

Our strategy

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

In responding to these long-term 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.

Environmental, social and governance issues are central to inclusive capitalism and are inherent to all six growth drivers.



1. Ageing demographics

As populations live longer their pensions need to last longer too. Companies increasingly need to find solutions to their ongoing pension commitments. At the same time, individuals need to ensure that their retirement funds and other assets can finance longer retirements, with defined benefit and defined contribution pension assets at \$47 trillion.

Strategic priority

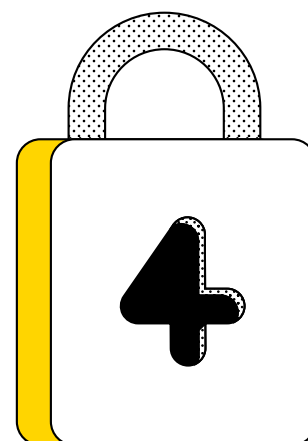
We aim to be global leaders in pensions de-risking and retirement income solutions, building upon success in the UK and US.

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.

Strategic priority

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





2. Globalisation of asset markets

Asset markets are increasingly globalised and growing – worldwide assets under management are currently \$89 trillion and are expected to increase to \$106 trillion by 2024, representing an opportunity for international asset managers. North America, Asia Pacific and Europe are all attractive markets which continue to expand.

Strategic priority

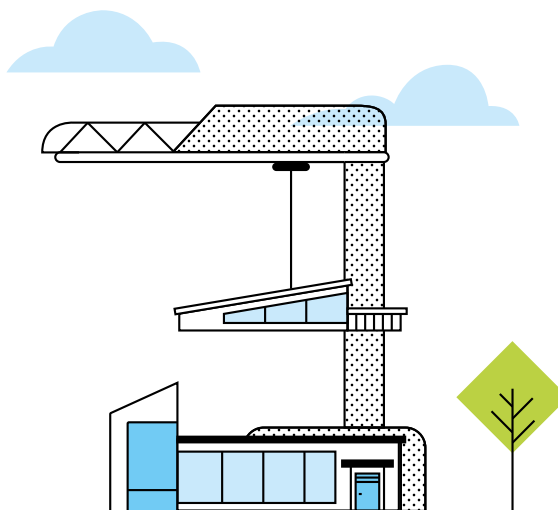
We aim to build a truly global asset management business, entering new markets and expanding our existing operations.

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.

Strategic priority

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.



3. Investing in the real economy

Throughout the UK and beyond, there has been a long-term trend of underinvestment in major towns and cities, and we continue to experience a serious housing shortage, while Small and Medium Enterprises can also struggle to achieve scale without access to long-term capital.

Strategic priority

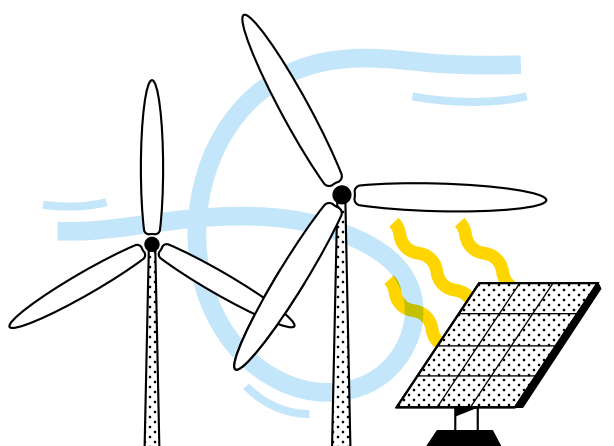
By investing capital over the long term, we aim to become leaders in direct investments whilst benefitting society through socially responsible investments.

6. Addressing climate change

Scientists, policy-makers, markets and regulators increasingly agree that we must move to a global warming trajectory below 1.5°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.

Strategic priority

We are able to support the fight against climate catastrophe through the positioning of our own investments, our influence as one of the world's largest asset managers and managing our own operational footprint.



Short-term influences

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

Covid-19

As well as having an unprecedented impact on our customers, employees and society at large, Covid-19 has resulted in considerable disruption to the global economy, and whilst vaccines and treatments offer hope for a return to economic growth there is potential that certain sectors will be disrupted for an extended period of time. There is also significant short and medium-term uncertainty for both interest rates and inflation, and the approaches that central banks may take to stimulate economic growth, including the deployment of negative rates.

The UK's exit from the EU

As a business our customer base is largely in the UK, US and Asia. We therefore have limited direct exposure to the EU should the UK's financial services regime not be assessed as equivalent by the EU. Our base in Ireland enables us to continue to support our investment management business's European institutional clients.

Economic outlook

Response to the spread of Covid-19 has led to significant increases in public spending, income interventions unseen in the UK before and a crisis in the social care and health systems. As the challenges presented by Covid-19 begin to recede, attention will move to re-building from the economic impacts with focus on ageing demographics, welfare reforms, infrastructure development, house building and auto-enrolled pensions, all of which are key parts of our strategy.

Growth drivers and stakeholders

In shaping our strategy we consider the impact on our stakeholder groups. This table provides just a few examples of how stakeholder engagement influences our business.



Ageing demographics

Globalisation of asset markets



Shareholders

Our shareholders are institutional and individual investors. We provide them with honest and transparent information on our strategy and performance and we generate value through increases in our share price and a progressive dividend.

We are a UK market leader in pension risk transfer, offering a 'whole of market' product range and continue to innovate to provide greater de-risking access, choice and flexibility, in turn delivering value for our shareholders.

