

## Our strategy

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

In responding to these 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.

Whilst 'Addressing climate change' has been formally included in our growth drivers in 2019, it is not new to our approach, and is deeply embedded in how we run our business.



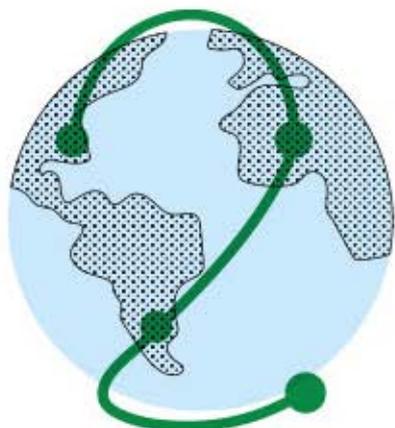
## 1. Ageing demographics

As populations live longer their pensions need to last longer too. Companies have an increasing need to find solutions to their ongoing pension commitments which can apply pressure on their financial resources. At the same time, individuals need to ensure that their retirement funds and other assets can finance longer retirements.

## 4. Welfare reforms

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





## 2. Globalisation of asset markets

Asset markets are increasingly globalised and growing – worldwide assets under management are currently around \$74 trillion and expected to increase to around \$101 trillion by 2023, representing an enormous opportunity for international asset managers. North America, Asia Pacific and Europe are all attractive markets which continue to expand.

## 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. We continue to experience a serious housing shortage, while small and medium enterprises also struggle to achieve scale without access to long-term capital. This encompasses our 2018 growth drivers of 'Creating real assets' and 'Providing today's capital'.

### Short-term influences

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

#### The UK's exit from the EU

Our customer base is largely in the UK, US and Asia, which reduces our exposure to any negative trading effects should the UK government be unable to agree a future trading relationship with the EU. However, we have established a new base in Ireland to support our investment management business's European institutional clients, and recognising the risks to specific industries and sectors from a failure in trade negotiations, we have taken steps to structure our investment portfolios for a range of outcomes.

## 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.

## 6. Addressing climate change

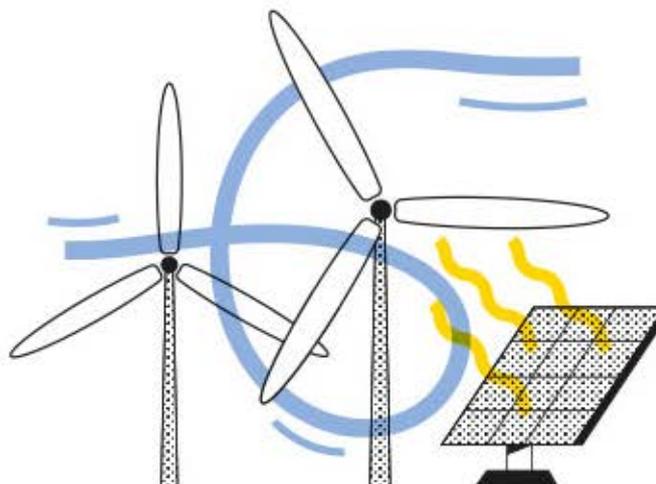
Scientists, policy-makers, markets and regulators increasingly agree that we must move to a global warming trajectory below 2°C to avoid potentially catastrophic physical risks which will impact global economies, markets, companies and people. This implies transition to a lower-carbon economy, which in turn creates risk management challenges but also substantial new growth opportunities, including in renewables and innovative technologies.

### Geopolitical environment

Following the UK general election in 2019, the political landscape looks more certain, but wider geopolitical risks remain. We believe our strategy based upon global growth drivers is relevant across the political spectrum and will remain resilient to worldwide developments. However, we will continue to monitor events closely.

### Economic outlook

There are tentative indications that the global economic outlook is improving with a period of more positive albeit slow rates of growth. However, at the time of writing the recent outbreak of Covid-19 has potential to impact global supply chains and short-term growth prospects for a number of economies.





## Growth drivers

### Ageing demographics

### Globalisation of asset markets

### Investing in the real economy

#### Strategic priority

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

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

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

#### 2019 achievements

- Over \$1.1 billion (£893 million) of US pension risk transfer premiums in 2019.
- Pension annuity assets up by 20% to £76 billion.

- £37 billion mandate with Japan Government Pension Investment Fund.
- First Canadian pensions risk transfer agreed for over CAD \$200 million.

- £4 billion committed to Oxford University partnership to develop homes and science/innovation districts.
- Six operational sites and over 1,000 homes in our suburban later living portfolio.

## £4.6 billion

pensions de-risking deal with Rolls-Royce, one of the largest ever in the UK.

## £1.2 trillion

of global assets under management.

## 5,000

homes in operation, under construction, or planned, in 15 UK build-to-rent schemes.

#### Looking forward

We will continue to build on our current position, with total opportunity in the markets in which we operate standing at over £5 trillion of defined benefit (DB) liabilities.

International inflows are expected to continue to increase from our growing presence in North America, Asia Pacific and Europe.

We will continue to invest in infrastructure, clean energy, commercial and residential property.



Growth drivers

**Welfare reforms**

**Technological innovation**

**Addressing climate change**

**Strategic priority**

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

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

We are able to support the fight against climate catastrophe through the positioning of our own balance sheet and through our ownership of one of the largest global institutional investors.

**2019 achievements**

- 20%+ market share in UK Retail Protection insurance.
- Defined contribution (DC) pension scheme assets of £94 billion.

- Launched cloud based web tools for DC pension schemes to drive member engagement.
- Launched our blockchain reinsurance platform, Estua-re.

- £57 million invested in UK solar portfolios.
- Investment in Pod Point, one of the UK's largest electrical vehicle charging operators.

**3.5 million**

customers in UK defined contribution (DC) pensions.

**1.3 million**

UK customers on SalaryFinance digital financial wellbeing platform.

**£1.3 billion**

invested in renewable energy infrastructure.

**Looking forward**

We will increase our DC asset portfolio, with total UK DC assets expected to more than double by 2028 to £955 billion. Our investment in digital insurance solutions will improve efficiency and returns.

Our Fintech businesses are expected to grow as they diversify their products and as we make further investments.

We will continue to invest in energy efficient property, renewables and science to support decarbonisation, and use our investment scale and strength to encourage others to follow suit.