Investing in a brighter future

Legal & General Group Plc | Annual report and accounts 2023

Cardiff Central Square investment

The economic benefits that this large-scale investment is bringing to Cardiff reflect our inclusive capitalism model, which sees us generate returns for shareholders whilst also making a difference to society.

Employment hub

13,000

jobs upon completion in the new developments: BBC Wales, HMRC, Cardiff University and law firms

Central Quay

715

we are on track to deliver 715 BTR apartments at the former Brains Brewery site

The Interchange: Wood Street House

318

Build to Rent (BTR) homes, the tallest building in Cardiff

1st

BTR scheme in the city, forming part of our Central Square regeneration

Transport infrastructure

£200m

financing to support Wales & Borders franchise to improve services for train passengers while reducing carbon emissions through electrification

The Interchange: Calon

120,000

square feet office element

2,500+

employees

Net zero

designed to align with net zero carbon

14 bay

bus station and retail space transformation

Front cover: Legal & General employees outside our new office, part of our significant investment in reshaping Cardiff's city centre.

Contents

Strategic report

How we bring our vision of inclusive capitalism to life

Governance

How we grow our business responsibly

Financial statements

Our financial statements for the year ended 31 December 2023

Other information

Annual report quick read
A summary of the Annual report and accounts, highlighting strategy, performance and how the Group is structured, is available online: group.legalandgeneral.com/annualreportsummary

Climate and nature report
group.legalandgeneral.com/reports

Social impact report
group.legalandgeneral.com/reports

Tax supplement
group.legalandgeneral.com/reports

Risk management supplement
group.legalandgeneral.com/reports

At a glance

Financial measures

With the introduction of IFRS 17 on 1 January 2023, some of our previously reported financial measures are no longer relevant and others have been restated on the new basis. Accordingly, we have presented the current year and restated prior year values only.

Profit before tax £m

£195m

(2022: £939m)

Profit before tax comprises all items of income and expense recognised in profit or loss (excluding tax).

Adjusted operating profit £m

£1,667m

(2022: £1,663m)

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. The measure enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

Earnings per share p

7.35p

(2022: 12.84p)

Earnings per share (EPS) measures the profitability and strength of a company over time. It is determined as total shareholder profit after tax divided by the number of shares outstanding.

Store of future profit £bn

£14.7bn

(2022: £13.5bn)

Store of future profit refers to the gross of tax combination of established contractual service margin (CSM) and risk adjustment (RA) (net of reinsurance) under IFRS 17.

Solvency II capital coverage ratio

224%

(2022: 236%)

Solvency II capital coverage ratio, which shows own funds on a regulatory basis divided by the solvency capital requirement, is one of the indicators of the Group's balance sheet strength and aligns to management's approach of dynamically managing the Group's capital position.

Solvency II operational surplus generation £m

1,821m

(2022: £1,805m)

Solvency II operational surplus generation is the expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions, and includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

Non-financial measures

Investment portfolio economic GHG emission intensity

56 tCO_2e/£m

(2022: 62 tCO_2e/£m)[1]

This is made up of our ownership share of the emissions related to the assets we invest in within the Group proprietary asset portfolio. It includes bonds, equities, and investment property but excludes cash, derivatives, or any assets already covered in our operational footprint. It is measured per unit of investment.

Operational footprint (scope 1 and 2 (location))

27,722 tCO_2e[2]

(2022: 30,062 tCO_2e)

Measures the greenhouse gases (GHG) associated with our direct operations. Scope 1 emissions are direct GHG emissions occurring from sources owned or controlled by the Company. Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat or steam.

Performance measures and remuneration
The performance measures used for the purpose of determining variable elements of directors' remuneration are aligned to the Group's key performance indicators (KPIs). These are indicated with the icon: .

For more details, refer to pages 100 to 103 of the summary of remuneration policy.

Alternative performance measures (APMs)
The Group uses certain APMs to help explain its business performance, indicated with the icon: .

