

Chief Executive Officer's Q&A



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Nigel Wilson
Group CEO

Nigel, in 2019 the group continued to deliver excellent financial results. How are you consistently delivering this performance?

We have successfully built our strategy around long-term growth drivers that affect people's lives across the globe. These remain relevant regardless of short-term political or market uncertainty and allow us to tackle large, complex social issues.

For example, focusing on ageing demographics meant we were able to execute some record-breaking pension de-risking deals in 2019, generating £11.4 billion of sales and £1.2 billion of operating profit. Our individual retirement business saw annuity sales increasing by 22% to £970 million. Historical under-investment has created the opportunity for us to put pension savings to use, with £26 billion invested to date in direct investments, helping to transform towns and cities. At the same time, globalisation of asset markets has led to our investment management business now looking after £1.2 trillion of assets, £370 billion internationally.

How did inclusive capitalism develop further in 2019? How does this feature in your strategic priorities?

Inclusive capitalism is central to our strategic growth and our long-term, sustainable success. By joining up pension savings with areas of under-investment, we deliver economically successful and socially useful outcomes, generating the right returns for pension savers and stakeholders. It's a way of creating new assets and new jobs, using the 'power of pensions' to help people across the economy.

In 2019, our pension annuity assets increased to £76 billion, providing further capital for these investments. We have a range of urban transformation projects underway across the UK and we invested in clean energy, science, technology and housing. In 2019, we were delighted to be invited to join the G7's and OECD's 'Business for Inclusive Growth' forum which brings together other influential organisations supportive of inclusive capitalism. This reinforces the message that delivering shareholder value and furthering social progress are not mutually exclusive.

How are you investing your capital differently to help manage climate change?

There are many exciting commercial and developmental investment opportunities within the UK that we have supported and will continue to invest in, particularly around decarbonisation, clean energy and future cities. Our direct investment strategy allows us to develop our towns and cities in an inclusive and environmentally sustainable way.

This year we continued to invest in renewable energy infrastructure. This included one of the UK's largest electric vehicle charging providers, with our total clean energy investments to date totalling £1.3 billion. From 2030, all new homes built by our housing business will be capable of operating at net zero carbon emissions and we continue to work to reduce our carbon footprint. We actively engage with regulators and investee companies to support increased climate action, while those companies which fail to meet minimum thresholds are put on a 'no investment' list. As one of the world's largest investment managers, we use our scale and position to encourage others to do the same.

How will Britain leaving the EU affect your strategy in the UK and internationally?

The Brexit process hasn't impacted our ability to grow. The UK remains central to our growth strategy and will continue to have a world class financial services sector, as well as competitive advantage in many other industries, including science and technology. The UK now needs to turn its attention to creating real jobs to boost productivity, incomes and improve people's lives in all our regions.

Alongside our commitment to the UK, we have seen continued success internationally. In the US, we generated in excess of \$1.1 billion of pensions de-risking premiums and exceeded \$245 billion of total assets under management. In Canada, we agreed our first pension risk transfer for over CAD\$200 million. In Japan, we were awarded a £37 billion passive mandate with the Japan Government Pension Investment Fund which established us as a top three non-domestic manager in the Japanese institutional pension market at the time. In Europe, we saw strong activity and flows in key markets, with assets under management increasing by 35% during 2019, to £58 billion. We will continue to serve our European investment management clients from our newly set up Irish base and continue to work with our European partners such as PGGM who have invested alongside us in our recent build-to-rent schemes. We see huge opportunity to use our expertise and unique synergies to further replicate our success internationally.

How important are your employees in delivering your strategy? What have you done to support their needs?

I'm very proud of all our employees. We continue to invest in our employees' development and wellbeing, creating an inclusive culture where we value differences and empower people to meet their goals. Lesley Knox, in her role as our designated workforce director, met with many employees throughout the year and the insights gained have driven a number of initiatives in 2019, and will continue to do so into 2020 and beyond. The main finding was that our employees are positive about our business, are engaged and are committed to doing the right thing.

All our employees are entitled to participate in our share scheme, with 67% holding shares, making up 1% of our issued share capital. This demonstrates our employees' confidence in Legal & General and that their interests are aligned with those of the group. I'd like to thank all our employees for their hard work and commitment, making Legal & General a company which serves our shareholders, customers and all our communities.

Across the group, by the end of 2019 we had put a total of £26 billion into direct investments.



Urban transformation

We're committed to transforming towns and cities to create jobs, build infrastructure and drive regional economic growth.



Affordable housing

We have partnered with housing associations and other providers to deliver our pipeline of affordable homes across the UK.



Later living

We continue to expand our later living activities to provide high quality housing and care for an ageing population.



Science, technology and innovation

We're helping to drive business growth and greater productivity by investing in science, technology and innovation.



Working toward a net zero carbon future

We have invested in wind and solar power generation, energy efficient buildings, and innovative technologies to control, manage, and store energy.