Our investment management business is continuing to selectively extend its global reach with international assets under management of £388 billion.



Customers

Our customers include those saving for retirement, recipients of retirement income, insurance policy holders, mortgage holders, residents of our housing and retirement villages, and investors. Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.

Responding to our opinion research into the impact of Covid-19 on retirement saving, we co-created free retirement planning courses with the Open University. Around 2,000 people have signed up so far.

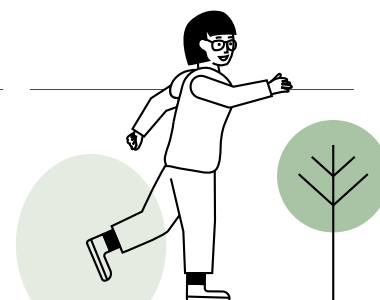
We transacted our first global pension risk transactions: IHS Markit (£122 million) and Evonik (£617 million).



Employees

Our employees are based in the UK, US, Bermuda, Hong Kong, Japan, Ireland and other European countries. We continually invest in employee development and wellbeing to create an inclusive culture, engaging our people and empowering them to meet their goals.

We extended our Care Concierge product to employees, providing people with personal advice to support loved ones on their care journey.



Regulators

We are supervised by regulators across all the markets in which we operate. We recognise the value of strong regulation which ensures trust and confidence for customers and all stakeholders. We actively work with government and regulatory bodies to ensure regulation meets the needs of all stakeholders.

We were selected by UK Research and Innovation to deploy £6 million of grant funding to early stage companies that are making a difference in the healthy ageing market.

We work positively and proactively with our regulators in all markets in which we operate and have had two positively concluding regulatory examinations in 2020.



Communities

Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our assets in an economically and socially useful way to benefit everyone in our communities.

We donated £5 million to Newcastle City Council to build a prototype care home which moves away from traditional large scale facilities and incorporates learnings from Covid-19 on infection control.

We provided €54 million (£48 million) long-term financing to help deliver affordable housing across Ireland. 'For us, finding a funding partner with a wider social purpose is incredibly important' (Fiona Cormican, New Business Director at Clúid Housing).

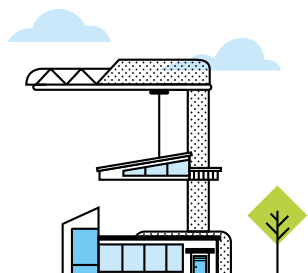


Suppliers

We have a broad range of suppliers, ranging from service and material providers to IT and software suppliers. We strive to work with like-minded businesses who comply with our Code of Conduct. This includes operating ethically, taking environmental responsibility and treating workers with respect and dignity.

Our retail retirement business is working with the Society of Later Life Advisers to help customers access independent financial advisers who specialise in care advice.





Investing in the real economy

Welfare reforms

Technological innovation

Addressing climate change

Shareholders

Our direct investments in future cities, housing, small and medium enterprise finance and clean energy of £3.1 billion mean that our long-term funds provide both economic and social benefits.



Customers

Our retail retirement business launched a new pension tracing and consolidation service to help find £19.4 billion of unclaimed pension pots.

Our technological capabilities and scale are enabling faster and better synergies. Following the acquisition of Neyber, Salary Finance is now the UK's largest employee financial wellbeing platform.

We invest retirement capital into environmental, social and governance (ESG) investments, including technological innovation and carbon-friendly future cities to generate long-term income streams.

Employees

In partnership with Salary Finance, we launched Protect as a new way to manage employee insurance benefits. Protect is available to our own employees.

Our Not A Red Card Ambassador Rebecca Adlington OBE presented at this year's REBA Employee Wellbeing Congress, focusing on anxiety and burnout.

We built and distributed 1,700 laptops, enabled a remote contact centre and built a cloud based desktop solution within 10 weeks of initial lockdown to enable employees to work remotely.

56% of UK savers would opt for a fully or partially sustainable pension given the choice and we have responded through the launch of our Secure Income Assets fund and Climate Transition Index equity fund.

Regulators

Following careful consideration of the PRA's letter to UK insurers about the distribution of profits, the Board decided that it was appropriate to pay the final 2019 dividend.

We published 'Caring for Britain', showcasing new leadership and innovation in UK care. The green paper calls for contributions from sector specialists to help to design better policy in this area.

Nearly 100 of our employees collaborated on a Climate Change Virtual Accelerator, developing business ideas that will have a big impact on climate change and deliver commercial benefits.

Michelle Scrimgeour (LGIM CEO) is a member of the Business Leaders Group for the COP26 climate conference, helping to steer companies towards success in a low-carbon economy.

Communities

We are building relationships with the UK's local leaders to create long-term sustainable projects, including with Cardiff Council on Cardiff Interchange.

We use data analytics to enable management and risk functions to monitor our customer and service performance, helping us to identify areas for improvement and potential matters for reporting to our regulators.

We have invested in low carbon heating and ground source heat pump technology, helping reduce emissions from the built environment.

We are transparent and open, encouraging suppliers from all backgrounds and size through our request for proposal process, incorporating feedback from engagement with the UK government.

Suppliers

We adopted the Ethical Trading Initiative Base Code to set high standards of worker treatment in our supply chains and we signed up to Social Enterprise UK to engage with social enterprises.

Our procurement function has a five year strategy and has invested in artificial intelligence to enhance supplier engagement and improve their on-boarding experience.

We have developed our own Sustainable Sourcing Principles charter, giving sustainability a greater platform and embedding climate change as one of our core principles.

