary	31-Dec	83.6
L&G Absolute Return Bond Plus Fund[22]	SICAV[21]	Ordinary	31-Dec	31.4
L&G Buy & Maintain Credit Fund[22]	SICAV[21]	Ordinary	31-Dec	99.4

6. Open Ended Umbrella Investment Company
12. Qualifying Investor Alternative Investment Fund
16. Registered office: 22F Toranomon Kotohira Tower, 1-2-8 Toranomon, Minato-ku, Tokyo, 105-0001, Japan
17. Registered office: 11-15 Seaton Place St Helier Jersey, JE4 0QH
18. Registered office: 12 Castle Street St Helier Jersey, JE2 3RT
19. Registered office: Lime Grove House, Green Street, St Helier, JE1 2ST, Jersey
20. Registered office: 47 Esplanade, St Helier, Jersey
21. Société d'investissement à capital variable
22. Registered office: 2-4, Rue Eugene Ruppert, Luxembourg, L-2453 Luxembourg

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the group
L&G Commodity Index Fund[22]	SICAV[21]	Ordinary	31-Dec	78.4
L&G Emerging Markets Bond Fund[22]	SICAV[21]	Ordinary	31-Dec	26.6
L&G Emerging Markets Short Duration Bond Fund[22]	SICAV[21]	Ordinary	31-Dec	34.0
L&G Euro High Alpha Corporate Bond Fund[22]	SICAV[21]	Ordinary	31-Dec	28.2
L&G Future World Global Credit Fund[22]	SICAV[21]	Ordinary	31-Dec	91.1
L&G Future World Global Equity Focus Fund[22]	SICAV[21]	Ordinary	31-Dec	71.2
L&G UK Core Plus Bond Fund[22]	SICAV[21]	Ordinary	31-Dec	100.0
Legal & General SICAV[22]	Umbrella company for sub funds	Ordinary	31-Dec	100.0
Country of incorporation: Scotland				
CALA 1999 Limited[23]	Holding company	Ordinary	31-Dec	100.0
CALA Group Limited[23]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (East) Limited[24]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (North) Limited[24]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes (Scotland) Limited[24]	Non-trading company	Ordinary	31-Dec	100.0
CALA Homes (West) Limited[24]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Homes Limited[24]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Land Investments (Bearsden) Limited[23]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Land Investments Limited[23]	Development of building projects	Ordinary	31-Dec	100.0
CALA Limited[23]	Head office	Ordinary	31-Dec	100.0
CALA Management Limited[23]	Domestic building construction	Ordinary	31-Dec	100.0
CALA Properties (Holdings) Limited[24]	Non-trading company	Ordinary	31-Dec	100.0
CALA Ventures Limited[23]	Domestic building construction	Ordinary	31-Dec	100.0
UK PIF FGP LLP[25]	Fund general partner	Ordinary	31-Dec	100.0
UKPIF Two Founder GP Limited[25]	Fund general partner	Ordinary	31-Dec	100.0
Country of incorporation: USA				
Banner Life Insurance Company[26]	Long-term business	Ordinary	31-Dec	100.0
Chesapeake Ventures, LLC[27]	Limited company	Ordinary	31-Dec	100.0
FBV Financing-1, LLC[27]	Limited company	Ordinary	31-Dec	100.0
FBV Financing-2, LLC[27]	Limited company	Ordinary	31-Dec	100.0
FBV Financing-3, LLC[27]	Limited company	Ordinary	31-Dec	100.0
First British Vermont Reinsurance Company II, Limited[28]	Reinsurance	Ordinary	31-Dec	100.0
First British Vermont Reinsurance Company III, Limited[27]	Reinsurance	Ordinary	31-Dec	100.0
Global Index Advisors Inc.[29]	Investment advisory	Ordinary	31-Dec	100.0
Legal & General America Inc.[30]	Holding company	Ordinary	31-Dec	100.0
Legal & General Investment Management America Inc.[30]	Institutional fund management	Ordinary	31-Dec	100.0
Legal & General Investment Management United States (Holdings), Inc.[30]	Holding company	Ordinary	31-Dec	100.0
William Penn Life Insurance Company of New York Inc.[31]	Long-term business	Ordinary	31-Dec	100.0
Country of incorporation: Bermuda				
First British Bermuda Reinsurance Company III Limited[32]	Reinsurance	Ordinary	31-Dec	100.0
Legal & General Reinsurance Company Limited[33]	Reinsurance	Ordinary	31-Dec	100.0
Legal & General Reinsurance Company No.2 Limited[33]	Reinsurance	Ordinary	31-Dec	100.0
Legal & General Resources Bermuda Limited[33]	Provision of services	Ordinary	31-Dec	100.0
Legal & General SAC Limited[33]	Reinsurance	Ordinary	31-Dec	100.0
Country of incorporation: China				
Legal & General Business Consulting (Shanghai) Limited[34]	Business information consultancy	–	31-Dec	100.0

