

# Delivering profitable, sustainable and inclusive growth

2021 Full Year Results



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## 2021 Full year results

**£2,657m**

Operating profit from divisions

2020: £2,422m, **+10%**  
2019: £2,485m, **+7%**

**20.5%**

Return on equity

2020: 17.3%  
2019: 20.4%

**34.19p**

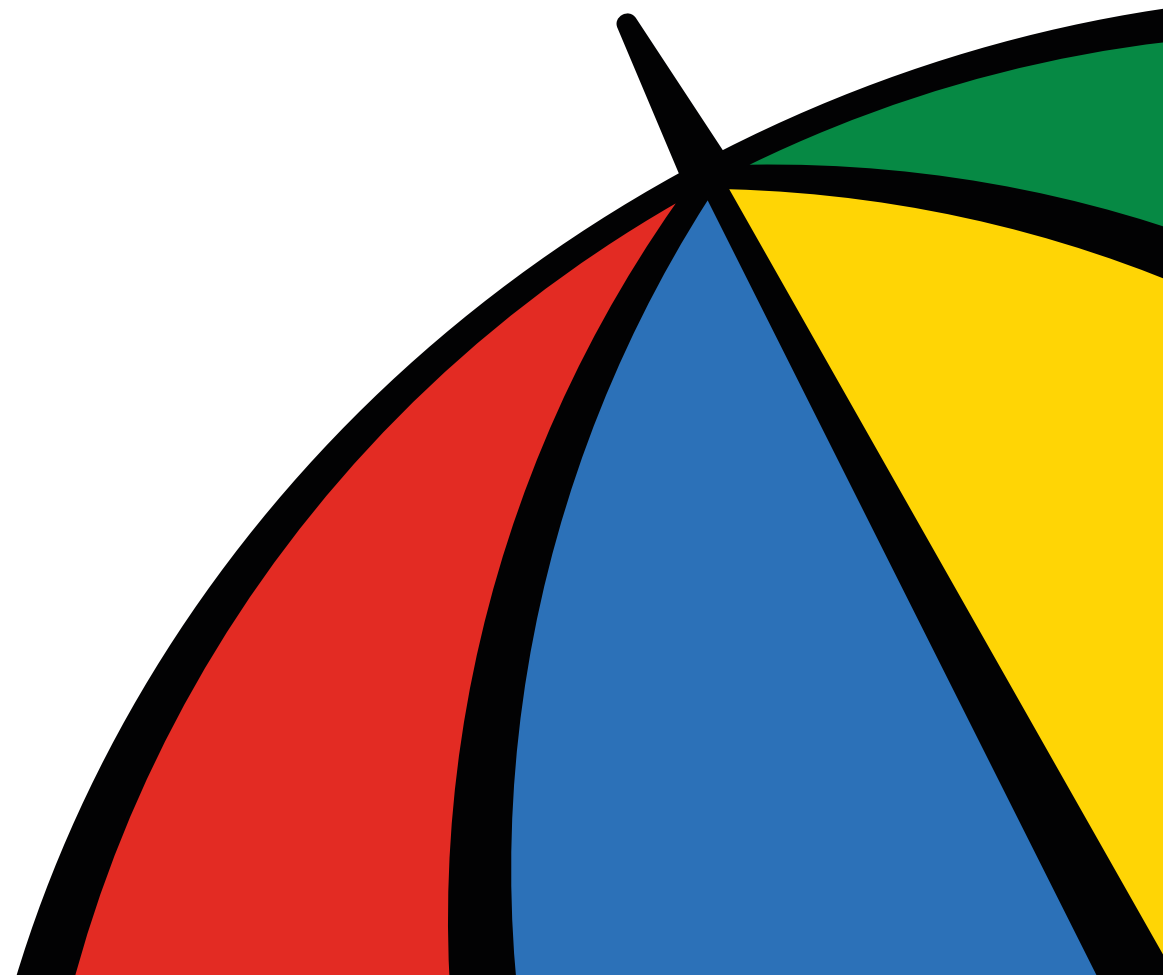
Earnings per share

2020: 19.84p, **+72%**  
2019: 28.66p, **+19%**

**18.45p**

Full year dividend

2020: 17.57p, **+5%**  
2019: 17.57p, **+5%**



- This document 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.
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**Delivering profitable, sustainable  
and inclusive growth**



# A compelling investment case

1

**An established track record of consistent and profitable growth:** between 2011-2021 we delivered 11% CAGR in EPS, 11% CAGR in DPS and 7% CAGR in Book Value per Share

2

**A highly synergistic, diversified and growth-oriented business model,** driving c20% ROE, and strongly aligned to six long-term, macro growth drivers. Delivering domestic and international growth

3

**Long-term and predictable value creation:** very long duration business (30-40 years), with earnings driven by a growing stock of accumulated assets

4

**A proven robust and resilient balance sheet:** Solvency II coverage ratio of 198% as at 7<sup>th</sup> March. No defaults in 2021, with 99.8% of scheduled cash flows received from Direct Investments

5

**A clear purpose, a longstanding commitment to Inclusive Capitalism and a leader in ESHG,** with a focus on execution and delivery

6

**Delivering on a clear set of growth ambitions** with attractive annual growth in the dividend and ongoing investment in high quality new business. **Significant associated valuation upside**

# Strong financial performance in 2021

Strong  
profitability...

**£2,262m**

Operating profit<sup>1</sup>

2020: £2,041m, **+11%**  
2019: £2,131m, **+6%**

**34.19p**

Earnings per share

2020: 19.84p, **+72%**  
2019: 28.66p, **+19%**

Supported by a strong  
balance sheet...

**187%**

Solvency II coverage ratio

2020: 175%  
2019: 179%

**£1.6bn**

SII operational surplus generation<sup>2</sup>

2020: £1.5bn, **+12%**  
2019: £1.4bn, **+17%**

Driving strong  
shareholder returns

**20.5%**

Return on equity

2020: 17.3%  
2019: 20.4%

**18.45p**

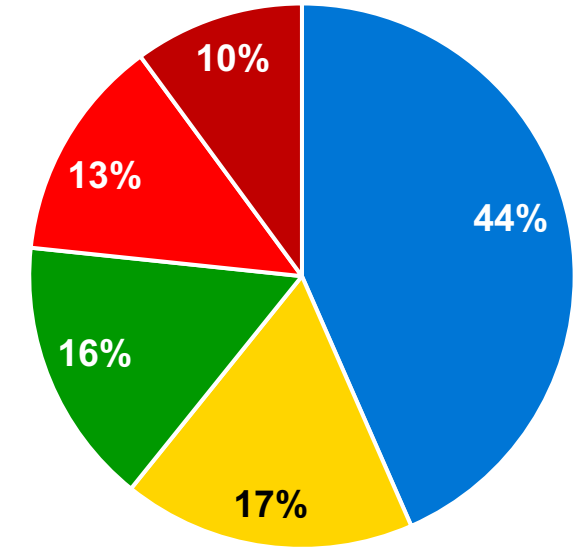
Full year dividend

2020: 17.57p, **+5%**  
2019: 17.57p, **+5%**

# Double-digit growth in operating profits delivered

Very strong growth in LGC – up 68% on 2020 and 27% on 2019

£m	2020	2021	%
LGRI <sup>1</sup>	1,229	1,154	(6)
LGC	275	461	68
LGIM	407	422	4
LGRR <sup>1</sup>	322	352	9
LGI	189	268	42
<b>Operating profit from continuing divisions<sup>1</sup></b>	<b>2,422</b>	<b>2,657</b>	<b>10</b>
Group costs & discontinued operations	(381)	(395)	
<b>Operating profit<sup>1</sup></b>	<b>2,041</b>	<b>2,262</b>	<b>11</b>
<b>Profit before tax</b>	<b>1,788</b>	<b>2,488</b>	<b>39</b>



■ LGRI ■ LGC ■ LGIM ■ LGRR ■ LGI

# L&G has delivered a strong and diversified set of financial results and is well positioned for further profitable growth

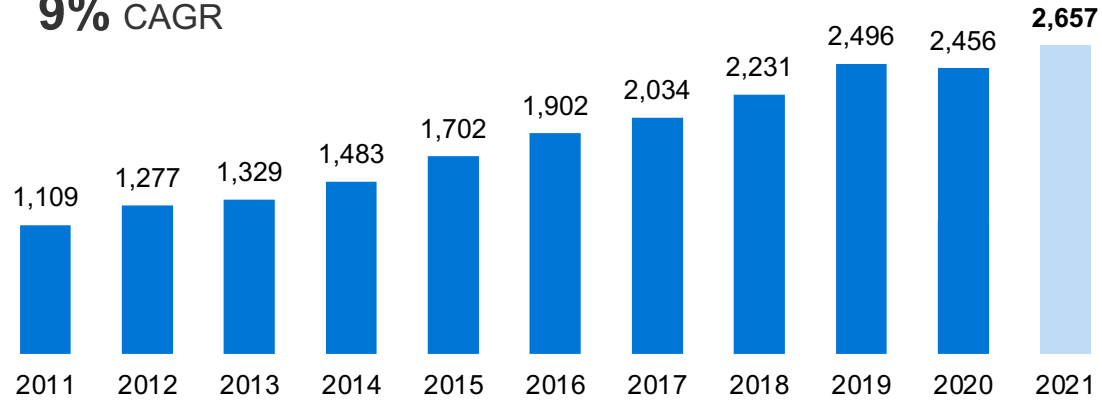
1. LGC is outperforming our capital markets ambition, delivering £461m of profit, and creating significant optionality for annuity front / back books
2. Our UK annuity business was self-financing in 2020 and 2021 and is expected to be self-financing again in 2022
3. We have merged our retail divisions, LGI and LGRR, to create a £600m profit Retail division covering the needs of our c12 million retail policyholders and workplace members
4. LGIM is now a £1.4tn business, with £479bn of International AUM, delivering £1bn of revenue and £35bn of external net flows
5. We have delivered over £2bn of earnings, 34.2p of EPS and an ROE of 20%+



# We have delivered very strong performance over a decade

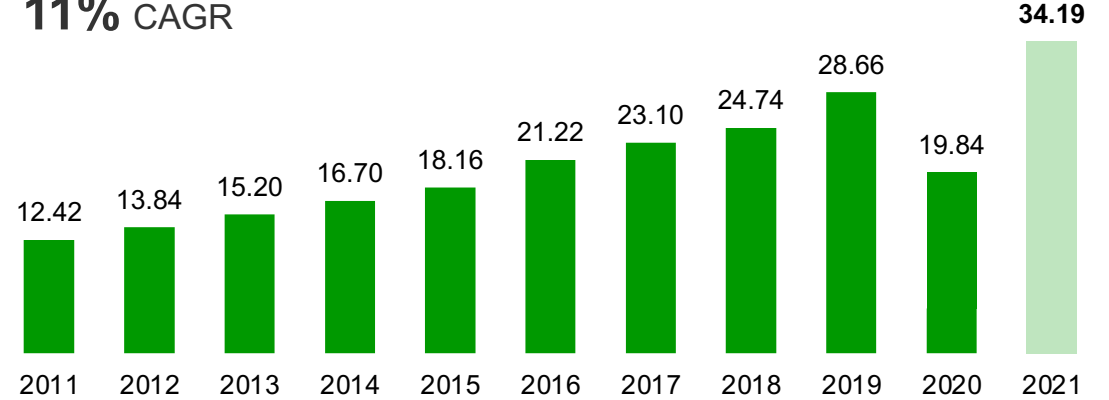
## Operating profit from divisions<sup>1</sup> (£m)

9% CAGR



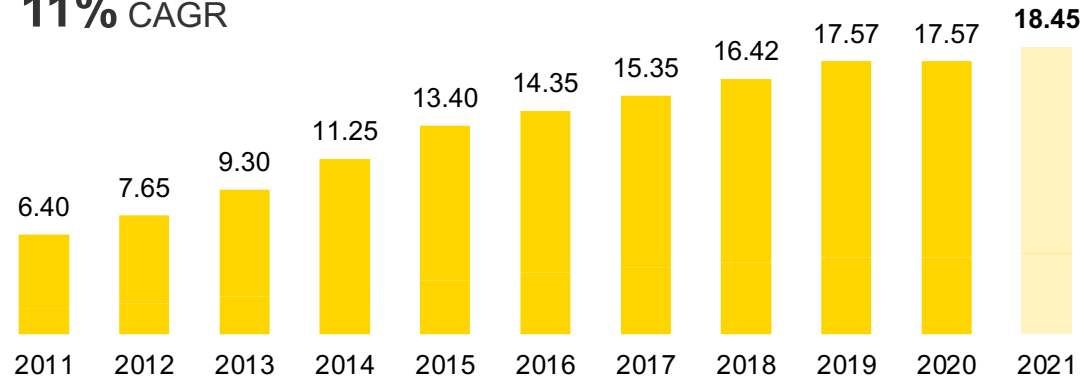
## Earnings per share<sup>2</sup> (p)

11% CAGR



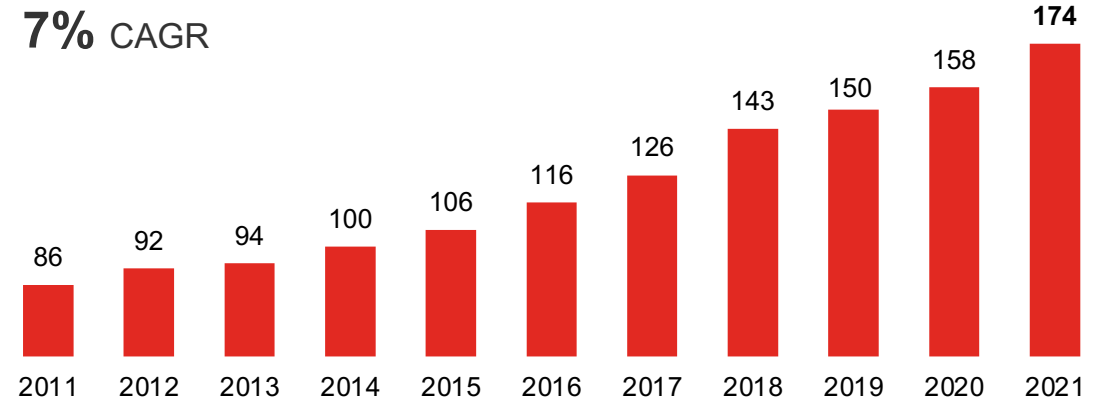
## Dividend per share (p)

