

Our business model

Our business model enables us to capitalise upon our strengths and capabilities.

We aim to be leaders in four key areas: retirement, investment management, capital investment and insurance. We benefit from scale in each of our businesses.

By taking a long-term approach to inclusive capitalism, our businesses work together to make a difference.

Retirement

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

Investment management

We are one of Europe's largest asset managers and a major global investor.

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 future cities, housing and SME finance.

Mature Savings

In December 2017 we announced the sale of our Mature Savings business, which provides legacy savings and pensions products, to ReAssure. This transaction completed in September 2020.

Insurance

We are the UK's number one individual life insurance provider.

Retirement

Institutional – 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 whilst providing guaranteed payments to individuals within their schemes.

Retail (individual) – We help our customers accumulate pensions savings and transform them into the income they need to have a colourful retirement life.

Our main business areas are:

Institutional

- **UK pension risk transfer:** providing risk transfer solutions for UK defined benefit (DB) schemes.
- **US pension risk transfer:** providing risk transfer solutions for US DB schemes.
- **Reinsurance:** providing solutions from our global reinsurance hub in Bermuda.

Retail

- **Retirement income:** providing annuities and other pension income products.
- **Retirement lending:** providing lifetime mortgages to help people increase their retirement resources.
- **Financial advice:** providing in-house financial advice on our lifetime mortgages.
- **Health and care:** helping customers find and fund care for themselves or their relatives.

How we generate shareholder value

For both institutional and retail customers we use our deep expertise in the science of life expectancy to accurately assess the risks associated with each contract and, therefore, how much income we expect to provide to our customers. We charge a margin on the initial amount received in exchange for assuming the risk over the lifetime of the policy. We invest the margin and our customers’ pension savings in high quality assets. This generates returns whilst ensuring we are able to pay policyholder pensions in full as they fall due.

Growth drivers

- Ageing demographics
- Welfare reforms
- Technological innovation

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Investment management

We manage the assets our clients hold to cover their DB pension scheme liabilities and manage their risk through matching their assets to their liabilities. We are a leading defined contribution (DC) pension manager, aiming to invest DC customers’ pension assets to generate returns. We have an increasingly global business with over £388 billion of international assets under management.

Our main business areas are:

- **Investment management:** servicing our client base, which includes DB schemes, DC schemes, retail investors, and private corporations, both in the UK and internationally.
- **Retail investment:** offering individual investors a range of retail funds and asset management.
- **International:** building an increasing presence in North America, Asia Pacific and Europe.
- **Workplace:** offering full administration and investment management services to UK DC schemes (transferred to our retail retirement business from early 2021).

How we generate shareholder value

We have £1.3 trillion of assets under management across a range of asset classes. We receive fees for providing these asset management services to both individual and institutional clients through a variety of businesses.

Growth drivers

- Globalisation of asset markets
- Technological innovation
- Addressing climate change

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Capital investment

Our direct investments generate returns for pensions and on the Group’s capital, as well as benefitting society through socially responsible investing. The long-term nature of these investments makes them attractive to our retirement businesses as they can select investments that match the duration of their liabilities.

Our main business areas are:

- **Specialist commercial real estate:** investing in urban regeneration and infrastructure.
- **Clean energy:** investing in renewable infrastructure and clean technology.
- **Residential property:** developing housing through CALA, Affordable Homes, Modular Homes, Later Living and Build to Rent.
- **SME finance:** financing growth businesses.
- **Traded portfolio:** investing shareholder funds in equities, fixed income and other short-term liquid holdings.

How we generate shareholder value

We generate value through achieving long-term consistent returns on the investments and also from gains made upon sale.

Growth drivers

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

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Insurance

We started offering life insurance cover in 1836 and are the UK’s number one individual life insurance provider. We also offer ‘level-term’ life insurance in the US and our group protection business in the UK offers life insurance and income protection products to individuals through their employers. We now have 5.5 million UK individual life insurance customers, 1.8 million people in group protection schemes and 1.3 million US life insurance customers.

Our main business areas are:

- **UK retail protection:** providing life insurance, critical illness and income protection for individuals.
- **UK group protection:** helping companies protect their employees.
- **US protection:** providing term life insurance cover.
- **UK mortgage club and surveying businesses:** providing mortgage distribution and home survey and valuation services.
- **Fintech solutions:** developing solutions and making targeted investments in start-up and scale-up opportunities.

How we generate shareholder value

We collect premiums for policies that make payments upon death (life insurance), diagnosis of a critical illness (critical illness cover) or inability to work due to illness or injury (income protection). We price using our experience of mortality and morbidity risks, and manage these risks over time. Value is generated through accurate pricing and the margin we charge on each. We further enhance value through the selective purchase of reinsurance at competitive rates.