21. Société d'investissement à capital variable
22. Registered office: 2-4, Rue Eugene Ruppert, Luxembourg, L-2453 Luxembourg
23. Registered office: Adam House, 5 Mid New Cultins, Edinburgh, EH11 4DU
24. Registered office: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
25. Registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
26. Registered office: 1701 Research Boulevard, Rockville, Maryland, 20850, USA
27. Registered office: 850 New Burton Road, Suite 201, Dover, Delaware, 19904, USA
28. Registered office: Marsh Management Services, 100 Bank Street, Suite 610, Burlington, VT, 05402, USA
29. Registered office: 29 North Park Square, Ste.201, Marietta, GA, 30060, USA
30. Registered office: Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE, 19801, USA
31. Registered office: 100 Quentin Roosevelt Blvd, PO Box 519, Garden City New York, 11530, USA
32. Registered office: Clarendon House, 2 Church Street, Hamilton, Bermuda, HM11, Bermuda
33. Registered office: Crown House, 4 Par La Ville Road, Hamilton, Bermuda, HM08, Bermuda
34. Registered office: Southwest ROOM, Floor 3, No. 2123 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone (Bonded Area), Pudong District, Shanghai

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, investments in associates or investments in joint ventures. The gross assets of these companies are in part funded by borrowings which are non-recourse to the group.

Company name	Country of incorporation	Accounting treatment	Investment type	Year end reporting date	Share class	% of equity shares held by the group
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
Bramshott Place Management Limited[3]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Bruntwood SciTech Limited[6]	England and Wales	Equity Method	Joint Venture	30-Sep	Ordinary	50.0
CALA Evans Restoration Limited[7]	England and Wales	Equity Method	Joint Venture	30-Jun	Ordinary	50.0
Central St Giles Unit Trust[5]	Jersey	FVTPL	Joint Venture	31-Dec	Units	25.0
Congencia Limited[8]	Scotland	Equity Method	Associate	5-Apr	Ordinary	7.5
Durrants Management 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	Units	35.4
ECV Partnerships Tattenhall Limited[3]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
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	4-Apr	Ordinary	20.0
Kao Data Limited[10]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	40.0
Kensa Group Limited[11]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	36.0
Ledian Gardens Management Limited[3]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Millbrook Village Management Limited[3]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Newcastle Science Central Developments LLP[12]	England and Wales	FVTPL	Associate	31-Dec	Ordinary	33.0
NTR Wind Management Limited[13]	Ireland	FVTPL	Associate	31-Mar	Ordinary	25.0
Oxford University Property Development Limited[14]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Pemberton Asset Management Holdings Limited[15]	Jersey	FVTPL	Associate	31-Dec	Ordinary	40.0
Salary Direct Holdings Limited[16]	England and Wales	FVTPL	Associate	1-Apr	Ordinary	45.4
Senior Living (Aylesbury) Limited[3]	England and Wales	Equity Method	Joint Venture	31-Dec	Ordinary	50.0
Senior Living (Bramshott Place) 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
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

1. Registered office: One Coleman Street, EC2R 5AA
2. Registered office: 11-15 Seaton Place, St Helier, JE4 0QH, Jersey
3. Registered office: Unit 3 Edwalton Business Park, Landmere Lane, Edwalton, Nottingham, United Kingdom, NG12 4JL
4. Bracknell Property Unit Trust is classified as a Joint Venture because the group does not control the entity.
5. Registered office: 47 Esplanade, St Helier, Jersey, JE1 0BD
6. Registered office: Union, Albert Square, Manchester, England, M2 6LW
7. Registered office: 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: Kao Data Campus, London Road, Harlow, United Kingdom, CM17 9NA
11. Registered office: Mount Wellington, Fernsplatt, Chacewater, Truro, Cornwall, TR4 8RJ
12. Registered office: Finance And Planning, Newcastle University, King's Gate, Newcastle Upon Tyne, United Kingdom, NE1 7RU
13. Registered office: Burton Court, Burton Hall Drive, Sandyford, Dublin D18 Y2T8
14. Registered office: University Offices, Wellington Square, Oxford, United Kingdom, OX1 2JD
15. Registered office: 44 Esplanade, St Helier, Jersey JE4 9WG
16. Registered office: 35-37 New Street, St Helier, Jersey, JE2 3RA

Senior Living (Exeter) 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 (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[17]	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 (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 (Warwick Gates) Limited (formerly Legal & General (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
Senior Living (Halstead) 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
Sennen Finance Designated Activity Company[18]	Ireland	Equity Method	Joint Venture	31-Dec	–	–
Smartr365 Finance Limited[19]	England and Wales	FVTPL	Associate	31-Mar	Ordinary	42.5
Smugglers Way Unit Trust[2]	Jersey	Equity Method	Associate	31-Dec	Units	16.7
Swandon Way Unit Trust[2]	Jersey	Equity Method	Associate	31-Dec	Units	16.7
Winchburgh Developments (Holdings) Limited[20]	Scotland	Equity Method	Joint Venture	31-Dec	Ordinary	50.0