11% CAGR



## Book Value per share (p)

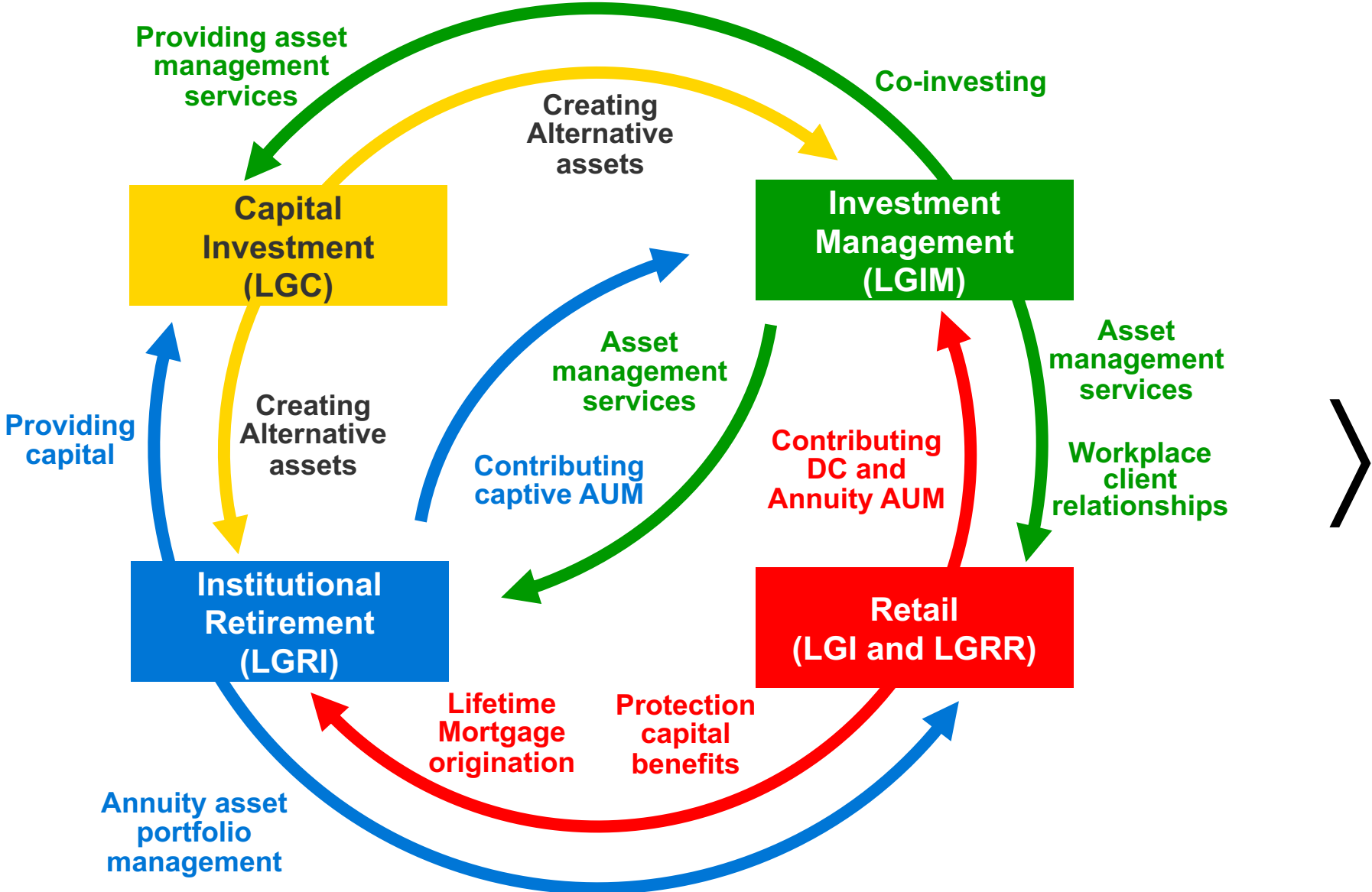
7% CAGR



ROE (%) 14.9 15.4 16.1 16.9 17.7 18.8 25.6 22.7 20.4 17.3 20.5

9 | 1. Includes discontinued operations, excludes mortality reserve releases  
2. In addition to the above, 2020 EPS excludes Mature Savings gain on disposal

# The highly synergistic nature of our business model continues to underpin our strong ROE



Structural and capital synergies result in **~20% ROE**

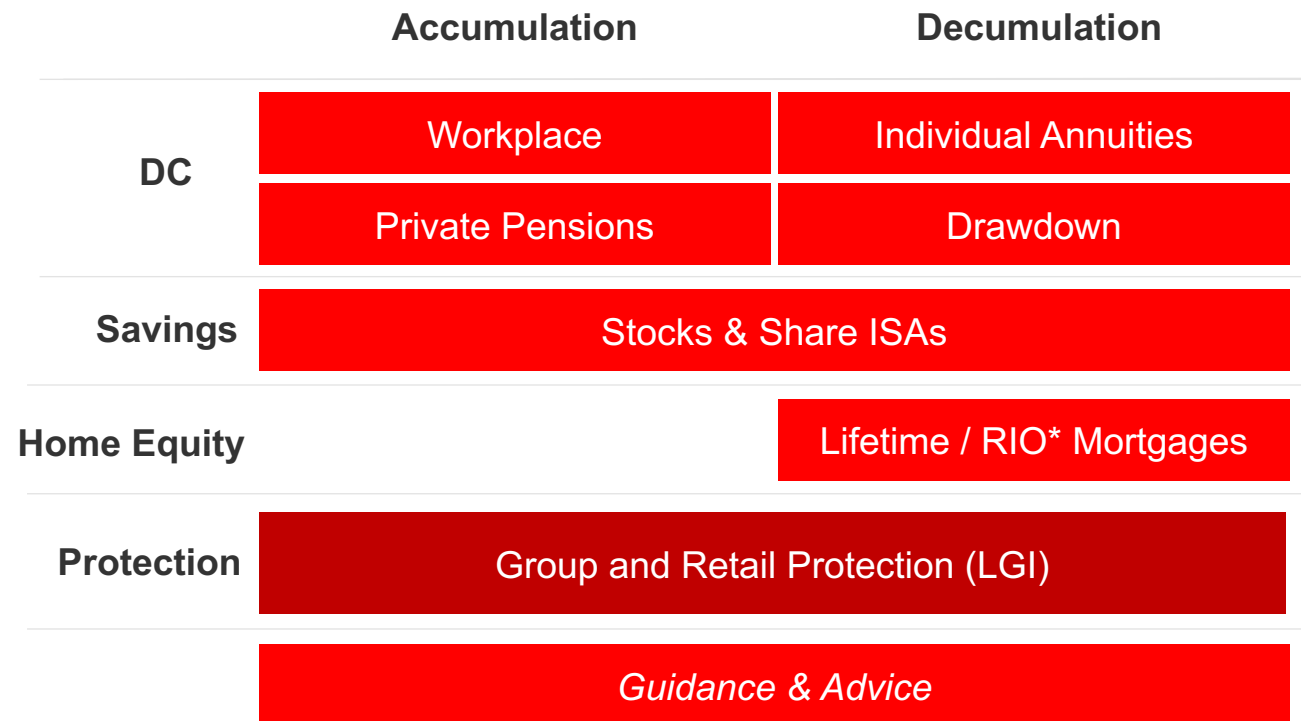
# We are adding to those synergies by combining our Retail Retirement and Insurance businesses into a new Retail division

## Retail division: overview and rationale

Operating Profit (£m)	2020	2021	%
LGRR	322	352	9
LGI	189	268	42
<b>Retail</b>	<b>511</b>	<b>620</b>	<b>21</b>

- By bringing together our Retail Retirement and Insurance businesses we can better serve the Savings, Retirement and Protection needs of c12 million retail policyholders and workplace members
- We start from a position of strength, with successful, established businesses in Workplace DC, Individual Annuities, Lifetime Mortgages, and Group and Retail Protection
- We continue to invest in and scale up innovative fintech businesses in adjacent markets, e.g. Salary Finance (an employee benefits platform), Smartr365 (an end-to-end mortgage platform)

## The UK Retail Retirement & Protection Landscape



- Businesses within LGRR (Retirement Retail)
- Businesses within LGI (Insurance)

# What differentiates L&G from our global peers?

A unique ability to create and manage assets for clients, and which underpin our market leading retirement and protection solutions, delivering consistent and sustainable shareholder value

Powerful asset origination and management capabilities, and leading retirement and protection solutions

Only global provider of end to end de-risking solutions

LGRI, LGIM, LGC

World class asset manager

LGIM

Established alternative asset origination capability

LGC

Collaborative and entrepreneurial culture

All

Customer-led approach

All

Established and action-oriented commitment to ESG

LGRI, LGIM, LGC

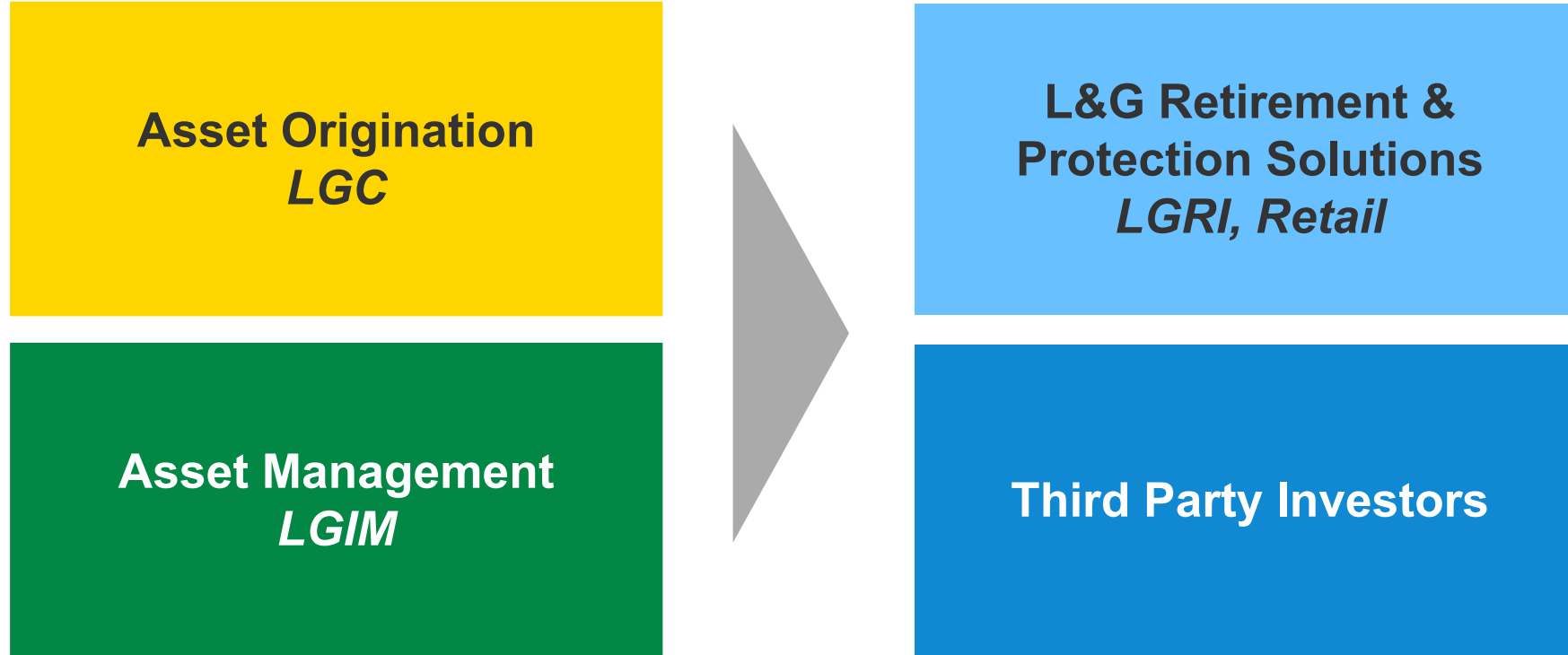
Market-leading FinTech

Retail

# L&G provides powerful asset origination and management capabilities, and leading retirement and protection solutions

Division	Provision	Description	FY21 Operating Profit (£m)
LGC	Asset Origination	An alternative asset origination platform, originating assets for L&G and for third parties, and generating attractive shareholder returns	461
LGIM	Asset Management	A global £1.4tn asset manager with deep expertise in DB and DC pensions	422
LGRI	Retirement Solutions	A leading multi-national manager of institutional Pension Risk Transfer business	1,154
Retail	Retirement & Protection Solutions	A leading provider of UK retail retirement solutions (LGRR) and of UK and US life insurance & income protection (LGI)	620
			<b>2,657</b>

# Our asset origination and asset management capabilities are an important source of competitive advantage



**Our asset origination and asset management capabilities are highly attractive to clients and also underpin our market leading retirement and protection solutions**

# LGC-originated assets are highly attractive to clients and provide a competitive advantage to our retirement businesses