Growth drivers

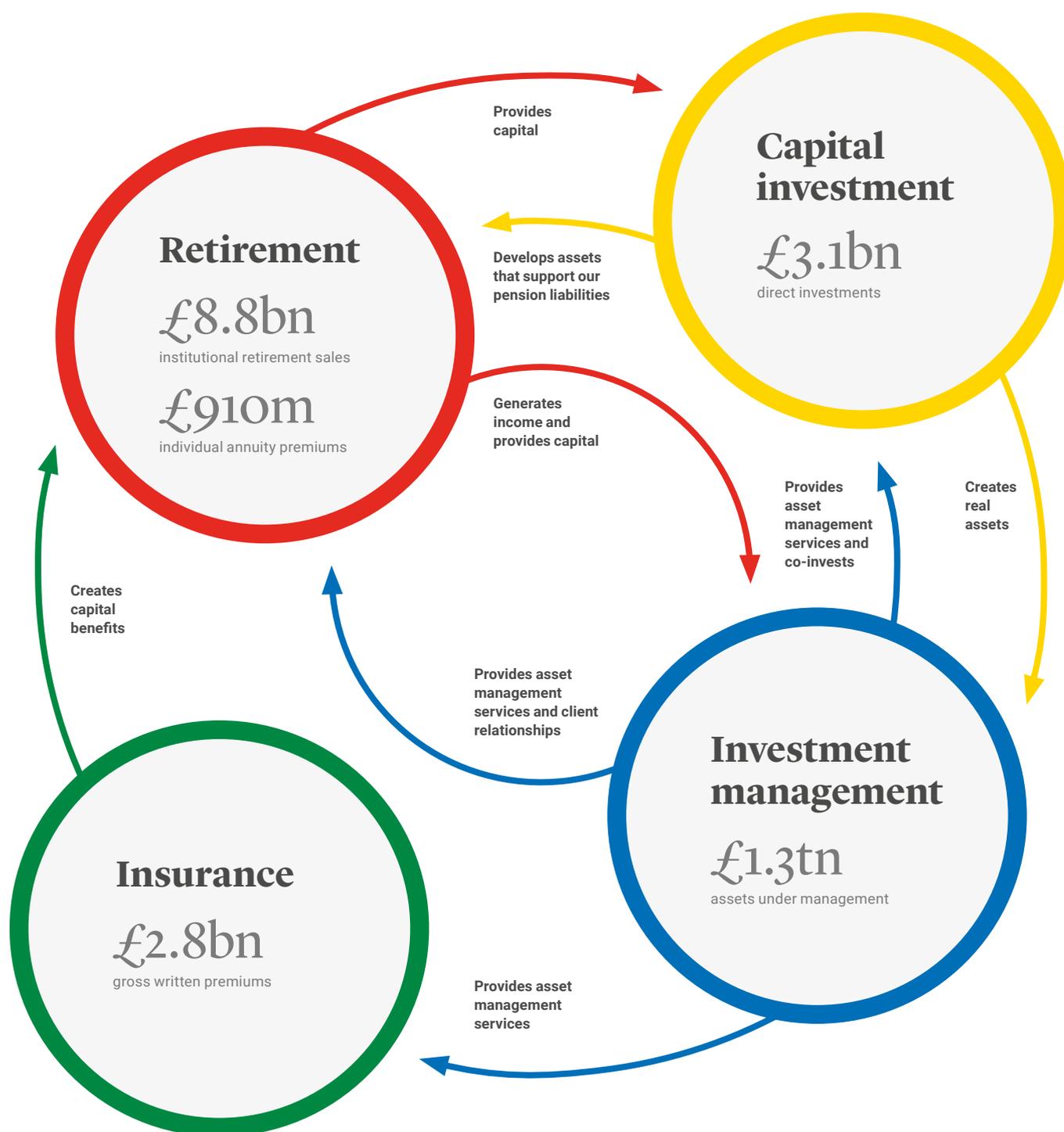
- Welfare reforms
- Technological innovation

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Our business model continued

Our model is highly synergistic

Our businesses work together to deliver our strategic purpose and generate value for our shareholders, customers and communities.



It is the combination of our strengths and the synergies we achieve from our businesses working together that sets us apart.

Our strengths and capabilities

Our business model is underpinned by the depth and breadth of our resources. These resources allow us to capitalise upon our strategy. They 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.



Brand

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



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.



Customer loyalty

The long-term nature of our business means 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.

Releasing the power of pensions

Sky Studios Elstree, a state-of-the-art film and TV studio, received planning permission in July 2020. Construction commenced in January 2021 and completion is anticipated in summer 2022. The development is a joint project between Sky and Legal & General, and it demonstrates how our own businesses work together to deliver our strategic purpose.

Our institutional retirement business provided £325 million in funding and our capital investment business will develop the asset. Upon completion, institutional retirement will own the asset and it will be managed by our investment management business.

The studios are expected to create over 2,000 jobs, generate £3 billion of production investment and become the most sustainable film and TV production site in the world.

Sky Studios Elstree demonstrates how we use pensioners' capital for society's benefit; this is how we make a difference through inclusive capitalism.



£325m

Funding from our institutional retirement business