2. Registered office: 11-15 Seaton Place, St Helier, JE4 0QH, Jersey
3. Registered office: Unit 3 Edwalton Business Park, Landmere Lane, Edwalton, Nottingham, United Kingdom, NG12 4JL
17. Registered office: 3rd Floor, One The Esplanade, St Helier, Jersey, JE2 3QA
18. Registered office: 1-2 Victoria Buildings, Haddington Road, Dublin, Ireland, 4 D04 XN32
19. Registered office: 1 Queen Caroline Street, Hammersmith, London, United Kingdom, W6 9YN
20. Registered office: Marathon House Olympic Business Park, Drybridge Road, Dundonald, Kilmarnock, United Kingdom, KA2 9AE

On 4 November 2021, EDF Energy EV Limited (Pod Point) began trading on the London Stock Exchange and on that date the group's shareholding in the company decreased from 22.3% to 14.6%. As a result, the group has lost significant influence over Pod Point and the investment is no longer classified as an associate.

Summarised financial information for associates and joint ventures accounted for under the equity method is shown below:

	Associates 2021 £m	**Joint ventures 2021 £m**	Associates 2020 £m	Joint ventures 2020 £m
Current assets	**15**	**557**	7	213
Non-current assets	**184**	**906**	153	1,233
Current liabilities	**10**	**184**	51	145
Non-current liabilities	**27**	**448**	2	766
(Loss)/Profit from continuing operations – total	**(33)**	**60**	(20)	(44)
(Loss)/Profit from continuing operations – group's share	**(5)**	**30**	(4)	(24)
Total comprehensive income – total	**(33)**	**60**	(20)	(44)
Total comprehensive income – group's share	**(5)**	**30**	(4)	(24)

The associates and joint ventures have no significant contingent liabilities to which the group is exposed. The group has no commitments to provide funding to associates and joint ventures other than the ones included in Note 41.

(ii) Other significant holdings

The group has the following other significant holdings which have been included as financial investments.

Company name	**Country of incorporation**	**Year end reporting date**	**Share class**	**% of equity shares held by the group**
Bishopsgate Long-Term Property Limited Partnership[1]	Jersey	31-Dec	Limited Partner	25.0

1. The net asset value at 31 December 2021 was £87.1m (2020: £87.4m) 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), Societes d'Investissement a Capital Variables (SICAVs), Specialised Investment Funds (SIFs), Qualifying Investor Alternative Investment Fund (QIAIF), Liquidity funds, Common Contractual Fund (CCF), ICAVs, and Property unit trusts.

All of the group's holdings in the above vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. The investment manager makes investment decisions after extensive due diligence of the underlying investment vehicle, including consideration of its strategy and the overall quality of the underlying investment vehicle's manager.

All of the investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance related incentive fee, and is reflected in the valuation of the investment vehicles.

(a) Interests in consolidated structured entities

The group has determined that where it has control over an investment vehicle, that investment is a consolidated structured entity. The group has not provided, and has no intention to provide, financial or other support to any other structured entities which it does not consolidate.

(b) Interests in unconsolidated structured entities

As part of its investment activities, the group also invests in unconsolidated structured entities. As at 31 December 2021, 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 £21,216m (2020: £16,230m). A summary of the group's interests in unconsolidated structured entities is provided below:

	Financial investments 2021 £m	Financial investments 2020 £m
Debt securities		
Analysed as:		
Asset backed securities	**2,752**	2,801
Securitisations and debentures	**136**	130
CDOs	**81**	84
Investment funds and Specialised Investment Vehicles		
Analysed as:		
Unit trusts	**16,423**	11,520
Property limited partnerships	**710**	669
Exchange traded funds	**21**	27
ICAVs	**59**	85
OEICs	**333**	390
SICAVs	**284**	205
QIAIF ICAVs	**1**	3
SIFs	**1**	2
Property unit trusts	**416**	314
Total	**21,217**	16,230

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's 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 2021 £m	Investment management fees 2021 £m	AUM 2020 £m	Investment management fees 2020 £m
Investment funds	**95,889**	**168**	85,535	162
Specialised Investment Vehicles	**26,687**	**60**	19,221	39
Analysed as:				
OEICs	**492**	**1**	487	1
SICAVs	**1,074**	**2**	1,158	2
Property limited partnerships	**5,178**	**27**	4,363	20
ETF	**8,771**	**21**	5,314	10
ICAV	**10,207**	**8**	7,794	6
QIAIF	**395**	**–**	105	–
Liquidity funds	**338**	**1**	–	–
CCF	**232**	**–**	–	–
Total	**122,576**	**228**	104,756	201

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 £300m (2020: £316m) related to special purpose vehicles classified as joint ventures and accounted for using the equity method, with a carrying value on the group's Consolidated Balance Sheet as at 31 December 2021 of £nil (2020: £nil).