## Sources of Patient Capital

L&G Annuity Portfolio  
*LGRI, LGRR*

Third Party  
Capital

External Fund  
Investors

Strategic  
Co-Investors



## LGC Asset Origination

Housing

SME Finance

Specialist Commercial  
Real Estate

Clean Energy



## Benefits

Profits within LGC

+

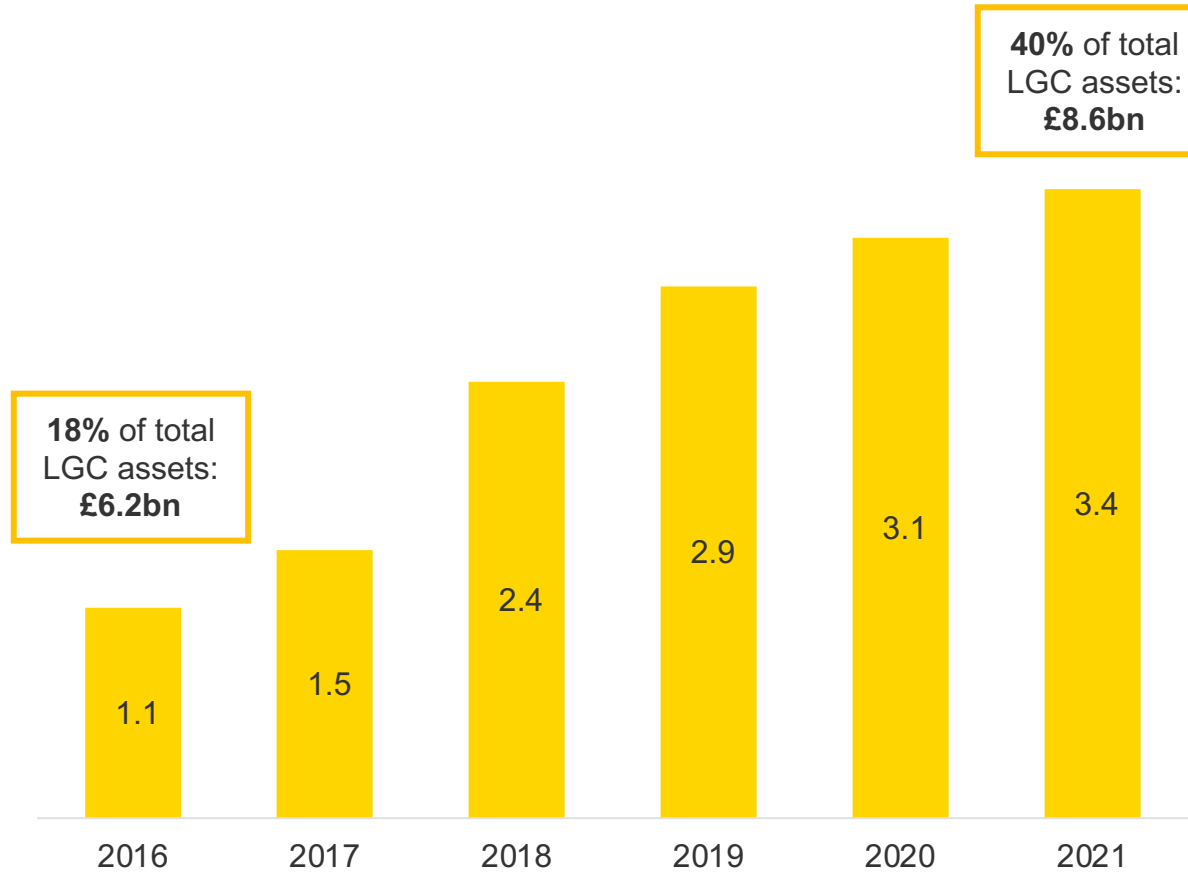
50-200bps yield  
uplift in LGR

+

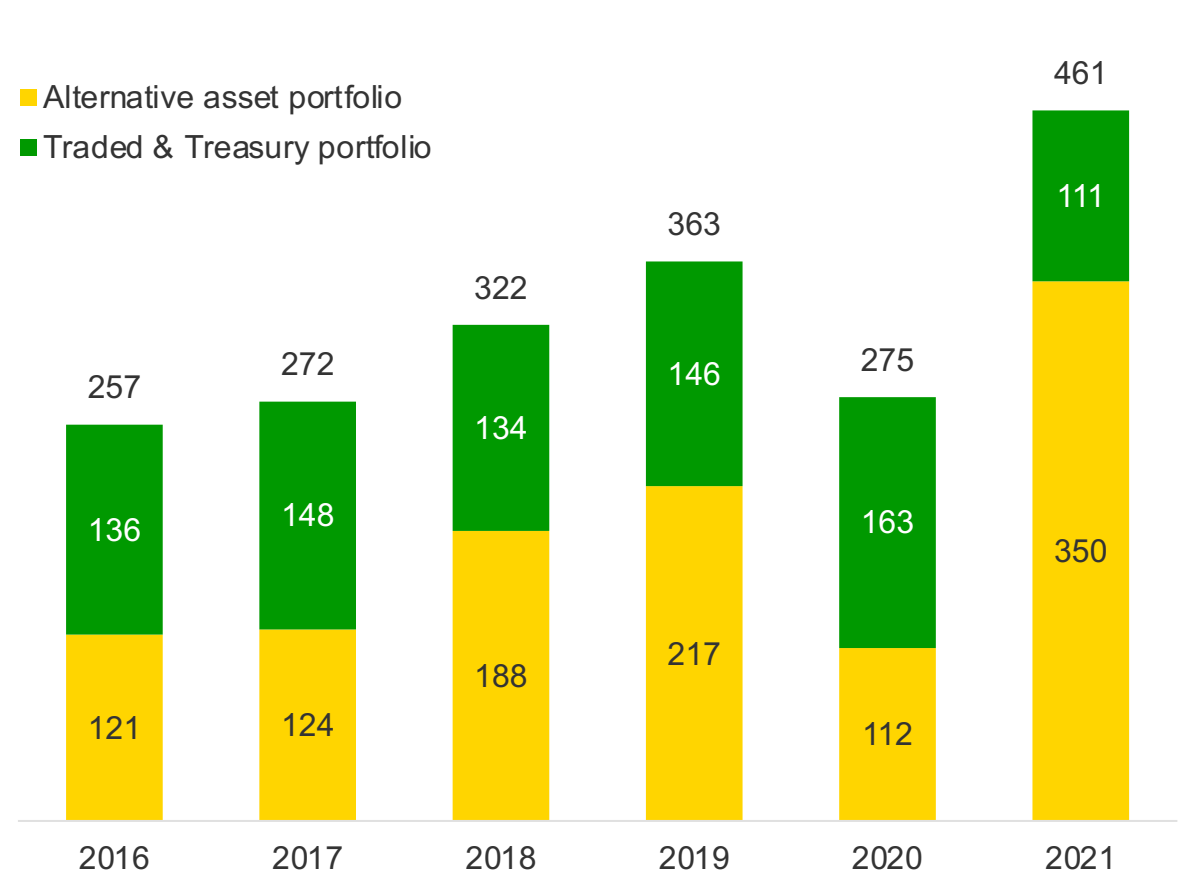
Fee generation  
on third party funds

# LGC is successfully growing its Alternative asset portfolio and profits. It had a very strong 2021

## LGC Alternative AUM (£bn)



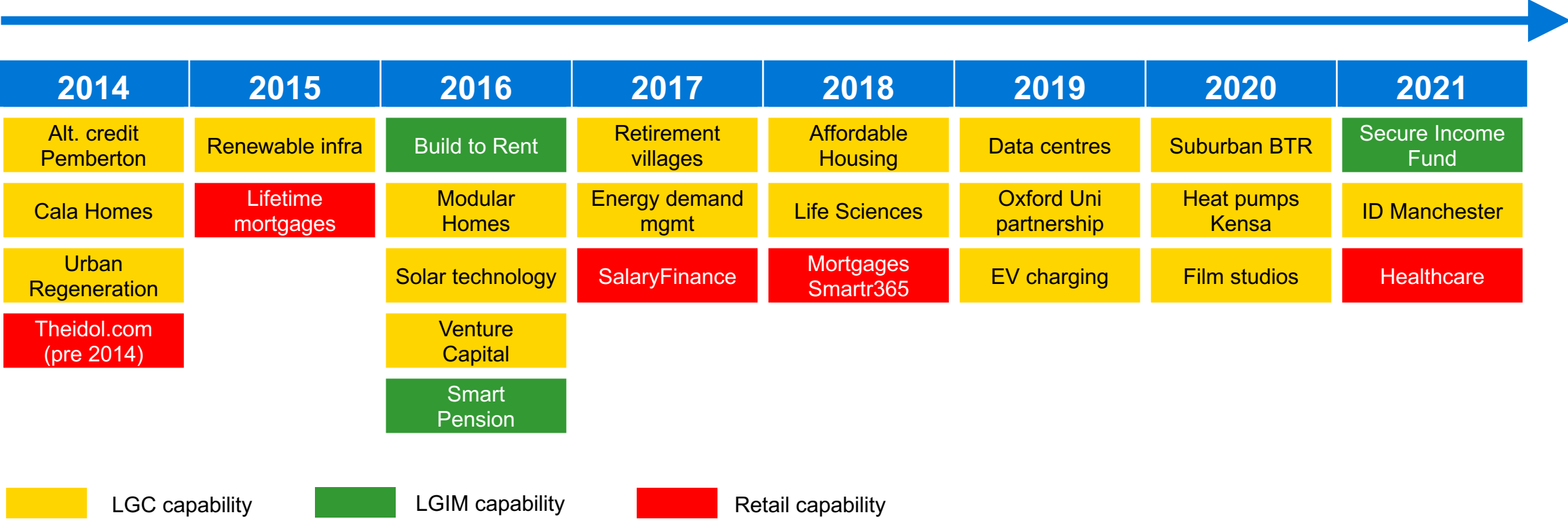
## LGC Operating profit (£m)





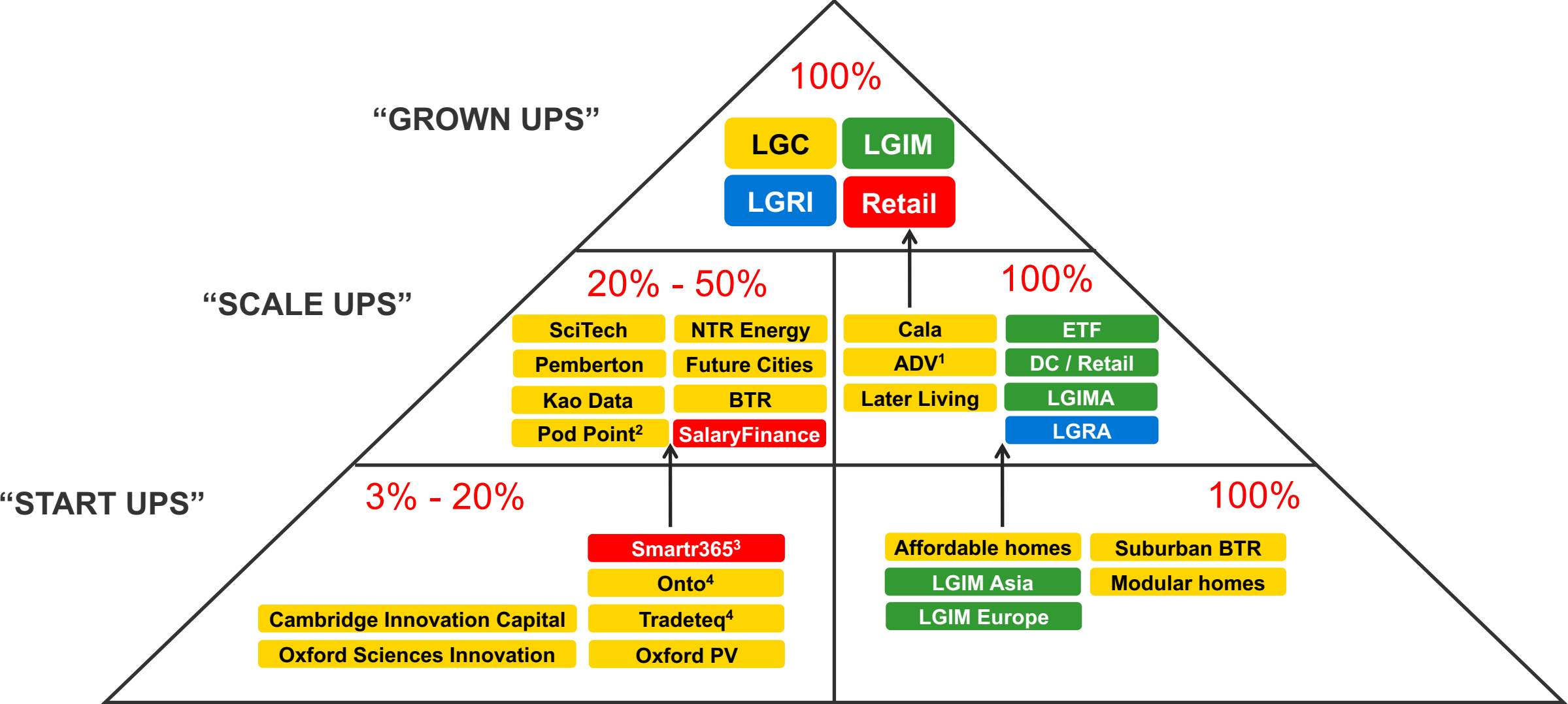
# LGC has been the driver in developing the Group's private markets capabilities in frontier sectors

## Launch date of new private markets capabilities



**We plan to increase our investment in Climate and SciTech**

# We are scaling up businesses of the future with a focus on Climate and SciTech



Generated £1.5bn of proceeds since 2015 for investment in higher growth and return business

1. Legal & General owns c98% of ADV  
 2. Following Pod Point’s successful IPO, our holding is now c14% down from c22%  
 3. We hold a 40% share in Smartr365  
 4. Onto and Tradeteq are investments via ADV and not directly held by Legal & General

# We have bold growth ambitions for LGC businesses

## CALA

- **Grown profits by 12x** from £11m in 2013 to £132m in 2021
- 5 year ambition is to **build 4,000 homes and to generate £1.7bn of revenue and £270m of operating profit per annum**

## Affordable Homes

- Started in 2019, now has 1,600 homes in operation. Has **grown profits from £1m in 2019 to £26m in 2021**
- 5 year ambition is to be building **3,000+ homes** and to be generating **£800m of revenue and £125m of profit per annum**. Forecast asset creation of £1.7bn by 2025

## Build to Rent

- 50/50 JV with PGGIM
- **11,000+ homes** either completed or in pipeline with a Gross Development Value (GDV) of **£3.8bn**
- Generates value across the Group: LGIM asset management fees, LGC development profits and LGR asset creation

## Pemberton

- Since inception in 2016, **committed AUM has grown by 10x** from £1bn in 2016 to £11bn in 2021
- 5 year ambition is to **grow committed AUM from £11bn to £27bn and EBITDA from £16m to c£100m**

# LGC is demonstrating strong value creation

## MediaCity

- Long-standing JV with Peel Land & Property Group, which has developed **Europe's leading creative, tech and digital hub**
- LGC sold its stake to Land Securities Group Plc in Nov 21

## Inspired Villages Group

- We announced a 15 year JV with Natwest Group Pension Fund ("NWPTL") in Aug 21
- As part of JV, **LGC sold a 50% stake in IVG's first 11 sites to NWPTL based on an enterprise value of over £300m**

## Pod Point IPO

- **An electric vehicle ("EV") charge point provider** first backed by LGC in 2019, and in which EDF and LGC are currently the principal investors
- Pod Point IPO'd in Nov 21. LGC now owns c14% (c22% previously)

## Current Health

- Current Health is a **platform which supports healthcare organisations** by providing a window into patient health at home and enabling them to manage all aspects of in-home care
- Current Health was sold to Best Buy in Oct 21

Return on initial investment

**1.6x<sub>1</sub>**

**1.3x**

**3.8x<sub>2</sub>**

**5.3x<sub>3</sub>**

1. Based on sale price to Land Securities plus the £40m of net distributions received through our period of ownership  
 2. The IPO has raised c£120m of gross proceeds to support the ambitious growth plans of this innovative UK company  
 3. Return includes funds managed by L&G

# We achieved self-sustainability on the UK annuity portfolio (and for the Group as a whole) in both 2020 and 2021

## UK annuity portfolio: self-sustainability

£bn	2020		2021	
	UK annuity portfolio	Total	UK annuity portfolio	Total
UK PRT and Retail Annuity Volumes	8.5		7.2	
Operational Surplus Generation	1.0	1.5	1.1	1.6
New Business Strain	(0.3)	(0.3)	(0.3)	(0.4)
Net Surplus Generation	0.8	1.2	0.8	1.3
Dividend	(0.7)	(1.0)	(0.7)	(1.1)
<b>Net Surplus Generation – Dividend</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>

- We expect to achieve self-sustainability again in 2022, driven by double digit growth in operational surplus generation to c£1.8bn
- Our asset origination capability gives us optionality to put the higher yielding assets to new business (to benefit pricing/ margins) and/or to the back-book (improving the yield on the portfolio)

Notes:

The UK annuity portfolio OSG figures also include contributions from LGIM and LGC, reflecting the total Group value of writing UK PRT. Management actions also included

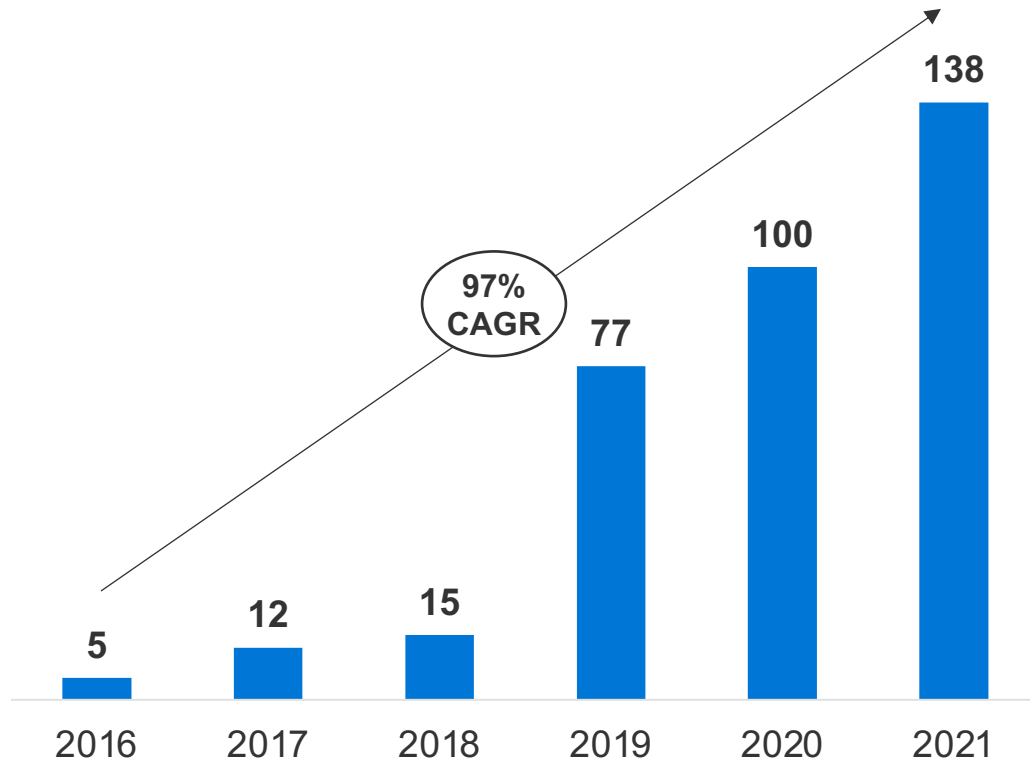
21 | Whilst we may choose not to prioritise self-sustainability in every discrete year, our ambition is for net surplus generation to exceed dividends for the Group over the period 2020-2024

Numbers in the table above do not sum due to rounding

# We are expanding in Asia Pacific, where we have \$138bn of AUM

Our strategic growth drivers are highly relevant

LGIM Asia-Pacific AUM (\$bn)



## Strategic growth drivers

<b>Globalisation of asset markets</b>	<ul style="list-style-type: none"><li>• Asia Pacific (APAC) asset management market to grow to c\$30trn by 2025<sup>1</sup>. (LGIM APAC AUM \$138bn)</li><li>• Increasing wealth and pensions reform driving significant and growing demand for financial products</li></ul>
<b>Ageing Demographics</b>	<ul style="list-style-type: none"><li>• By 2050, one in four people in APAC will be over 60 years old<sup>2</sup> driving demand for greater pension provision, solutions for funding retirement, health and care</li><li>• L&amp;G Retail – strategic lifetime mortgages investment in Australia with further opportunities in technology-enabled retirement solutions being explored</li></ul>
<b>Addressing Climate Change</b>	<ul style="list-style-type: none"><li>• Asia will play a critical role in the energy transition. China: the largest emitter and the largest clean energy market<sup>3</sup></li><li>• Supporting investors in the transition with our ESG fund range and de-carbonisation strategies: first Net Zero APAC clients in 2021</li></ul>

1. Market size is based on most recent available data and L&G estimates

22 | 2. UNFPA

3. 30% of all wind turbines & solar panels and 45% of global electric vehicles are in China. By 2025 China's battery facilities will be almost double the capacity of the rest of the world combined

# We have a clear purpose, and a long-term commitment to Inclusive Capitalism and ESHG, with a focus on execution

## Our purpose

To improve the lives of our customers, build a better society for the long term and create value for our shareholders. We use our long-term assets in an economically effective and socially useful way to benefit everyone in society.

