

Chief Executive Officer's Q&A



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balanced growth.”

Nigel Wilson
Group CEO

What is the biggest challenge for companies in today's economy?

We believe that capitalism works, but it needs to work for everyone. This is the starting point of inclusive capitalism. Companies must show that being both economically effective and socially useful are not incompatible; they are two sides of the same coin. Inclusive capitalism is a balanced vision, where profits and purpose co-exist, and everyone can build their own stake in our economy. This means that we all need to step up, with local and national government, businesses and broader society working in positive, constructive collaboration.

Why is Legal & General's work important?

What matters to me is impact; any number of promises, pledges and slogans will not build a new flat for a graduate or deliver a secure income for retirees. That is why our team is focused on delivery – the real difference that we can make. Our teams have been working with local leaders and decision-makers to deliver place-changing regeneration projects. We are delivering projects in the UK's cities and towns outside London – this is what 'Building Back Better' and 'Levelling Up' mean in practice and we have been doing this for nearly a decade already.

Since the start of Covid-19, UK unemployment has risen and it is likely to rise further over the next 12 months. It is essential that financial institutions continue to invest in the real economy, recycling pensions funds and savings into projects that help to create jobs, housing and vital infrastructure. We invest where we see growth potential, both to support economic recovery and to provide positive, long-term outcomes for our investors. Our investments since March 2020 are set to create 30,000 jobs in the UK, including at Cardiff Central Square and at the Birmingham Health Innovation Campus.

What has Legal & General done in response to Covid-19?

We supported our people, quickly adapting to agile working. Our workforce rose to the challenge, ensuring our customer service was largely uninterrupted. We rapidly opened a £500,000 community fund for local charities. Following the immediate response to Covid-19, we have gone further by donating £5 million to Newcastle City Council to build a prototype care home built on the learnings from the pandemic. Combining this with our £20 million investment into the Advanced Care Research Centre with the University of Edinburgh, we are determined to create a generation of new leaders in care, as well as producing world-class academic research into how we can better support older people.

How has the business performed in 2020?

We delivered a robust and resilient financial performance consistent with the five year ambitions we set ourselves at the Capital Markets Event in November, with operating profit from continuing divisions of £2.6 billion, cash and operating surplus generation of £1.5 billion each and a return on equity of 17.3%. Our markets are large, growing and attractive, and we have positioned ourselves well for future growth.

What are your ambitions?

Our ambition will be delivered by balanced growth across each of our five businesses and our focus on addressing climate change. Each of our businesses is expanding globally, adding new products and solutions to their strategic goals. We continue to invest in new business and economic recovery, with environmental, social and governance (ESG) considerations embedded in our strategy.

Climate change is the biggest challenge that our generation faces; history will judge us badly if we cannot get this right. We support the Paris Agreement, have lobbied for the UK government's commitment to achieve carbon neutrality by 2050, and are a consistently active voice on climate.

We continue to work across the Group to help limit global warming to 1.5°C and we have strengthened our climate commitments, including setting Group balance sheet carbon intensity targets.

We want to go beyond investing in ideas that already exist by supporting the UK's world-leading scientific community and in turn supporting regional economic growth. Our focus on science and technology includes investments in renewable energy such as Kensa Heat Pumps, the UK's largest manufacturer and installer of ground source heat pump technology, and in Bruntwood SciTech, the UK's largest science and innovation property platform. Bruntwood operates in eight locations across the UK, including Alderley Park, which now operates as a national Covid-19 testing hub.

Ultimately, our work matters because millions of people rely on us; when we generate great results, they benefit those who choose us for their pensions, investments and protection.

What is the outlook for 2021?

We are realistic about the uncertainties in 2021, but excited about the opportunities. From addressing climate change to investing in the real economy, fostering and funding innovation in the UK and expanding our international presence, we have a clear strategy, highly skilled people and a strong sense of purpose.

Areas of focus

**Addressing climate change**

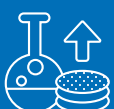
We are investing in new climate-friendly technologies, are a world leading ESG investor and have set ourselves ambitious targets.

📄 See page 32

**Investing in the real economy**

We have invested £1.5 billion in levelling up the UK's town and cities, gained planning permission for c.6,000 homes across our housing businesses and funded regeneration schemes.

📄 See page 36

**Innovation in the UK**

We have an innovative approach to tackling economic and societal issues and are active investors in data centres, creative industries and science and technology.

📄 See page 37

**International expansion**

We will build on the success of our US pension risk transfer business and grow our presence in Asia.

📄 See Business Reviews starting on page 20