Company financial statements

Company Balance Sheet

As at 31 December 2021	Notes	2021 £m	Restated 2020[1] £m
Non-current assets			
Investments in subsidiaries	6	**9,522**	9,204
Loans to subsidiaries	6	**702**	702
Receivables: amounts due after more than one year	6	**188**	156
Current assets			
Receivables: amounts due within one year	7	**1,705**	2,287
Derivative assets	10	**46**	25
Other financial investments		**53**	21
Cash and cash equivalents		**10**	11
Total assets		**12,226**	12,406
Non-current liabilities			
Payables: amounts falling due after more than one year	8	**4,583**	4,871
Current liabilities			
Payables: amounts falling due within one year	9	**283**	264
Derivative liabilities	10	**105**	114
Total liabilities		**4,971**	5,249
Net assets		**7,255**	7,157
Equity			
Share capital	12	**149**	149
Share premium		**1,012**	1,006
Revaluation reserve		**2,459**	2,459
Capital redemption and other reserves		**151**	153
Retained earnings		**2,989**	2,895
Attributable to ordinary shareholders		**6,760**	6,662
Restricted Tier 1 convertible notes	13	**495**	495
Total equity		**7,255**	7,157

1. Amounts receivable related to the Employee Share Ownership Trust are expected to be more than one year. Accordingly, for 2020 an amount of £156m has been reclassified from Current assets to Non-current assets (1 January 2020: £136m), consistent with their treatment in 2021.

The notes on pages 228 to 233 form an integral part of these financial statements.

The financial statements on pages 226 to 233 were approved by the directors on 8 March 2022 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 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)
Restricted Tier 1 convertible notes	–	–	–	–	–	–	–	–	–	–
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**

For the year ended 31 December 2020	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Share–based payment reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity attributable to ordinary shareholders £m	Restricted Tier 1 convertible notes £m	Total equity £m
As at 1 January 2020	149	1,000	17	32	85	2,459	2,815	6,557	–	6,557
Profit for the financial year	–	–	–	–	–	–	1,122	1,122	–	1,122
Net movement in cross–currency hedge	–	–	–	3	–	–	–	3	–	3
Options exercised under share option schemes	–	6	–	–	–	–	–	6	–	6
Shares vested and transferred from share–based payment reserve	–	–	–	–	(27)	–	12	(15)	–	(15)
Employee scheme treasury shares: – Value of employee services	–	–	–	–	43	–	–	43	–	43
Dividends	–	–	–	–	–	–	(1,048)	(1,048)	–	(1,048)
Restricted Tier 1 convertible notes	–	–	–	–	–	–	–	–	495	495
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	–	–	(6)	(6)	–	(6)
As at 31 December 2020	149	1,006	17	35	101	2,459	2,895	6,662	495	7,157

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 third 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.

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.

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.

1 Accounting policies continued

Pension costs

The company participates in the group defined benefit 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 2021 £m	**Per share 2021 p**	Dividend 2020 £m	Per share 2020 p
Ordinary dividends paid and charged to equity in the year:				
Final 2019 dividend paid in June 2020	**–**	**–**	754	12.64
Interim 2020 dividend paid in September 2020	**–**	**–**	294	4.93
Final 2020 dividend paid in June 2021	**754**	**12.64**	–	–
Interim 2021 dividend paid in September 2021	**309**	**5.18**	–	–
Total dividends	**1,063**	**17.82**	1,048	17.57
Ordinary share dividend proposed[1]	**790**	**13.27**	754	12.64

1. The dividend proposed has not been included as a liability in the balance sheet.

3 Directors' emoluments and other employee information

Full disclosures of Legal & General Group Plc directors' emoluments are contained within those parts of the Directors' Report on Remuneration which are described as having been audited. At 31 December 2021 there were no remuneration payments outstanding with directors of the company (2020: £nil). The company has no other employees (2020: 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 2021 was £4.0m (2020: £4.2m). The aggregate net value of share awards granted to the directors in the period was £4.2m (2020: £8.3m). During the year, the aggregate gains made by directors on the exercise of share options was £1.8m (2020: £2.2m).

4 Pensions

The company participates in the following pension schemes in the UK, which are operated by the group:

- Legal & General Group Personal Pension Plan;
- Legal & General Staff Stakeholder Pension Scheme;
- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund was closed to new members from January 1995; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020. The triennial valuation at 31 December 2021 is in progress;
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme was, with a few exceptions (principally transfers from the Fund), closed to new members from August 2000 and finally closed to new members from April 2007; the latest triennial valuation at 31 December 2018 was completed on 1 July 2020. The triennial valuation at 31 December 2021 is in progress.

These schemes operate within the UK pensions' regulatory framework.

There were no contributions prepaid or outstanding at either 31 December 2021 or 31 December 2020 in respect of these schemes.