## ESHG approach

We think about the long-term ESHG impact of our businesses in terms of:

- How we **invest our £98bn of proprietary assets**<sup>1</sup>
- How we **influence as one of the world's largest asset managers** with £1.4tn AUM
- How **our businesses operate**

## Environmental

- **Decarbonising the assets on our balance sheet** to align with the Paris objective
- Committed to the **Science Based Target Initiative**
- Investments in **onshore and offshore wind, ground source heat pump technology and electric vehicles**

## Social

- Addressing the **affordable housing** shortage, e.g. building 3,000 affordable homes by 2023
- **Housing for the homeless** in partnership with Croydon council
- Creating a **stronger society**, e.g. Advanced Care research investment at Edinburgh University

## Health

- Established a partnership with Sir Michael Marmot to **address UK health inequality**
- Continuing to **invest in pioneering health VC start-ups**, e.g. CMR Surgical, Hinge Health
- **£5m gift to Newcastle City Council** to pioneer new post-COVID approach to elderly care

## Governance

- **Engaging with investee companies**, e.g. promoting Board diversity, director independence
- **Improving diversity and inclusion** at L&G, e.g. addressing areas of under-representation
- Maintaining focus on our **supply chain, modern slavery, human rights and health & safety**

**Long-term, sustainable strategy delivering for our stakeholders**

# Financial highlights

## Positioned for growth





# Strong financial performance, double-digit growth delivered

Metric	2019	2020	2021	2019 %	2020 %
<b>Operating profit from continuing divisions (£m)</b>	2,485	2,422	<b>2,657</b>	<b>7</b>	<b>10</b>
Discontinued operations (£m)		34	-		
<b>Operating profit from divisions (£m)</b>	2,496	2,456	<b>2,657</b>	<b>6</b>	<b>8</b>
<b>Operating profit excluding mortality release (£m)</b>	2,131	2,041	<b>2,262</b>	<b>6</b>	<b>11</b>
Mortality release (£m)	155	177	-		
<b>Operating profit (£m)</b>	2,286	2,218	<b>2,262</b>		<b>2</b>
Investment & other variances (£m)		(430)	<b>226</b>		
<i>Of which: LGI (largely from the formulaic impact of UK and US rates)</i>		(459)	<b>111</b>		
<b>Profit before tax (£m)</b>	2,112	1,788	<b>2,488</b>	<b>18</b>	<b>39</b>
Earnings per share <sup>1</sup> (p)	28.66	19.84	<b>34.19</b>	<b>19</b>	<b>72</b>
Return on equity (%)	20.4	17.3	<b>20.5</b>		
SII operational surplus generation from continuing operations (£bn)	1.4	1.5	<b>1.6</b>	<b>17</b>	<b>12</b>
SII coverage ratio (%)	179	175	<b>187</b>		

# LGR: Consistently delivering strong profits

Financial Highlights	2020	2021
<b>Operating profit (£m)</b>	<b>1,728</b>	<b>1,506</b>
- Retirement Institutional (LGRI)	1,229	<b>1,154</b>
- Retirement Retail <sup>1</sup> (LGRR)	322	<b>352</b>
- Mortality release	177	-
<b>Profit before tax<sup>1</sup> (£m)</b>	<b>1,743</b>	<b>1,748</b>
<b>Total LGR new business (£m)</b>	<b>10,544</b>	<b>8,981</b>
- Retirement Institutional (LGRI)	8,843	<b>7,176</b>
- Retirement Retail (LGRR)	1,701	<b>1,805</b>
- Workplace Savings net flows <sup>1</sup> (£bn)	7.8	<b>8.5</b>
<b>Total annuity AUM (£bn)</b>	<b>87.0</b>	<b>89.9</b>
Of which: Direct investments	24.7	<b>28.4</b>

- **Operating profit of £1,506m**, reflecting:
  - Release from operations up 8%, reflecting the scale of the business as prudential margins unwind from the growing back book
  - £7.2bn of PRT new business written at good margins, due to price discipline and strong asset origination allocated to new business
  - Individual annuity volumes of £957m, up 5%. Lifetime mortgage and RIO<sup>2</sup> mortgage advances of £848m, up 7%, as retail markets continued to show recovery
  - Positive variances driven by annual assumptions review and COVID-driven excess deaths

# LGRI: Disciplined approach for value

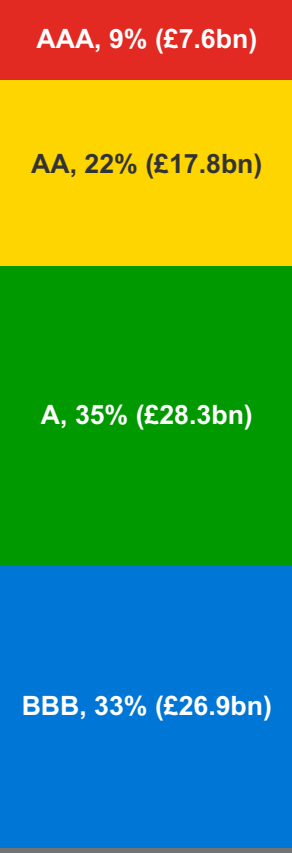
Total Sales (£m)	2019	2020	2021
UK PRT <sup>1</sup>	10,325	7,593	<b>6,240</b>
US PRT	893	1,250	<b>789</b>
Other International PRT	174	-	<b>147</b>
<b>Total LGRI New Business</b>	<b>11,392</b>	<b>8,843</b>	<b>7,176</b>
Solvency II New business value <sup>2</sup> (£m)	890	901	<b>635</b>
Solvency II New business margin <sup>2</sup> (%)	7.9	10.6	<b>9.1</b>

- **Robust 2021 volumes: £7.2bn of PRT across 57 transactions, written at a strong new business margin of 9%**
  - 69% of transactions were small scheme solutions. We leveraged technological innovation to drive efficiency
  - We now have 11 umbrella agreements in place with different schemes to allow for efficient future execution
  - 58% of UK transactions were with LGIM clients
- UK annuities achieved a 9.1% Solvency II new business margin, delivering ahead of 2019 (7.9%). The 2020 margin largely benefitted from good credit sourcing in volatile markets and longer duration schemes. UK PRT capital strain was slightly lower than our 4.0% target
- **In 2022, we have already won or are exclusive on c£1bn. We have a pipeline of c£20bn**
- **\$1.1bn of US PRT** written in 2021, including our 2<sup>nd</sup> biggest transaction at \$293m. Additionally, we wrote our second Canadian PRT transaction
- **Five year ambition of £40-50bn UK PRT and \$10bn of International PRT**

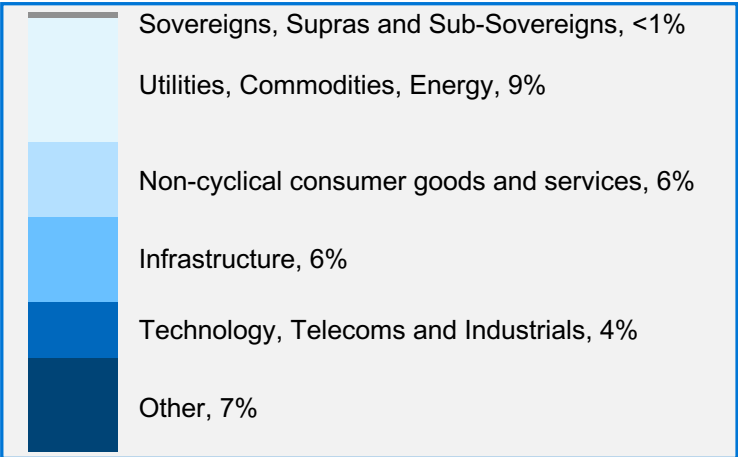
# LGR assets: Diversified bond portfolio complemented by high quality direct investments

## LGR Bond Portfolio: £81.8bn (out of £89.9bn)

YE 2021 £81.8bn



- Defensively positioned, high quality portfolio. **£3.4bn** IFRS credit default reserve remains unutilised
- Approximately **two-thirds A-rated or better**. Only 13% of BBB are BBB-
- **16%** of bonds in Sovereign-like assets
- Lower-rated, cyclical exposures kept to a minimum: <1% airlines, hotels, leisure and traditional retail combined
- Geographically diversified portfolio



## LGR DI portfolio: £28.4bn, 32% of total LGR assets

### Direct investments by type

High quality **Lifetime Mortgage** book: average customer age 74; weighted average loan-to-value of 29.3%



Across these asset classes, the primary exposure is to high quality counterparties, not to property valuations: c.69% of DI portfolio

- Bond - Government
- Bond - Economic Infrastructure (incl. renewables)
- Bond - Social Infrastructure
- Bond - Utilities
- Bond - Private Corporate Debt (other)
- Bond - Real Estate (debt)
- Bond - Lifetime Mortgage
- Property - Fixed Coupon
- Property - Residual Value

- No defaults and 99.8% of scheduled cash-flows paid. Primary exposure is to the underlying high quality tenant on rental income, e.g. Amazon, not to property risk
- Originated £4.6bn of new, high quality direct investments during 2021. Around 60% of portfolio rated 'A' or above
- Continue to benefit from LGC ESG-focused asset creation via affordable homes and Build-to-Rent

# LGC: Strong alternative asset performance

Financial Highlights	2020	2021
<b>Operating profit (£m)</b>	275	461
- Alternative asset portfolio	112	350
- Traded portfolio and Treasury	163	111
Investment and other variances (£m)	(299)	19
<b>Profit before tax (£m)</b>	(24)	480
<b>Assets (£m)</b>	9,047	8,615
- Alternative asset portfolio	3,139	3,439
- Traded portfolio and Treasury	5,908	5,176
of which: Cash and Treasury assets	3,791	3,048

- Strong commitment to **ESG-aligned investing**, with proven asset expertise in **clean energy, housing, digital infrastructure and SME finance**
- Unique and growing asset origination capabilities to support the levelling up agenda, climate change and housing shortages

- **Operating profit of £461m, up 68%**, principally reflecting increased profits from our **alternative asset portfolio**
  - Alternative asset profits of £350m were driven by a bounce-back in the housebuilding market and the continued maturing of our earlier stage businesses (e.g. Pod Point and our VC platforms)
  - The alternative asset portfolio is up 10% to £3,439m (2020: £3,139m)
  - Net portfolio return of 8.5% (2020: (4.0)%)
- **Profit before tax £480m**, resulting from strong alternative asset portfolio profits and equity market performance over the year, partially offset by early-stage investment costs
- Over the next four years the ambition is to build our diversified alternative AUM to c.£5bn with a target blended portfolio return of 10-12% and to increase third party capital to over £25bn. **We therefore expect to manage over £30bn of alternative AUM by 2025 and deliver £600-700m of operating profit**

# LGC's Alternatives business is generating attractive shareholder returns and creating valuable assets for us and for our clients

1	<b>Capital deployment</b>	<ul style="list-style-type: none"><li>• c£450m of investment in asset creation opportunities including:<ul style="list-style-type: none"><li>– a regeneration project in Sheffield</li><li>– the first acquisition by Suburban BTR</li><li>– initiation of the Oxford Life and Mind Building</li></ul></li></ul>
2	<b>Value generation</b>	<ul style="list-style-type: none"><li>• Strong valuation upsides recognised in Venture Capital from successful exits from portfolio companies</li><li>• Strong trading returns from our wholly owned subsidiaries (e.g. CALA, Affordable Homes)</li><li>• Multiple value creation proof points: MediaCity, Pod Point, Later Living and Current Health</li></ul>
3	<b>Asset creation</b>	<ul style="list-style-type: none"><li>• Initial Affordable homes investment of £270m by LGRI to back annuity liabilities</li><li>• Strong pipeline development not yet recognised in valuation (e.g. ID Manchester, Oxford JV)</li><li>• Positive societal impact delivered across the portfolio (e.g. Build to Rent, Affordable, KAO, Pod Point)</li></ul>

# LGIM: Profit growth from continued International expansion

Financial Highlights	2020	2021
Asset management revenue <sup>1</sup> (£m)	956	1,012
Asset management expenses <sup>1</sup> (£m)	(549)	(590)
<b>Total LGIM operating profit (£m)</b>	<b>407</b>	<b>422</b>
<b>Closing AUM (£bn)</b>	<b>1,279</b>	<b>1,421</b>
International AUM (£bn)	388	479
UK DC AUM (£bn)	113	138
Retail AUM (£bn)	42	49
Asset management cost:income ratio (%)	57	58

- Continue to build on credentials as a **responsible investor** and **remain committed to addressing environmental and social challenges**
  - **As at FY 2021, £290bn managed** in responsible investment strategies explicitly linked to **ESG criteria**<sup>3</sup>
- Ambition is to grow cumulative profits in the range of **3% to 6% per annum**, absent market shocks

- Operating profit up **4% to £422m**, reflecting increased revenues from flows and robust cost management
- **AUM up 11% to £1.4tn**
  - **International AUM of £479bn**, 34% of total AUM
  - A market leader in **UK DC with £138bn of AUM, and 4.4m Workplace members**
  - **Retail AUM at £49bn** with gross inflows of £15bn. 2<sup>nd</sup> in gross UK retail sales<sup>2</sup> in 2021
- **Continuing to make progress across our three strategic pillars:**
  - **Modernise:** Further investment in our data and operating platform to deliver enhanced scalability
  - **Diversify:** Expanded our thematic ETF range, launched an ESG Paris aligned equity index fund for institutional investors in the UK and Europe, and a sustainable property fund for DC investors
  - **Internationalise:** Achieved €100bn AUM milestone in mainland Europe, further net flows in Japan and launch of our new US DC Retirement Income Strategy
- Cost:income ratio of 58% reflects our careful cost control as we continue to invest in the business
- LGIM continues to be a strong enabler and beneficiary of LGR growth, with internal revenue of £163m (2020: £148m)

1. Revenue and expenses exclude income and costs of £32m in relation to the provision of 3rd party market data (2020: £27m)

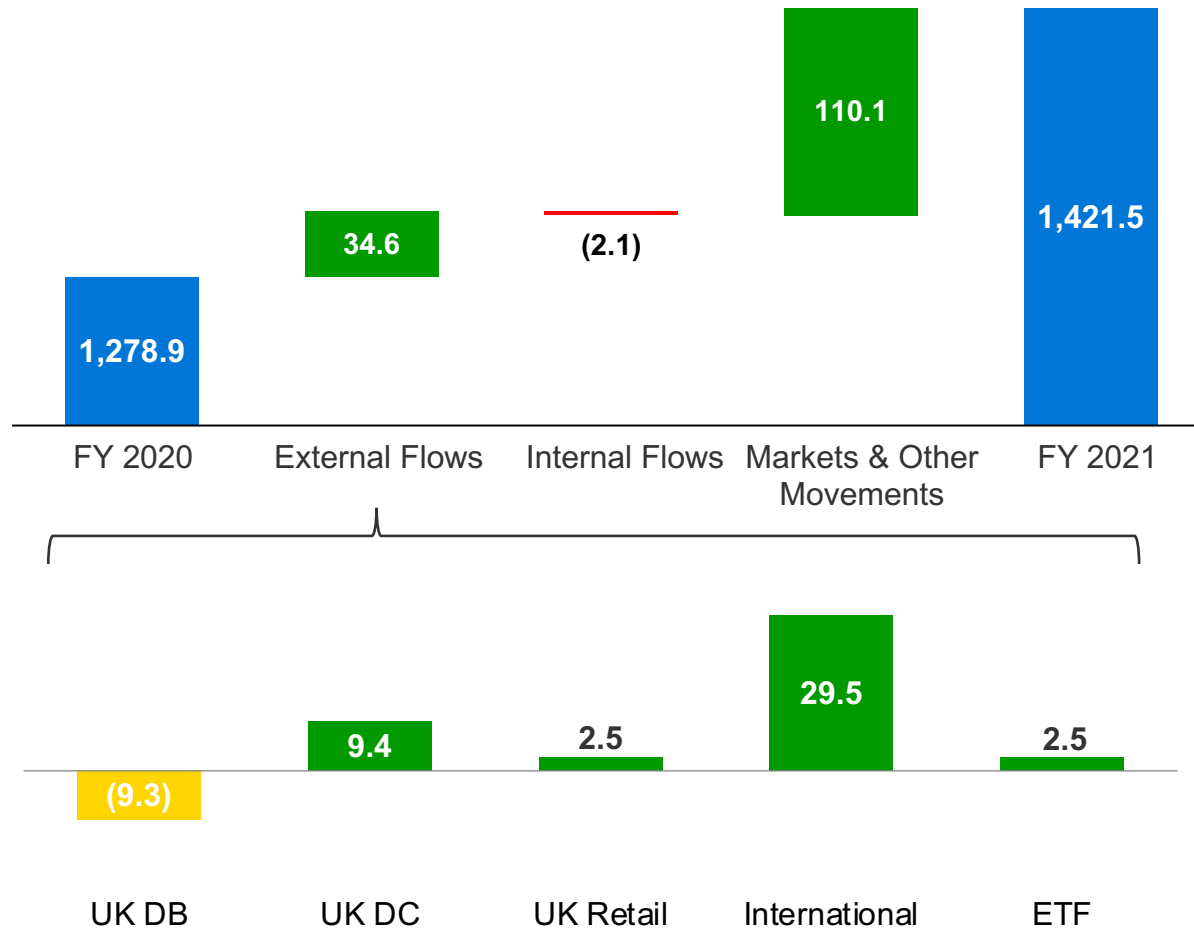
2. Pridham Report Q4 2021

3. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement.

Note: From 1 Jan 2021, the Workplace Savings administration business has transferred to LGRR. 2020 financials have been restated accordingly

# LGIM: Resilient AUM and positive flows underpinned by diverse asset exposure

AUM progression from FY20 to FY21 (£bn)



- **Positive external net flows of £34.6bn driven by:**

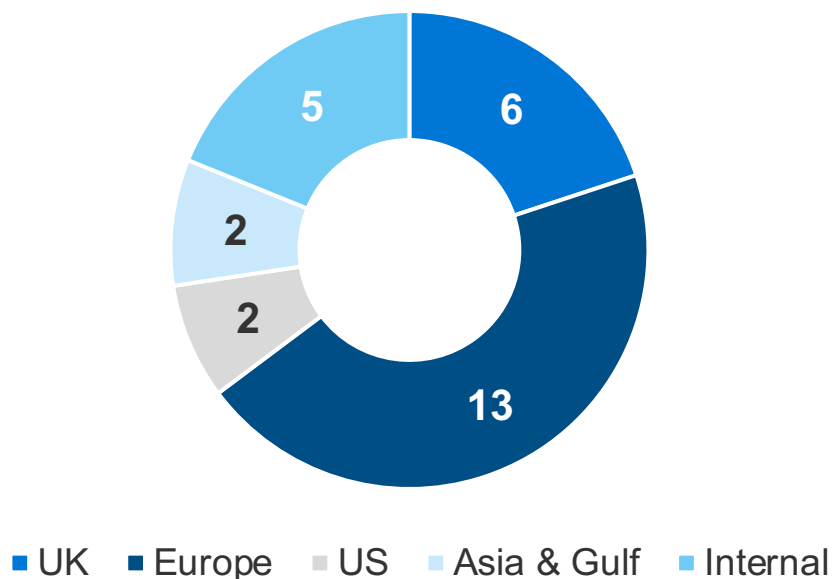
- **International flows of £29.5bn**, representing 85% of the total, with broad-based contributions from the US, Europe, Asia and Japan
- **UK DC external net flows of £9.4bn** with 87 scheme wins in 2021. The default strategy for the majority of schemes is multi-asset or target date funds
- **ETF net flows of £2.5bn**, reflecting focus on thematic investing, including the launch of a new range of ESG-aligned ETFs
- **Strong UK DB flows into LDI/Active Fixed Income of £8.4bn**, offset by outflows from Index as clients de-risked out of Index in favourable equity markets. Also includes clients moving to PRT with LGRI (58% of LGRI PRT wins in 2021 were from LGIM clients)



# LGIM: Our focus on value over volume is starting to deliver results

	2020	2021
External and Internal net flows (£bn)	22.5	32.5
Annualised net new revenue (ANNR) <sup>1</sup> (£m)	2	28

## 2021 ANN R breakdown by region (£28m)



- Rebound of ANN R in 2021, reflecting the focus on **higher margin areas** ahead of the quantum of flows, for example:
  - £14m in **multi-asset strategies** through success in UK DC and positive contribution from Retail
  - £8m from **expanded ETFs range** combined with increasing our European distribution footprint
  - £5m from **real assets** reflecting launch of Secure Income Assets Fund (SI AF) and origination of assets for LGR portfolio
- In addition, higher **transaction fees** in 2021, reflecting performance fees in **Index** and **real assets**, and execution fees on **hedging activity**
- Diverse geographic spread of ANN R demonstrates **growing international presence**, one of our strategic pillars

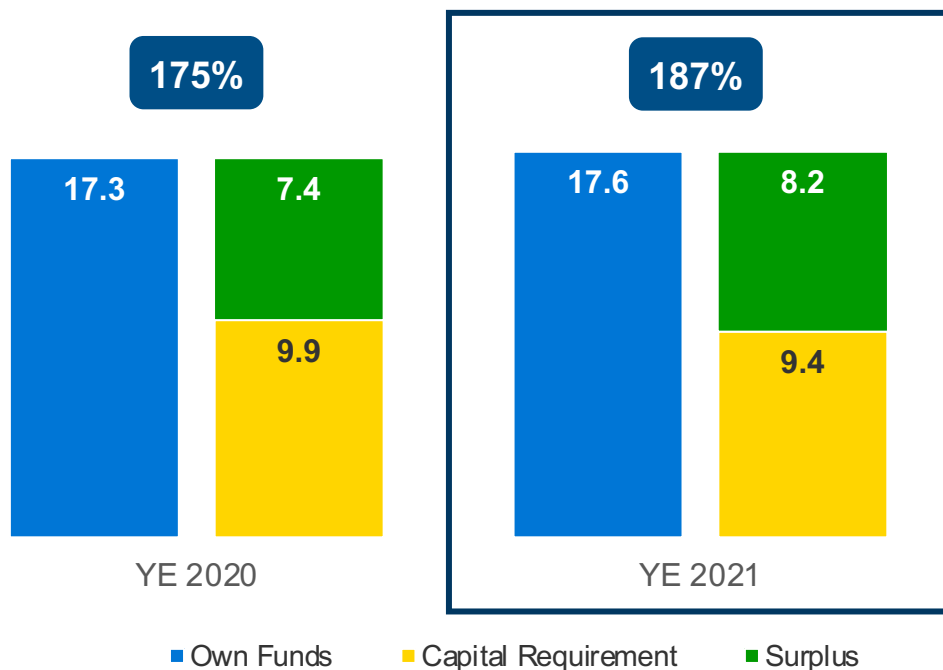
# LGI: Continuing to support customers through difficult times

Financial Highlights	2020	2021
<b>Operating profit (£m)</b>	189	268
- UK	205	320
- US	(16)	(52)
Investment and other variances (£m)	(459)	111
<b>Profit before tax (£m)</b>	<b>(270)</b>	<b>379</b>
<b>Annual premium (£m)</b>	372	379
<b>Gross written premium (£m)</b>	2,849	2,902
- UK	1,756	1,849
- US	1,093	1,053
<b>Solvency II New business value (£m)</b>	254	262
- UK	160	149
- US	94	113

- **Operating Profit of £268m, up 42%**, with 2020 and 2021 impacted by adverse mortality experience arising as a result of COVID-19
  - 2021 has seen strong new business surplus in UK Retail Protection in addition to a benefit from modelling refinements in the UK, partially offset by continuing adverse mortality in the US (in line with US peers)
  - Total COVID-19 mortality claims of £185m, exceeding the £110m provision set-up at FY 20. In addition, a £57m provision is included to cover potential COVID claims in 2022
- Profit before tax up to £379m, with investment variance driven by the formulaic impact on reserves of rising government yields in both the UK and US
- **Annual premium up 2% to £379m. Gross written premium up 2% to £2.9bn** (up 5% on a constant currency basis)
- **Solvency II NBV up 3% to £262m** (up 6% on a constant currency basis), supported by strong sales in UK and US Retail Protection
- \$114m dividend paid by LGIA on 3<sup>rd</sup> March 2022 (2021: \$111m)

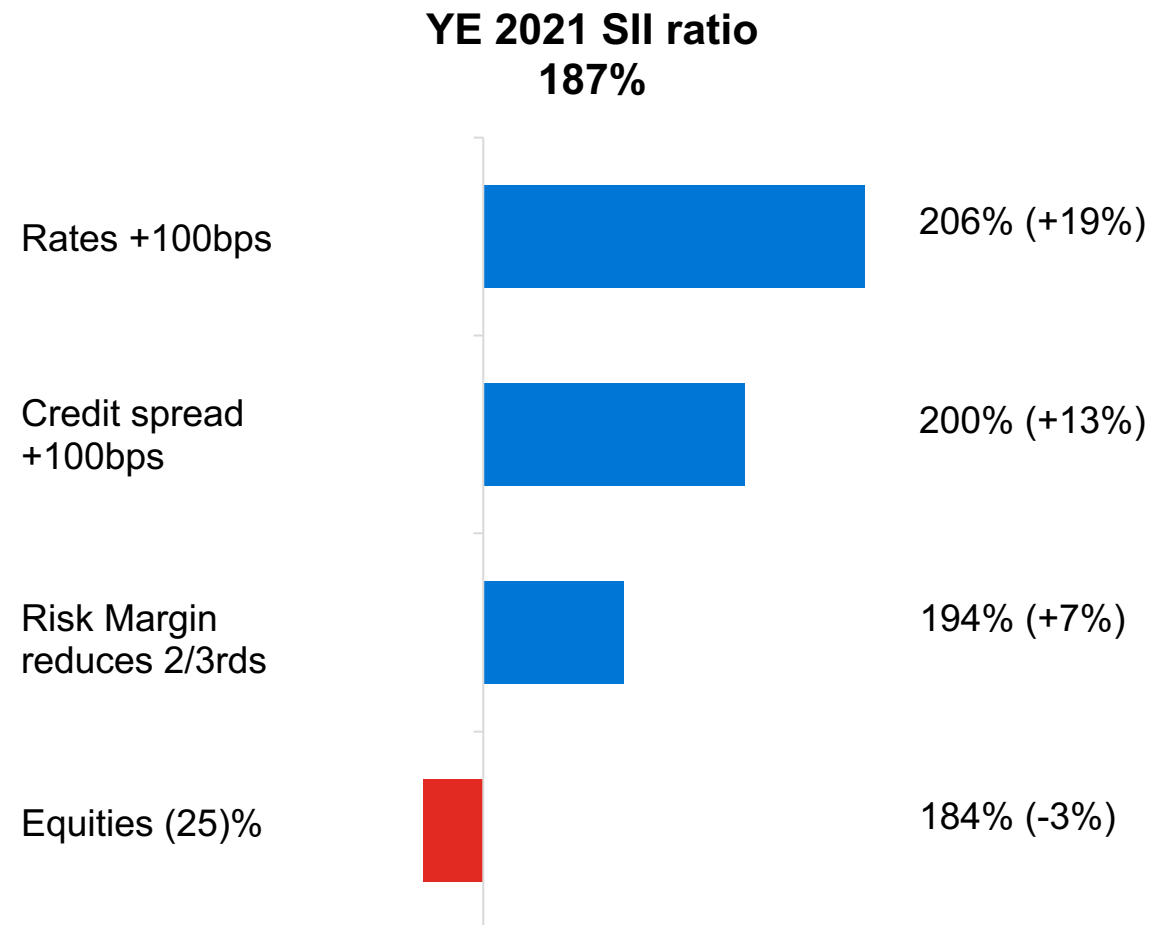
# Robust Solvency II Balance sheet

## Solvency II Balance Sheet (£bn)

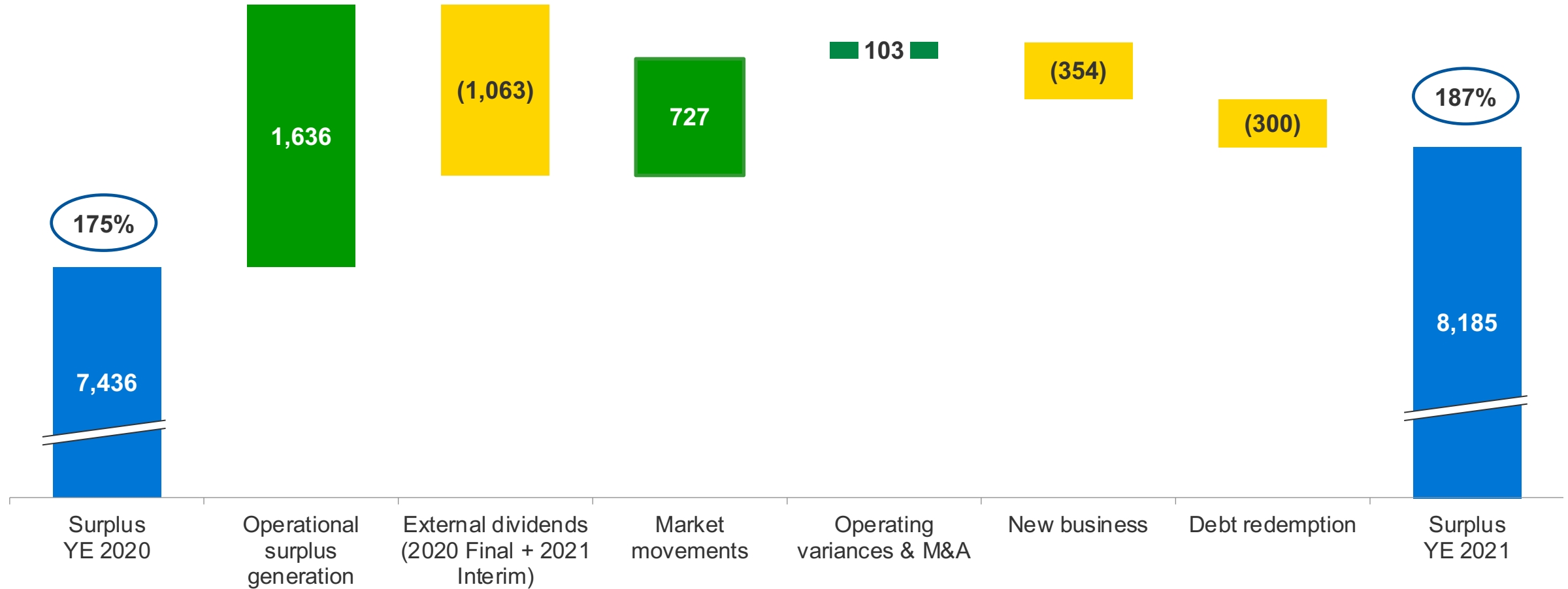


- Coverage ratio of **187%**
- Solvency II surplus of **£8.2bn**
- Tier 1 Own funds of **£13.7bn (78%)**
- **Coverage ratio as at 7<sup>th</sup> March 2022 of 198%**