The Fund and Scheme were closed to future accrual on 31 December 2015. The sponsoring employer is Legal & General Resources Limited and a deficit in respect of these schemes for the year ended 31 December 2021 of £22m (2020: £70m) 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 (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 2021 £m	**Loans to subsidiaries 2021 £m**	**Receivables amounts due after more than one year 2021 £m**	**Total 2021 £m**	Investments in subsidiaries 2020 £m	Loans to subsidiaries 2020 £m	Receivables amounts due after more than one year[2] 2020 £m	Total 2020 £m
As at 1 January	**9,204**	**702**	**156**	**10,062**	8,950	702	136	9,788
Additions[1]	**318**	**–**	**–**	**318**	254	–	–	254
Transfer from/(to) current assets	**–**	**–**	**32**	**32**	–	–	20	20
As at 31 December	**9,522**	**702**	**188**	**10,412**	9,204	702	156	10,062

1. Additions represent capital injections into group undertakings.
2. For 2020, receivables related to the Employee Share Ownership Trust have been reallocated from Current assets to Non-current assets, consistent with their treatment in 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

	2021 £m	2020 £m
Amounts owed by group undertakings[1,2]	**1,489**	2,099
Corporation tax	**94**	75
Deferred tax	**37**	32
Other debtors	**85**	81
Receivables	**1,705**	2,287

1. Amounts owed by group undertakings are repayable at the request of either party and include a £1,079m (2020: £1,768m) interest bearing balance with a current interest rate of SONIA+CAS-12.5 bps, floored at zero.
2. For 2020, receivables related to the Employee Share Ownership Trust have been reallocated from Current assets to Non-current assets, consistent with their treatment in 2021.

8 Payables: amounts falling due after more than one year

	Note	2021 £m	2020 £m
Subordinated borrowings	11	**3,672**	3,959
Amounts owed to group undertakings[1]		**911**	912
Payables: amounts falling due after more than one year		**4,583**	4,871

1. Amounts owed to group undertakings falling due after more than one year are unsecured and include £901m (2020: £901m) of interest bearing balances with current interest rates between 2.39% and 6.12% (2020: 2.39% and 6.12%).

9 Payables: amounts falling due within one year

	Note	2021 £m	2020 £m
Amounts owed to group undertakings[1]		**180**	140
Accrued interest on subordinated borrowings	11	**28**	41
Other payables		**75**	83
Payables: amounts falling due within one year		**283**	264

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 2021 £m	**Liabilities 2021 £m**
Currency swap contracts – held for trading	**46**	**105**
Derivative assets and liabilities	**46**	**105**

	Fair values	
	Assets 2020 £m	Liabilities 2020 £m
Currency swap contracts – held for trading	25	114
Derivative assets and liabilities	25	114

A description of each type of derivative is given in Note 12 of the group's consolidated financial statements.

11 Borrowings

	Carrying amount 2021[1] £m	Coupon rate 2021 %	Fair value 2021[1] £m	Carrying amount 2020[1] £m	Coupon rate 2020 %	Fair value 2020[1] £m
Subordinated borrowings[2]						
10% Sterling subordinated notes 2041 (Tier 2)	**–**	**–**	**–**	313	10.00	329
5.5% Sterling subordinated notes 2064 (Tier 2)	**590**	**5.50**	**776**	589	5.50	813
5.375% Sterling subordinated notes 2045 (Tier 2)	**604**	**5.38**	**673**	604	5.38	714
5.25% US Dollar subordinated notes 2047 (Tier 2)	**635**	**5.25**	**694**	628	5.25	703
5.55% US Dollar subordinated notes 2052 (Tier 2)	**373**	**5.55**	**428**	369	5.55	411
5.125% Sterling subordinated notes 2048 (Tier 2)	**400**	**5.13**	**461**	400	5.13	484
3.75% Sterling subordinated notes 2049 (Tier 2)	**598**	**3.75**	**632**	598	3.75	662
4.5% Sterling subordinated notes 2050 (Tier 2)	**500**	**4.50**	**558**	499	4.50	587
Total subordinated borrowings	**3,700**		**4,222**	4,000		4,703

1. Includes accrued interest on subordinated borrowings of £28m (2020: £41m).
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 (2020: £7m). The notes rank junior to all other liabilities and senior to equity attributable to shareholders. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Issuer at the prevailing conversion price.

The notes are treated as restricted Tier 1 own funds for Solvency II purposes.

Directors' report

The Directors' report required under the Companies Act 2006 comprises this Directors' report, and certain other disclosures in the Strategic Report and the Notes to the group consolidated financial statements, including:

- An outline of important events that have occurred during the year (pages 30 to 51)
- An indication of likely future developments (pages 30 to 51)
- Employee engagement (pages 49 to 50 and 74)
- Directors' biographies (pages 62 to 63)
- Workforce engagement (page 74)
- Stakeholders (pages 16 to 17)
- Section 172 statement (pages 68 to 72)
- The Board's activities in relation to assessing and monitoring culture (page 80)
- A summary of our Diversity & Inclusion policy can be found on pages 84 to 85 and the full policy can be found on the website: group.legalandgeneral.com/en/about-us/corporate-governance/diversity
- There are no post balance sheet events

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 2021.