## Key Sensitivities (%)



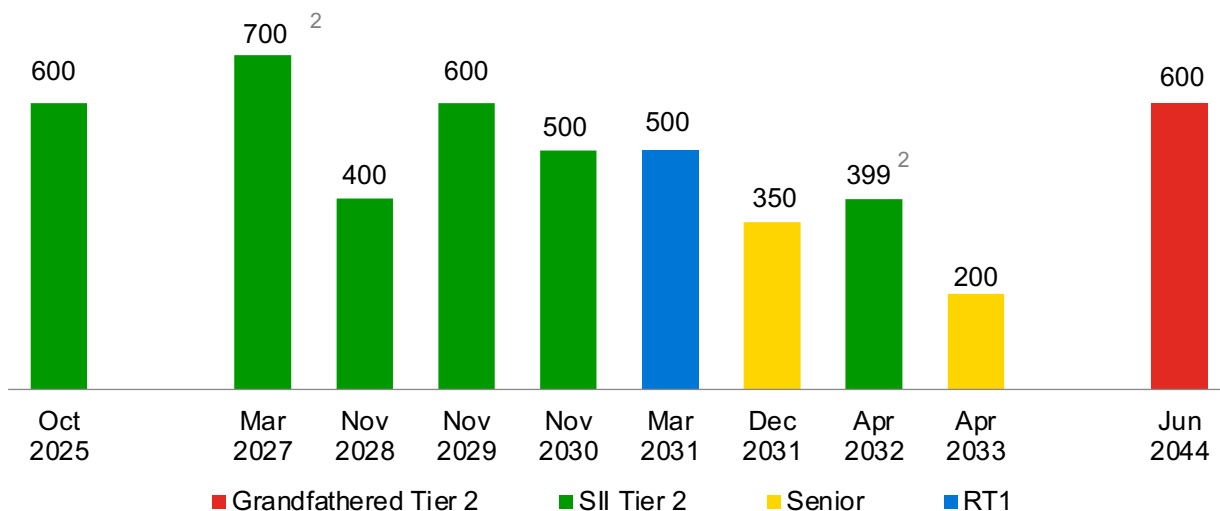
# Solvency II surplus analysis of change



# Debt instruments summary

Issue Date	Entity	SII Classification	Rating (Moody's / S&P)	Currency	Amount (Ccy m)	Coupon (%)	Call Date	Maturity Date
Nov-00	L&G Finance PLC	Senior	A2 / A	GBP	350	5.875	-	Dec-31
Mar-02	L&G Finance PLC	Senior	A2 / A	GBP	200	5.875	-	Apr-33
Jun-14	L&G Group Plc	Grandfathered Tier 2	A3 / BBB+	GBP	600	5.5	Jun-44	Jun-64
Oct-15	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	600	5.375	Oct-25	Oct-45
Mar-17	L&G Group Plc	SII Tier 2	A3 / BBB+	USD	850	5.25	Mar-27	Mar-47
Apr-17	L&G Group Plc	SII Tier 2	A3	USD	500	5.55	Apr-32	Apr-52
Nov-18	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	400	5.125	Nov-28	Nov-48
Nov-19	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	600	3.75	Nov-29	Nov-49
May-20	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	500	4.5	Nov-30	Nov-50
Jun-20	L&G Group Plc	Restricted Tier 1	Baa2 / BBB	GBP	500	5.625	Mar-31	Perpetual

Debt Maturity Profile (£m)<sup>1</sup>



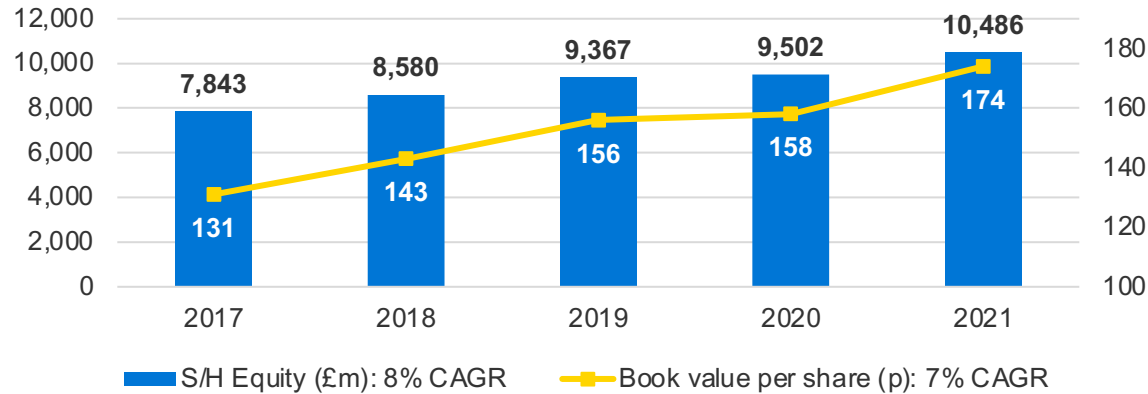
Rating Type	Entity / Instruments	Moody's	S&P
Financial Strength Rating	L&G Assurance Society Ltd	Aa3	AA-
Instrument Credit Ratings	L&G Finance plc / Senior	A2	A
	L&G Group plc / Tier 2	A3	BBB+
	L&G Group plc / Restricted Tier 1	Baa2	BBB
Outlook		Stable	Stable

1. Legal & General outstanding debt and capital instruments greater than £100m, based on the earliest of the first call date or maturity date

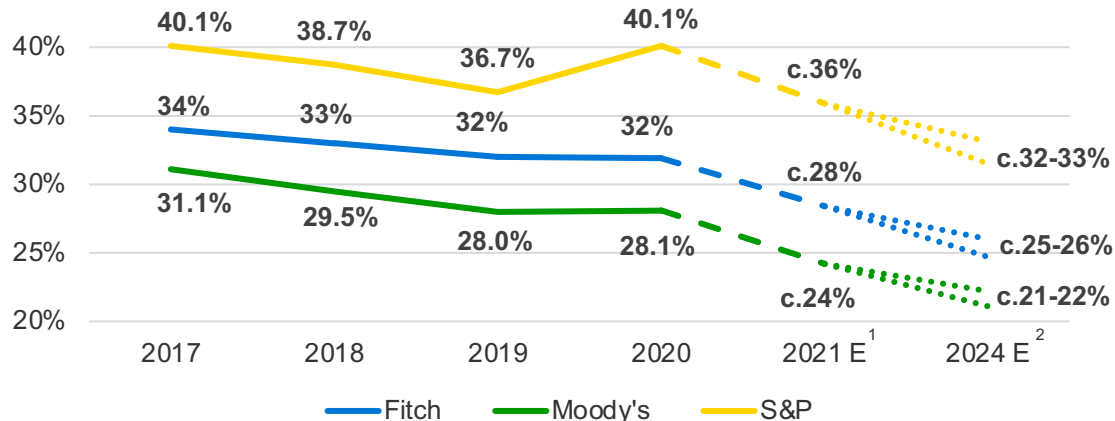
37 | 2. GBP/USD rate at time of pricing used to convert to £ equivalent

# Strongly positioned for growth, leverage to naturally reduce over time

## Shareholder Equity



## Leverage ratios



AA-

Fitch

Aa3

Moody's

AA-

S&P

- Between 2017-2019 leverage reduced due to equity growth despite debt issuances over that period (£400m in 2018 and a net £200m in 2019)
- Tier 2 and RT1 Subordinated debt issuances in H1 2020 given favourable bond market conditions demonstrates financial flexibility, positioning us strongly:
  - To capitalise on new business opportunities
  - For the recovery phase from COVID-19
- Shareholder equity grew strongly over 2021 (+10%) reducing all estimated leverage ratios to a lower level than at FY 2019
- **Over the ambition period we expect our leverage to reduce as we aim to grow EPS faster than dividends**
- **Solvency II leverage is also projected to reduce over the period, broadly in line with the rating agency ratios**
- **Our ability to grow our balance sheet provides optionality for future debt issuances, if required, to optimise returns**

Ratings shown are Legal and General Assurance Society Limited Financial strength rating  
2017 – 2020 leverage ratio source: Fitch ratings, S&P Global ratings, Moody's Investors Service (Moody's adjusted financial leverage)

1. L&G estimate. Reflects £300m subordinated debt redemption in July 2021.

2. L&G estimate based on Cash generation and Dividend ambitions to 2024 - assumes no further debt is raised over the period

# We continue to show strong year on year growth in cash and capital, making good progress against our ambitions

## Double-digit growth in 2021 cash and capital generation:

- Cash generation<sup>1</sup> up 12% year on year
- Capital generation<sup>2</sup> up 12% year on year

## Our Financial Ambitions & Progress to Date

Cumulative (£bn)	2020-2024	To Date
Cash generation <sup>1</sup>	8.0-9.0	3.2
Capital generation <sup>2</sup>	8.0-9.0	3.1
Dividends <sup>3</sup>	5.6-5.9	2.1

- Over the period 2020-2024<sup>4</sup> our ambition is for:
  - Cash & capital generation significantly to exceed dividends
  - EPS to grow faster than dividends
  - Net surplus generation (i.e. including new business strain) to exceed dividends
- The 2021 full year dividend is 18.45p, up 5%. Our ambition is to achieve 3-6% annual growth in dividends declared to 2024, absent market shocks

1. Cash generation is Net release from continuing operations

2. Capital generation is Solvency II operational surplus generation from continuing operations

39 | 3. Dividends declared. The target range is based on a flat final 2020 dividend, and 3-6% annual growth thereafter

4. The ambition is based on the aggregate performance over a five-year period. Performance may vary from year to year and individual statements may not be met in each year on a standalone basis

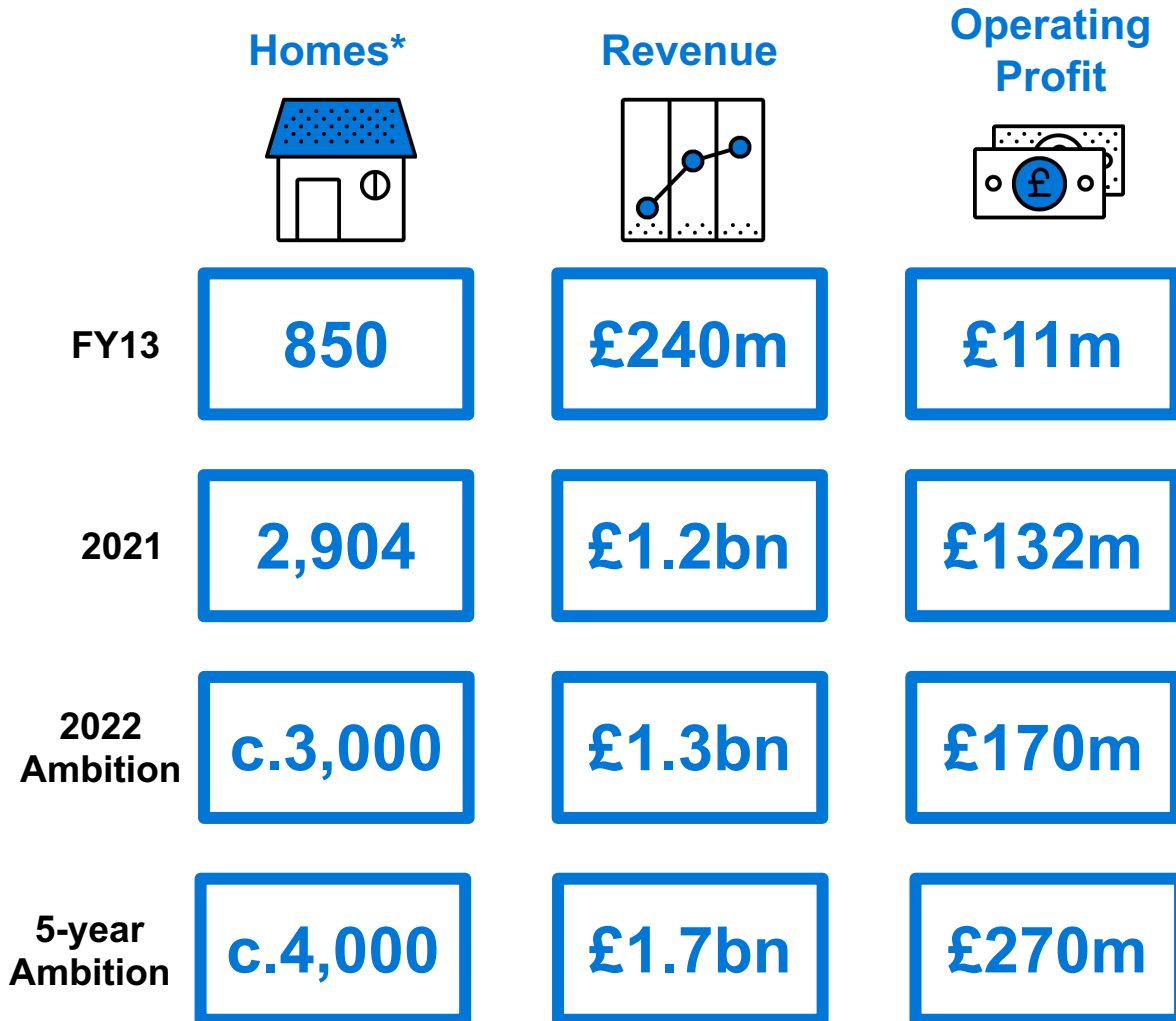
# Appendix





# CALA Homes: We have grown profits by 12x since 2013...

CALA Homes has grown significantly since L&G's first investment in March 2013



## Proven track record of growth

- CALA has grown from a medium sized housebuilder to 10th largest in the UK by revenue
- Year on year profit improvement (FY13-19) driving core LGC performance
- Strong rebound in 2021 following challenging trading conditions under Covid-19

## Key differentiating factors

- Experienced and capable management team
- Strong landbank – 22,000 plots + 11,000 strategic plots
- Excellent product and service to our customers with industry leading satisfaction scores

## Further supporting our 5-year ambition

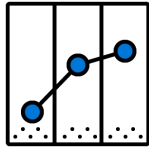
- Focus on scale, with the opportunity to increase growth from existing regional businesses
- Profit increase driven by increased revenue and operating margin improvements (targeting a 16%+ operating margin and 20%+ ROCE)

# Affordable Homes: Ambitious growth plans to be a £125m profit business by 2026

Homes Completed\*



Revenue



Operating Profit



	Homes Completed*	Revenue	Operating Profit
2019	117	£10m	£1m
2021	997	£201m	£26m
2022 Ambition	1,500	£350m	£45m
5-year Ambition	3,000+	£800m	£125m

## Proven track record of growth

- From a standing start, Affordable homes now has over 1,600 homes in operation
- Continuing to grow operating profit, delivering £26m in 2021, up from £1m in 2019

## Key differentiating factors

- Experienced and capable management team
- Supported by 14 external housing management partners
- In 2021, finalised a deal with LGR to support new PRT business, with further offtakes in the pipeline. Forecast asset creation of £1.7bn by 2025

## Further supporting our 5-year ambition

- Pipeline of c.7,000 homes across the country
- LGAH is now a Homes England backed Strategic Partner, with £125m of funding approved by Government to support 2,100 homes.

# Build to Rent: We are developing over 11,000 homes with a Gross Development Value close to £4bn

Urban BTR		
Status	Homes	GDV* (£m)
Completed	2,732	937
Contracted / Under offer	2,909	1,222
Pipeline	3,367	1,016
<b>Total Urban</b>	<b>9,008</b>	<b>3,175</b>

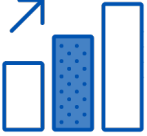


Suburban BTR		
Division	Homes	GDV* (£m)
Contracted / Under offer	351	118
Pipeline	1,995	488
<b>Total Suburban</b>	<b>2,346</b>	<b>606</b>

Total BTR		
	Homes	GDV* (£m)
<b>Total BTR</b>	<b>11,354</b>	<b>3,781</b>

In 2021 L&G:

- Was the largest investor into UK BTR with c£700m committed (Source: CBRE)
- Secured more lettings than any other BTR landlord with 1,985 households moving in (Source: Estates Gazette)
- Now has over 3,000 residents
- Started construction on 2,928 new BTR homes

# Pemberton continues successfully to raise funds and scale

	Committed AUM 	Revenue 	EBITDA 
2016	£1.1bn	£9.5m	£5.9m
2021	£11.3bn	£62m	£16m
2022 Ambition	£19bn	£88m	£26m
5-year Ambition	£27bn	£198m	£100m

## Proven track record of growth

- Increased number of LPs from 11 in 2015 to 147 in 2021
- Developed core competencies to establish four strategies

## Key differentiating factors

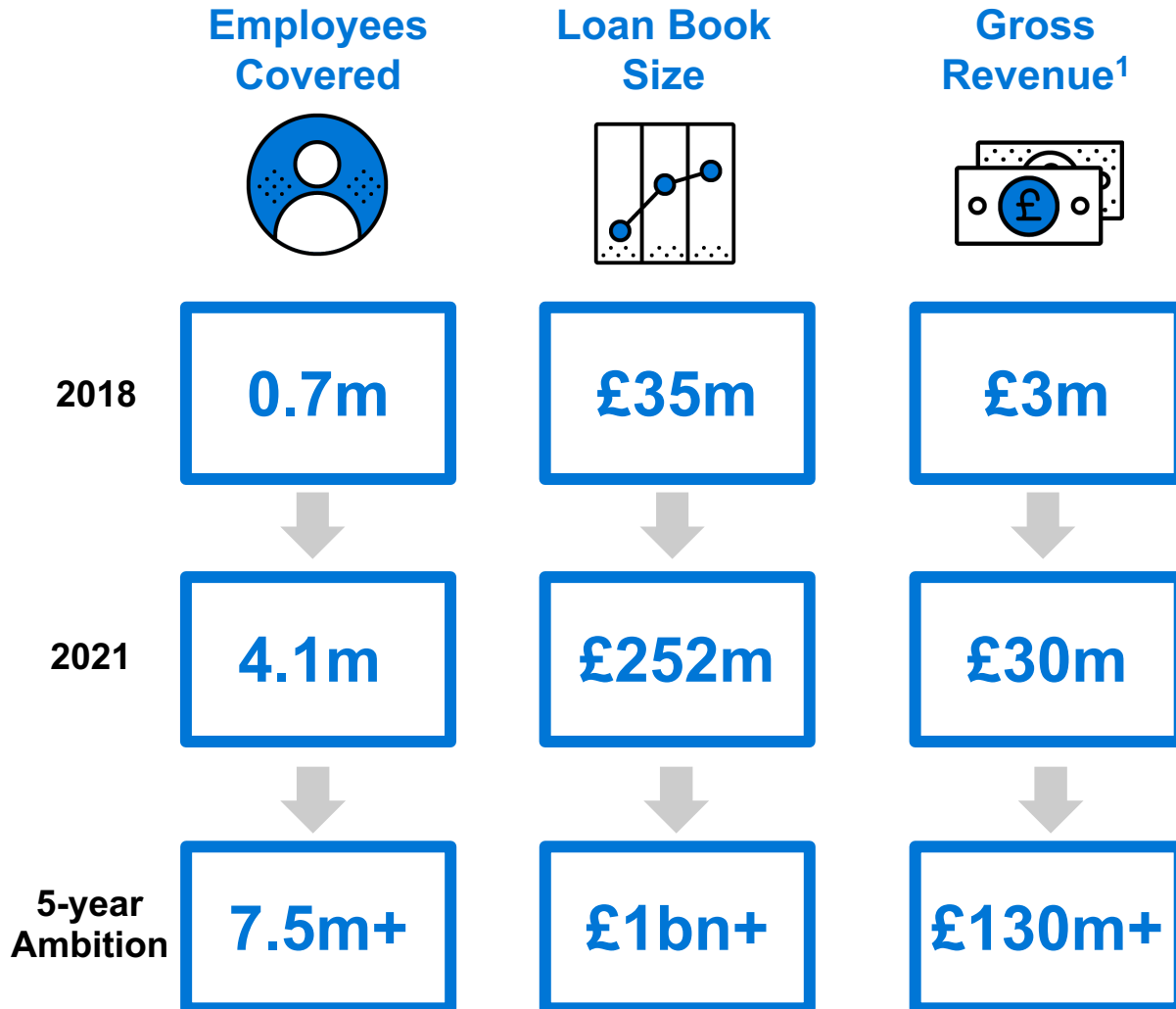
- Size and depth of our investment team
- Local origination strategy
- Institutional-backed platform
- Dual-Track credit process
- Credit rating system

## Further supporting our 2026 ambition

- Launching Inventory Finance
- Expansion into adjacent asset classes
- International expansion into US and Asia

# Salary Finance: 10x Revenue growth over the past 3 years

Future growth underpinned by expansion in US and continued UK success



## Proven track record of growth

- #19 in Deloitte's UK Tech Fast 50 with 4 consecutive years of near 100% revenue growth
- Clients include 20% of FTSE 100
- UK core business<sup>2</sup> first profitable month in 2021

## Key differentiating factors

- Multiproduct and global: 5 live products in UK and 3 in US
- Fantastic consumer endorsement: ~100% client retention rate, 80.5 client NPS, 4.7 out of 5 stars on Trustpilot
- Integration capability with payroll providers

## Further supporting our 2026 ambition

- UK core business<sup>2</sup> profitable in 2022
- 4 new channel partnerships in the US
- With F2F sales returning, SF expects to reach over 1m US employees by end of 2023

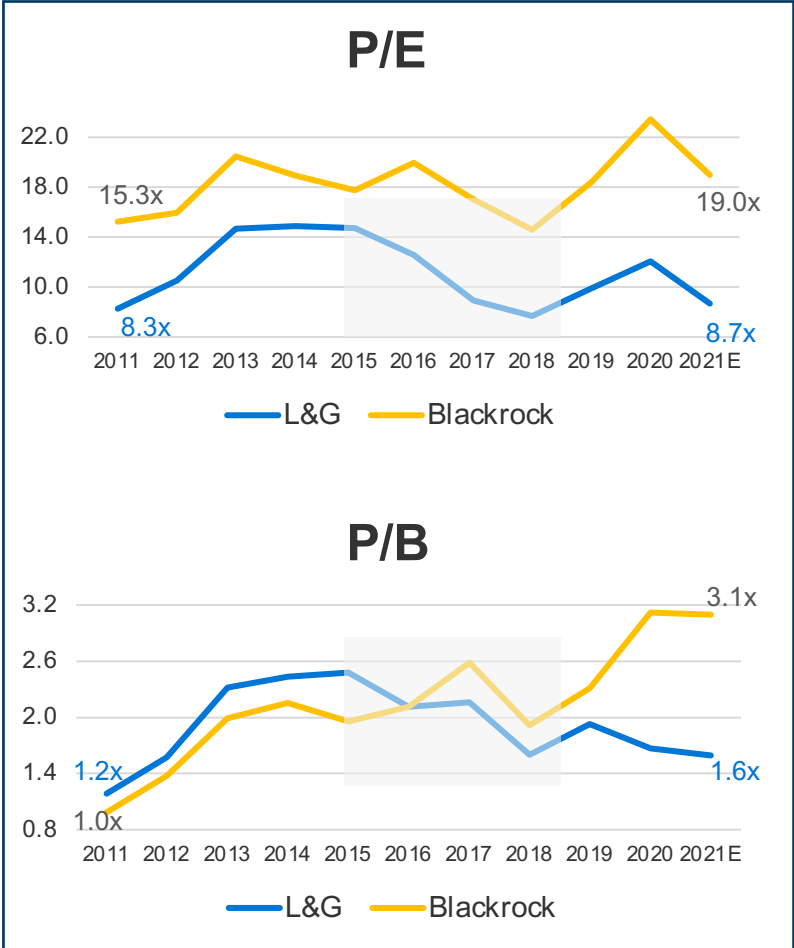
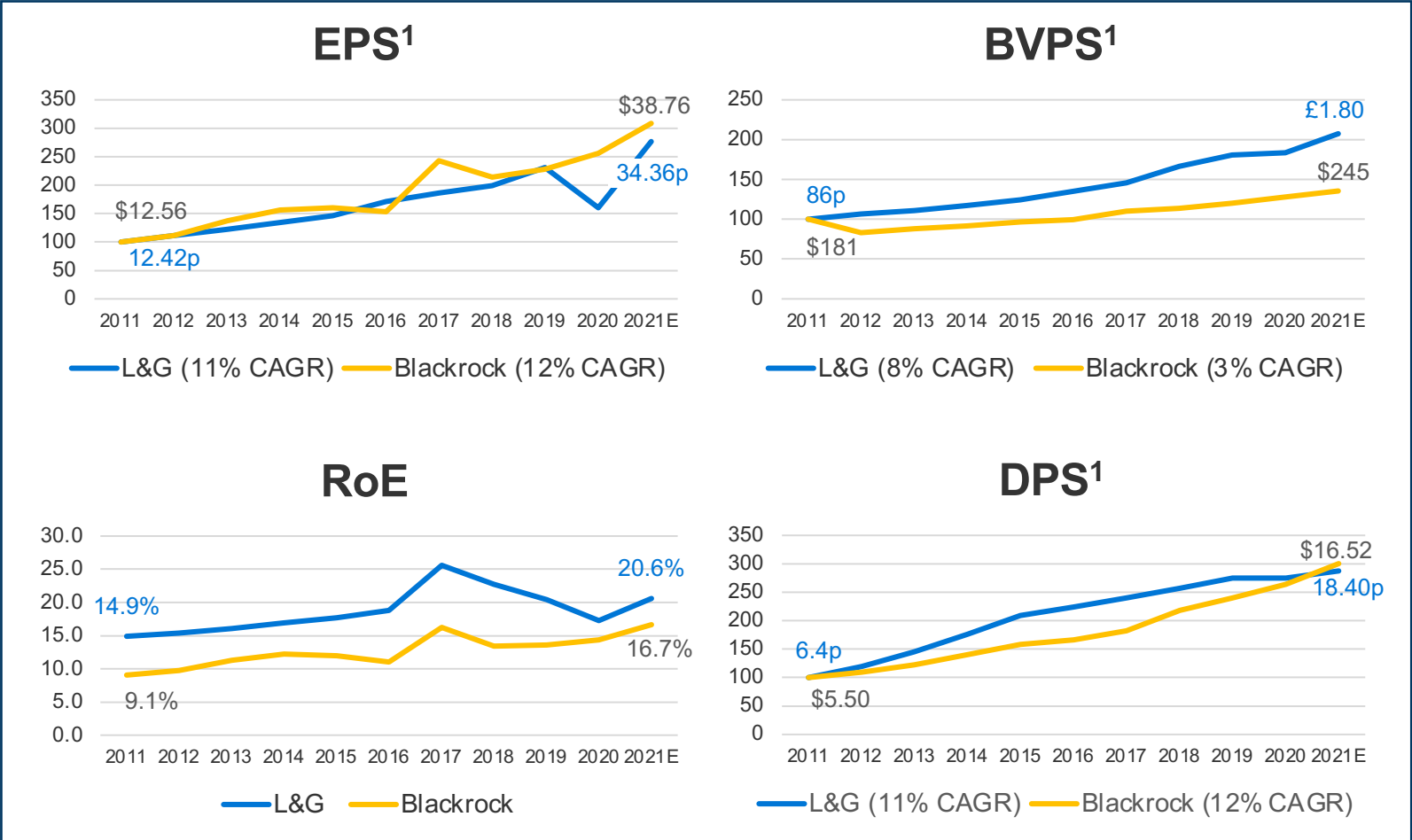
1. Gross revenue includes revenue generated in the group's JV with Virgin Money

2. Core business, excludes investment spend

3. 48% undiluted, c41% diluted

# Whilst we have performed well relative to Blackrock (a respected competitor) our performance has not been reflected in valuation