Powers of directors

The directors (as detailed on pages 62 to 63) 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.

Share capital

As at 31 December 2021, the Company's issued share capital comprised 5,970,415,817 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 2021 AGM, the Company was granted authority by shareholders to purchase up to 596,759,391 ordinary shares, being 10% of the issued share capital of the Company as at 31 March 2021. In the year to 31 December 2021, no shares were purchased by the Company. This authority will expire at the 2022 AGM. As such, a resolution is proposed in the Notice of AGM seeking shareholder approval to renew this authority.

At the 2021 AGM, the directors were given the power to allot shares up to an amount of £49,729,949, being 33% of the issued share capital of the Company as at 31 March 2021. This authority will also expire at the 2022 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) 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 2021, the Company had been advised of the following significant direct and indirect interests in the issued share capital of the Company:

	Number of ordinary shares of 2.5p	% of capital[1]	Total interest in issued share capital
BlackRock Inc.	298,315,445	5.00	Indirect
RBC	181,825,498	3.045	Indirect

1. Using the voting rights figure as at 31 December 2021, as announced to the London Stock Exchange on 4 January 2022, of 5,970,415,817.

No material changes to the interests have been disclosed between 31 December 2021 and 4 March 2022.

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 2021 of 13.27 pence per ordinary share which, together with the interim dividend of 5.18 pence per ordinary share paid to shareholders on 20 September 2021, will make a total dividend for the year of 18.45 pence (2020: 17.57 pence). Subject to shareholder approval at the AGM, the final dividend will be paid on 1 June 2022 to shareholders on the share register on 22 April 2022 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.

Related party transactions

Details of related party transactions are set out in Note 39 to the group consolidated financial statements.

Rights and obligations attaching to shares

The rights and obligations relating to the Company's ordinary shares are set out in the Articles of Association. A copy of the Articles of Association can be requested from the Company Secretary at the Company's registered office.

Holders of ordinary shares are entitled to attend, speak and vote at general meetings. In a vote on a show of hands, every member present in person or every proxy present, who has been duly appointed by a member, will have one vote and on a poll every member present in person or by proxy shall have one vote for every ordinary share held. These rights are subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of the Company's Articles of Association. Under the Companies Act 2006 and the Articles of Association, directors have the power to suspend voting rights and, in certain circumstances, the right to receive dividends in respect of shares where the holder of those shares fails to comply with a notice issued under section 793 of the Companies Act 2006.

The Board can decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules and where the number of joint holders exceeds four. The Board may also refuse to register the transfer of a certificated share unless:

a) the instrument of transfer is duly stamped and is left at the Company's registered office or such other place as the Board may from time to time determine, accompanied by the certificate for the share to which it relates and such evidence as the Board may reasonably require to show the right of the transfer or to make the transfer.
b) the instrument of transfer is in respect of only one class of share; and
c) the number of joint holders does not exceed four.

Subject to the provisions of the Companies Act 2006, all or any of the rights attaching to an existing class of shares may be varied from time to time, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Shares acquired through the employee share plans rank equally with all other ordinary shares in issue. Zedra Trust Company (Guernsey) Limited, as trustee of the Legal & General Employees' Share Ownership Trust, held 0.69% of the issued share capital of the Company as at 4 March 2022 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 0.28% of the issued share capital of the Company as at 4 March 2022. 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.

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 8 March 2022, 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.

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.

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 2021 and remain so. Copies of the deeds containing the relevant indemnity are available for inspection at the Company's registered office and will also be available at the AGM.

Requirements of Listing Rule 9.8.4

Information to be included in the annual report and accounts under Listing Rule 9.8.4 may be found as follows:

Relevant Listing Rule	Page
LR 9.8.4R (12)	235
LR 9.8.4R (13)	235

Political donations

No political donations were made during 2021.

Insurance

The Company has arranged appropriate directors' and officers' liability insurance for directors. This is reviewed annually.

Greenhouse gas (GHG) disclosures

Global GHG emissions data

Emissions source (tCO_2e)	Jan–Dec 2021	Jan–Dec 2020[1]
Scope 1	***13,350**	**12,407**
– UK	13,324	12,365
– International	26	42
Scope 2 – Location	***17,356**	**19,233**
– UK	16,537	18,295
– International	819	938
Scope 2 – Market	***2,700**	**1,122**
– UK	1,881	184
– International	819	938
Fugitive emissions (included in Scope 1)	**127**	**188**
Scope 3 – Operations	**5,466**	**4,946**
– Business travel	2,070	3,045
– Homeworking	3,025	1,817
– Serviced offices	371	84
Scope 3 – Investments (million tCO_2e)	**7.0**	**8.3**
Intensity ratio: tCO_2e emissions per employee (Scope 1 and 2)	2.86	3.11

Global energy data

Energy (MWh)	Jan–Dec 2021	Jan–Dec 2020[1]
Total Electricity	**80,204**	**78,781**
– UK	77,604	75,793
– International	2,600	2,988
Gas	**44,970**	**53,923**
– UK	44,908	53,694
– International	62	229
On-site fuel (UK only)	**18,121**	**32,929**
Total energy use	**143,295**	**165,633**

* Our total Scope 1, Scope 2 (location) and Scope 2 (Market) emissions have been subject to independent limited assurance by PwC. The basis of preparation (or reporting criteria) for our group carbon footprint is available at group.legalandgeneral.com/sustainabilityreports and PwC's assurance report is available on page 45 of our 2021 climate report.

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.
- Business travel: Includes business mileage, flights and train journeys for European and US operations.
- Homeworking: Assessment of the impact of employees working from home, based on EcoAct's White Paper: https://bit.ly/Homeworking2020.
- Serviced offices: Energy data established from REEB benchmarks.
- Investments: Scope 3 investment absolute carbon footprint associated with our portfolio of proprietary assets on the group balance sheet.

1. 2020 has been restated to account for an amendment in the CALA Homes 2020 footprint (as previously disclosed, 2020 Scope 1: 15,163 tCO_2e, 2020 Scope 2: 20,319 tCO_2e).
2. Joint ventures are included in our footprint where we are the majority shareholder, or have operational control.

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[2] or where we have significant control over energy use.

Please refer to the Sustainable Business section of this report, our 2021 climate report, as well as our sustainability report (available later in the year) and CDP Disclosure for an overview of the types of measures taken to manage and improve our management of energy.

Disability

We give full and fair consideration to applications for employment made by disabled persons. Our policies support the employment, promotion and career development of disabled persons, as well as supporting employees who become disabled during the course of their employment. We make reasonable adjustments, as required under the Equality Act 2010, for disabled employees, including seeking redeployment in the event that reasonable adjustments are not possible. We offer appropriate training, including training in relation to equality, and will make adjustments to this training where required.

Independent auditors

The Company's 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.

Directors' interests

The Directors' report on remuneration on pages 94 to 117 provides details of the share interests of each director, including details of current incentive schemes and long-term incentive schemes as at 8 March 2022.

Annual General Meeting

The Company intends to hold this year's AGM on Thursday, 26 May 2022 at 11am at The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London, WC1H 9JP. Shareholders will also be able to join and vote virtually. Full details of the business to be considered at the meeting and any special arrangements that will be in place in light of the UK government's prevailing restrictions regarding Covid-19 will be included in the Notice of Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts (group and parent company), including the Directors' report on remuneration and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with 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' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the 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.

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.

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 88.

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 139 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 2021 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

The 2022 AGM will be held on Thursday, 26 May at 11am at The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JP. The AGM provides the Board with the opportunity to engage with shareholders and will be held as a hybrid event to allow shareholders to join in person or via live video link. The Board regards the AGM as an important opportunity to communicate directly with private investors. Full details of the business to be considered at the meeting and any special arrangements that will be in place in light of Covid-19 will be included in the Notice of Annual General Meeting. The Notice of Meeting and all other details for the AGM will be available at: group.legalandgeneral.com/AGM.

Dividend information

Dividend per share

This year the directors are recommending the payment of a final dividend of 13.27 pence per share. If you add this to your interim dividend of 5.18 pence per share, the total dividend recommended for 2021 will be 18.45 pence per share (2020: 17.57 pence per share). The key dates for the payment of dividends are set out in the important dates section on page 239.

Communications

Internet

Information about the Company, including details of the current share price, is available on the website: legalandgeneralgroup.com.

Investor relations

Private investors should contact the Registrar with any queries. Institutional investors can contact the investor relations team by email: investor.relations@group.landg.com.

Financial reports

The Company's financial reports are available on the website. The Annual Report and Accounts are sent to those shareholders who have elected to receive paper copies. Alternatively, shareholders may elect to receive notification by email by registering on www.investorcentre.co.uk. If you receive more than one copy of our communications, it could be because you have more than one record on the share register. To avoid duplicate mailings, please contact the Registrar, who can arrange for your accounts to be amalgamated.

Registrar

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 quickly and easily. You can:

- View your holding and get an indicative valuation.
- Change your address.
- Arrange to have dividends paid into your bank account.
- Request to receive shareholder communications by email rather than post.
- View your dividend payment history.
- Make dividend payment choices.
- Buy and sell shares.
- Download a stock transfer form.

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 welcome letter or by contacting Computershare.

By phone – +44 (0) 370 707 1399*
By email – webcorres@computershare.co.uk
By post – Computershare Investor Services Plc. The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

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.

Dividend payment options

Re-invest your dividends

Computershare's Dividend Re-investment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. The plan is provided by Computershare Investor Services PLC who are authorised and regulated by the Financial Conduct Authority.