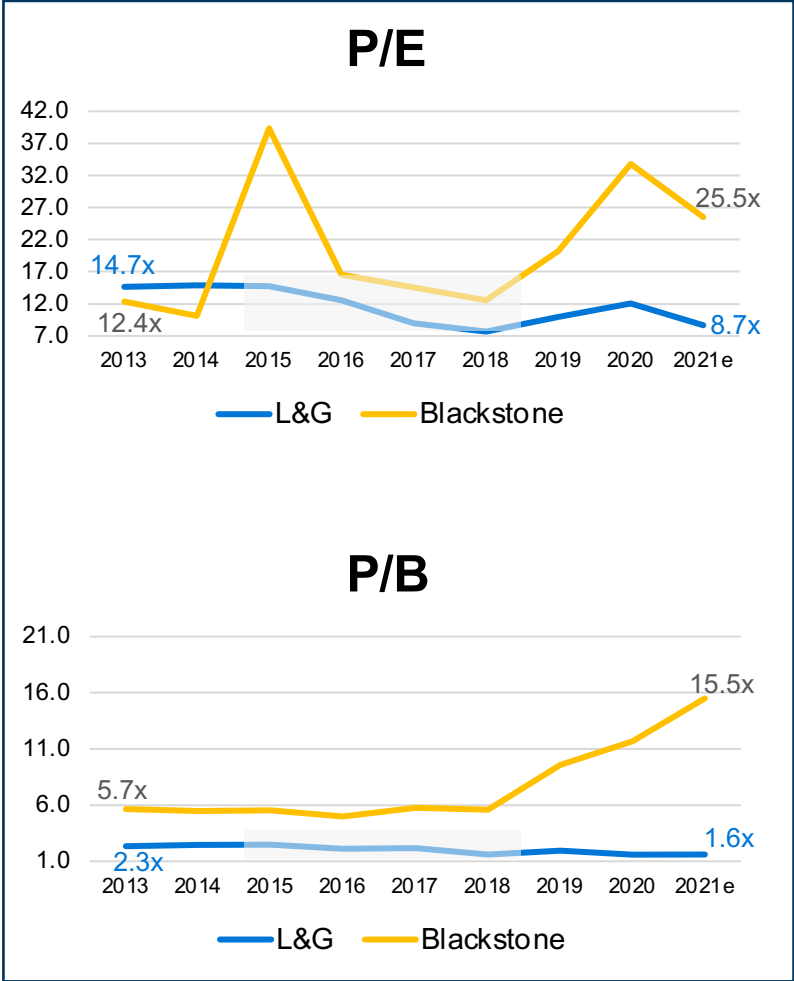
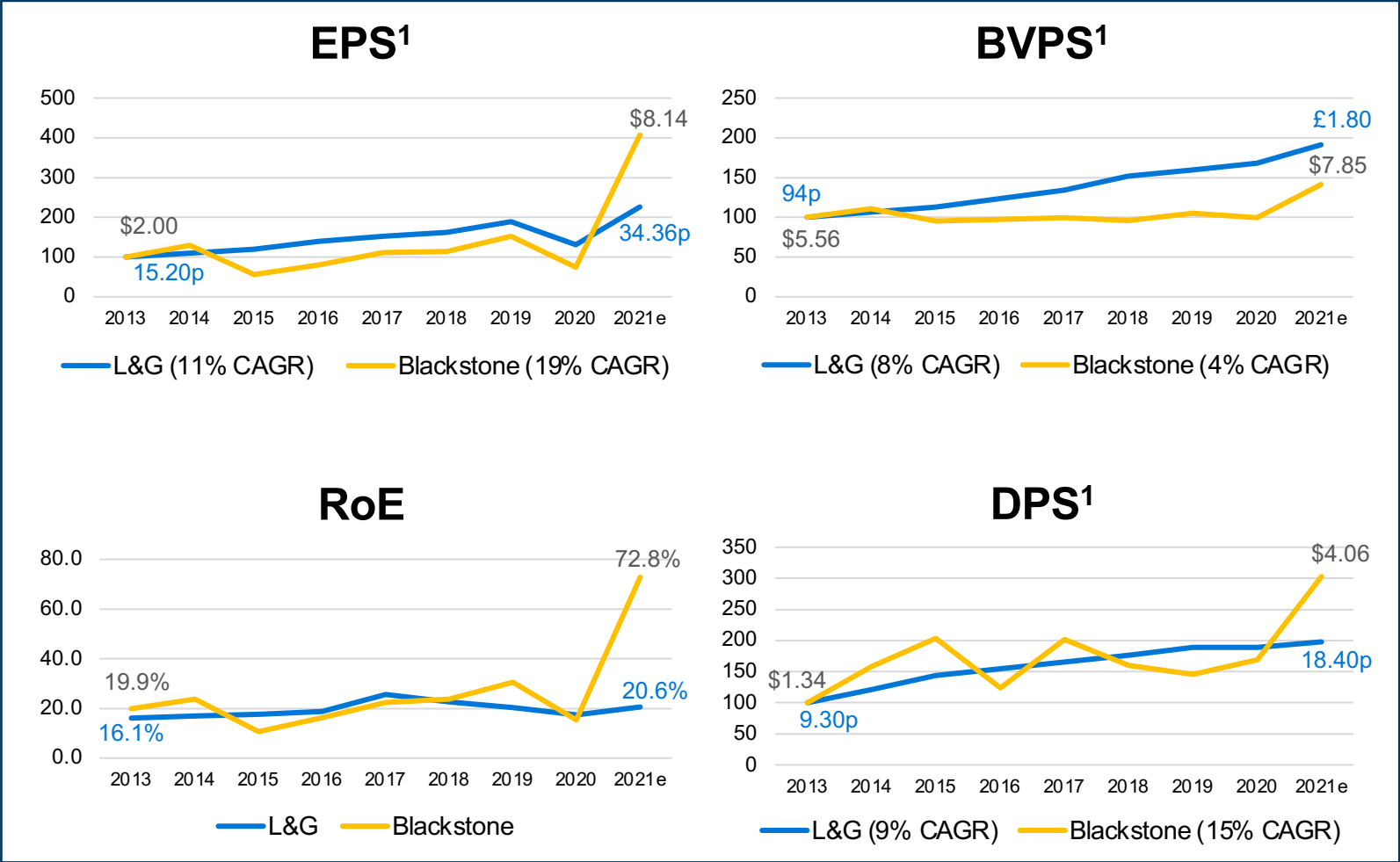
Despite growing earnings and dividends at a similar rate of growth to Blackrock, coupled with faster growth in book value and a higher ROE, this has not been reflected in our valuation multiples...



**Impact of Solvency II & Brexit**

# L&G has comparable financial characteristics to Blackstone, but trades on a fraction of its valuation multiples

Despite growing earnings, book value and dividends, whilst delivering a 20%+ RoE, we are still trading at lower multiples than we did in 2013...

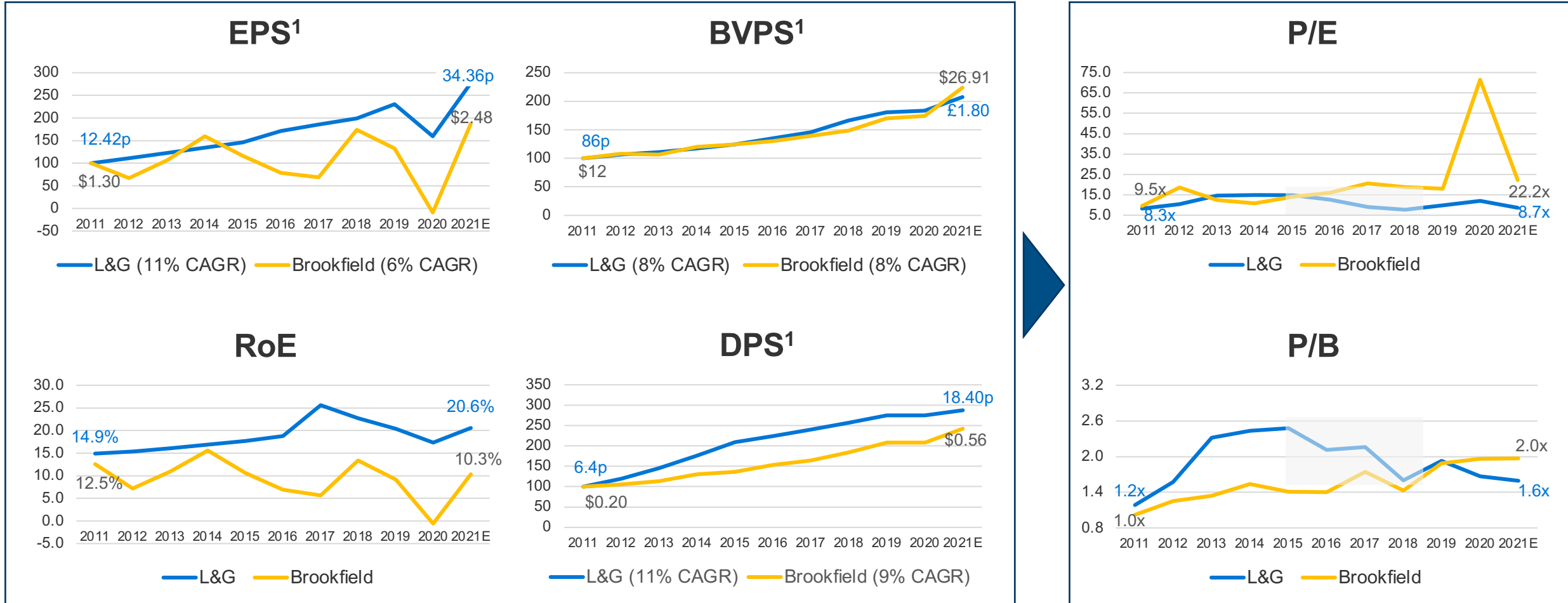


Impact of Solvency II & Brexit

47 | 1. Represents normalised growth for comparison purposes. Note: 2021E Bloomberg consensus figures as at 23.02.22. L&G 2021E EPS represents internally collated view of external market consensus

# L&G has comparable characteristics to Brookfield, but trades on lower valuation multiples

Despite growing book value at a similar rate of growth to Brookfield, coupled with faster growth in earnings and dividends and a higher ROE, this has not been reflected in our valuation multiples...



Impact of Solvency II & Brexit



# ESG at L&G: Ratings and collaborations

The following slides provide a data-driven overview of environment, social and governance (ESG) activity at L&G. We demonstrate achievements to date, key metrics and some of our future commitments but these slides do not cover all ESG activity. Please refer to the Group's Climate Report (published later in March) and Sustainability Report (published in May) for further details.

## ESG ratings

	Year ended 31 December		
	2019	2020	2021
Sustainalytics <sup>1</sup>	17.5 (Low Risk)	16.0 (Low Risk)	16.5 (Low Risk)
CDP	B	A-	B
DJSI / RobecoSAM	32 <sup>nd</sup> percentile	74 <sup>th</sup> percentile	79 <sup>th</sup> percentile
MSCI <sup>2</sup>	AA	AA	AAA
Bloomberg Gender Equality Score	79%	79%	79%
FTSE4Good	78 <sup>th</sup> percentile	89 <sup>th</sup> percentile	91 <sup>st</sup> percentile

## Third party collaborations

- Aldersgate Group
- ClimateAction 100+ (*LGIM*)
- Get Nature Positive
- Glasgow Financial Alliance for Net Zero
- UN Global Compact
- UN Net Zero Asset Managers Initiative (*LGIM*)
- UN Net-Zero Asset Owner Alliance
- UN Principles for Responsible Investment
- Race to Zero
- Science-based targets initiative (SBTi)

## Disclosure frameworks

- Task Force on Climate-related Financial Disclosures (TCFD)
- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)

1. Sustainalytics risk rating from 0 (negligible risk) to >40 (severe risk)

49 | 2. The use by Legal & General of any MSCI ESG Research LLGC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Legal & General by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

# ESG at L&G: Journey to net zero

	Commitments <sup>1</sup>	Date	Achievements to date
<b>Invest</b>	By the start of 2025, we will reduce portfolio greenhouse gas emission intensity by 18.5% <sup>2</sup> and increase financing of low carbon technology and infrastructure.	2025	We reduced the greenhouse gas emission intensity of our proprietary assets by 17.0% <sup>3</sup> compared to last year.
	We are targeting a net zero carbon footprint asset portfolio by 2050 and continue to evolve our interim targets against this objective.	2050	Coal exclusions extended, including avoiding investment in new coal mining, plant or business operations.
<b>Influence</b>	LGIM are committed to working in partnership with our clients to reach net zero greenhouse gas emissions by 2050 or sooner across all assets under management.	2050	We continue to develop investment solutions which support the low-carbon transition and a number of funds have set accelerated net zero targets. We continue to use our Climate Impact Pledge to drive change through engagement.
<b>Operate</b>	All homes delivered by CALA will be designed to meet the LETI and RIBA 2030 target for embodied carbon standards from 2025 <sup>4</sup> .	2025	CALA are already delivering new homes in Scotland which meet LETI and RIBA 2030 targets for embodied carbon <sup>4</sup> .
	We will set science-based targets in accordance with the Science Based Target initiative (SBTi) by the end of 2022 and publish them in 2023 (once SBTi verification has been achieved).	2022	We are building out our target metric suite, covering both our core operational and our proprietary investment-financed emissions.

Environmental metrics	Year ended 31 December		
	2019	2020	2021
Scope 1 and Scope 2 emissions (tCO <sub>2</sub> e) <sup>5</sup>	38,942	31,640	30,706
Balance sheet investments (tCO <sub>2</sub> e/£m) <sup>6</sup>	120	89	74
Business travel (tCO <sub>2</sub> e)	7,223	3,045	2,070

1. See Climate Report and Sustainability Report for full list of achievements to date and commitments in detail.

2. From a 2019 baseline.

3. This was driven in part by COVID-19 and market volatility impacts. In particular, the impact of COVID-19 on 2020 emissions is seen in the 2021 numbers due to the carbon data lag. We may see a partial reversal in future years.

4. LETI 2030 target: <300kgCO<sub>2</sub>/m<sup>2</sup> Upfront carbon A1-5, excl sequestration. RIBA 2030 target: <625kgCO<sub>2</sub>/m<sup>2</sup> Embodied carbon A1-5, B1-5, C1-4, incl sequestration.

5. Calculated using The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Emission Factors are from the UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2020).

6. 2019 calculated using Enterprise Value (EV); 2020 and 2021 calculating using Enterprise Value including Cash (EVIC) on updated methodology and emissions dataset.

# ESG at L&G: Building a better society

## What have we achieved so far

Our affordable homes business now has a pipeline of 5,500 homes across the UK

We established a multi-million pound charitable fund with the University College of London (UCL) to address UK health inequalities

We support community causes, including educational programmes and charity partnerships, and continued to match employee charity funding

Products	Year ended 31 December		
	2019	2020	2021
Number of pension customers ('000)	758	765	764
Life insurance payments (£m)	392	460	479
Percentage of life insurance claims paid (%)	97	97	98
Critical illness payments (£m)	224	203	209
Percentage of critical illness claims paid (%)	92	92	93
Number of employees of businesses whose lives we insure (m)	2.0	2.1	1.8
Amount paid to group protection customers who have died (£m)	232	243	252

## Commitments<sup>1</sup>

We will measure social value across 20% of our property assets by value

Date

2023

We will deliver 3,000 new affordable homes each year

2023

LGIM will engage with investee companies on themes that create more resilient societies, including diversity, income inequality and financial inclusion

Ongoing

# ESG at L&G: Growing our business responsibly

## What have we achieved so far

Our employee satisfaction score is 76, remaining above pre-pandemic levels

We improved ethnic minority representation on our Board in response to the Parker Review

We continue to make progress in narrowing the Gender Pay Gap to 24.1% (2020: 26.6%)

We have improved the D&I data we hold on our employees, increasing the number of employees for whom we hold ethnicity data to 67.9% (2020: 52.6%)

Our people	Year ended 31 December		
	2019	2020	2021
Number of employees	8,507 <sup>1</sup>	10,099	10,743
UK employees on permanent contracts (%)	87.4	95.3	95.3
Female Board directors (%)	36	30	30
Female middle/senior management (%)	38	35 <sup>2</sup>	36
Difference in median hourly rate of pay between male and female employees (%)	28.5	26.6	24.1
Investment in UK employee learning and development (£m)	4.5	5.3	4.4
Employee satisfaction index (%)	72	77	76
Number of RIDDOR accidents	17 <sup>1</sup>	27	25

## Commitments<sup>3</sup>

	Date
Continue to report progress on narrowing our gender pay gap	Ongoing
Continue to improve the data we hold on our people, including on ethnicity and other protected characteristics	Ongoing
As a signatory of 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.	2025

1. Excludes employees of smaller LGC businesses.

2. 2020 impacted by the sale of our Mature Savings and General Insurance businesses, which had a more equal gender balance.

3. See Sustainability Report for full list of commitments.

# ESG at L&G: Growing our business responsibly

## LGIM Active Ownership

	Year ended 31 December		
	2019	2020	2021
Number of companies covered by our Climate Impact Pledge	c.80	c.1,000	c.1,000
Number of company engagements from our Investment Stewardship team	739	891	773
Number of worldwide resolutions on which we voted <sup>1</sup>	50,900	66,037	67,551
Number of directors whose election we opposed due to governance concerns	4,055	4,700	5,379
Number of new responsible investment strategies launched	14	20	37
AUM in responsible investment strategies (£bn)	150	207	290

## Exclusions

- Coal and oil sands<sup>2</sup>
- Controversial weapons
- UN Global Compact violation (*LGIM*)

## Additional resources

We release further details on ESG at L&G in our annual reporting, including our Climate Report (prepared in line with TCFD recommendations) and Gender Pay Gap Report (published later in March) and Sustainability Report (published later in the year). These can be found using the below links:

- [Results, reports and presentations](#)
- [Sustainability reporting centre](#)

1. Voting instructions for main FTSE pooled funds.

53 | 2. See our Climate Report for our coal and oil sands policy.