For more information and an application pack, please call +44 (0) 370 707 1399* Alternatively you can email webcorres@computershare.co.uk or you can log on to www.investorcentre.co.uk.

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.

Have your dividends paid to your bank account

Once registered on Investor Centre, you can choose to receive your dividends directly to your bank account. Just select 'dividend options' and follow the simple instructions. By opting to receive your dividends electronically, your dividend will reach your bank account on the payment date and you won't have the inconvenience of depositing a cheque.

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) run by Computershare and receive cash dividends direct to your bank account in your local currency (a small fee and terms and conditions apply). You can enrol in the GPS via the Investor Centre.

Sign up to electronic communications

Help us save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email.

Registering for electronic communications is very straightforward. Just visit www.investorcentre.co.uk.
All you need is your Shareholder reference number (SRN), which can be found on your welcome letter or by contacting Computershare.

Buy and sell shares

A simple and competitively priced service to buy and sell shares is provided by Computershare. Shareholders are able to buy and sell Legal & General shares by registering on the Investor Centre (www.investorcentre.co.uk) and enrolling for Computershare's share dealing service. 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.

* 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.

Important dates

21 April 2022	• Ex-dividend date (final dividend)
22 April 2022	• Record date
11 May 2022	• Last day for DRIP elections
26 May 2022	• Annual General Meeting
1 June 2022	• Payment of final dividend (to shareholders registered on 22 April 2022)
10 August 2022	• Half-year results 2022
18 August 2022	• Ex-dividend date (interim dividend)
19 August 2022	• Record date
5 September 2022	• Last day for DRIP elections
26 September 2022	• Payment of interim dividend (to members registered on 19 August 2022)

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
Promised tempting returns and told the investment is safe.

Called repeatedly; or
Told the offer is only available for a limited time? If so, you might have been contacted by fraudsters.

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.

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 £2,050m (31 December 2020: £1,607m) and average equity attributable to the owners of the parent of £9,994m (31 December 2020: £9,270m), based on an opening balance of £9,502m and a closing balance of £10,486m (2020: based on an opening balance of £9,038m and a closing balance of £9,502m).

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 Consolidated Balance Sheet financial investments, investment property and cash and cash equivalents.

Net release from operations

Definition

Release from operations plus new business surplus/(strain). Net release from operations 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 and the pre-tax results of discontinued operations.

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.

Back book acquisition
New business transacted with an insurance company which allows the business to continue to utilise Solvency II transitional measures associated with the business.

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.

Glossary
continued

Employee satisfaction index
The Employee satisfaction index measures the extent to which employees report that they are happy working at Legal & General. It is measured as part of our Voice surveys, which also include questions on commitment to the goals of Legal & General and the overall success of the company.

ETF
LGIM's European Exchange Traded Fund platform.

Euro Commercial paper
Short-term borrowings with maturities of up to 1 year typically issued for working capital purposes.

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.

International financial reporting standards (IFRS)
These are accounting guidelines and rules that companies and organisations follow when completing financial statements. They are designed to enable comparable reporting between companies, and they are the standards that all publicly listed groups in the UK are required to use.

Key performance indicators (KPIs)
These are measures by which the development, performance or position of the business can be measured effectively. The Group Board reviews the KPIs annually and updates them where appropriate.

LGA
Legal & General America.

LGAS
Legal and General Assurance Society Limited.

LGC
Legal & General Capital.

LGI
Legal & General Insurance.

LGI new business
New business arising from new policies written on retail protection products and new deals and incremental business on group protection products.

LGIA
Legal & General Insurance America.

LGIM
Legal & General Investment Management.

LGR
Legal & General Retirement, which includes Legal & General Retirement Institutional (LGRI) and Legal & General Retirement Retail (LGRR).

LGR new business
Single premiums arising from annuity sales and back book acquisitions (including individual annuity and pension risk transfer), the volume of lifetime and retirement interest only mortgage lending 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 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, protection and savings, 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 closing AUM.

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 LGR and UK Insurance businesses, the post-tax adjusted operating profit on other UK businesses, including the medium term expected investment return on LGC invested assets, and dividends remitted from LGIA.

Retirement Interest Only Mortgage (RIO)
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 organisation, 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
The Solvency II regulatory regime is a harmonised prudential framework for insurance firms in the EEA. This single market approach is based on economic principles that measure assets and liabilities to appropriately align insurers' risk with the capital they hold to safeguard the policyholders' interest.

Solvency II capital coverage ratio (SCR)
The Eligible Own Funds on a regulatory basis divided by the group solvency capital requirement. This represents the number of times the SCR is covered by Eligible Own Funds.

Solvency II capital coverage ratio (proforma basis)
The proforma basis Solvency II SCR coverage ratio incorporates the impacts of a recalculation of the Transitional Measures for Technical Provisions and the contributions of the group's defined benefit pension schemes in both Own Funds and the SCR in the calculation of the SCR coverage ratio.

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 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. 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 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 2021 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.

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