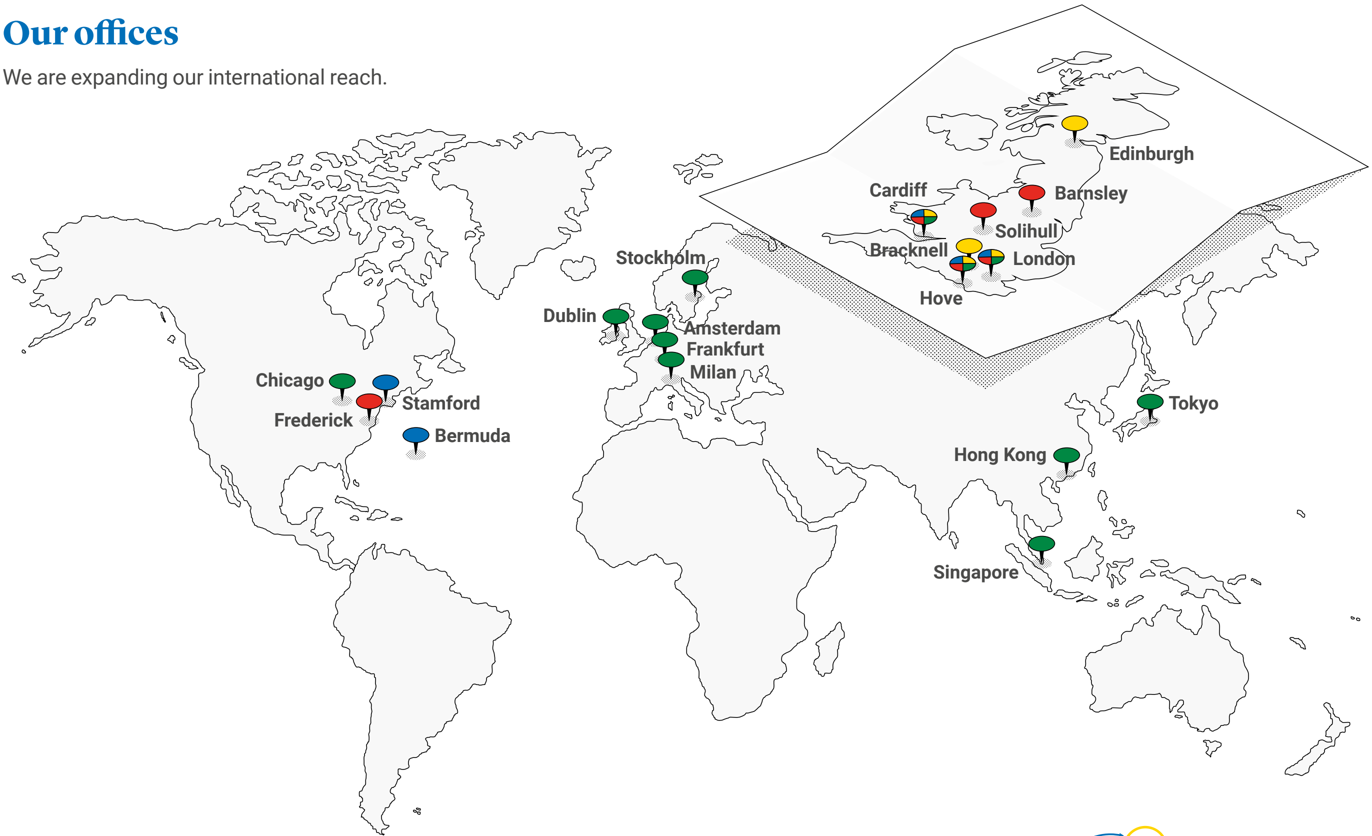
Further information on APMs, including a reconciliation to the financial statements (where possible), can be found on page 270.

Full definitions of the financial metrics above are included in the glossary on page 273.

1. Metrics have been re-baselined through a combination of methodology and data sourcing changes. Figures from the 2022 report, with an associated impact assessment, are provided in the 2023 Climate and nature report at: group.legalandgeneral.com/reports
2. Our total scope 1 and scope 2 (location) emissions have been subject to independent limited assurance by Deloitte. The basis of preparation (or reporting criteria) for our Group carbon footprint and Deloitte's limited assurance report is available in our 2023 Climate and nature report at group.legalandgeneral.com/reports.

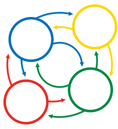
Our offices

We are expanding our international reach.



Our businesses

We benefit from scale in each of our businesses. Our businesses work together to deliver on our purpose and to drive synergies across the Group.



See more about our business model on page 12

Institutional retirement ('LGRI')

£13.7bn

new business premiums

We take on pension liabilities from corporate schemes in both the UK and the US. This 'pensions de-risking' gives companies greater certainty over their liabilities while providing guaranteed payments to individuals within their schemes.

See page 29

Capital investment ('LGC')

>4,500

homes delivered

Our investments across specialist commercial real estate, clean energy, housing and alternative finance generate attractive shareholder returns and create alternative assets which benefit society.

Our Build to Sell business, CALA, has grown to become the 10th largest housebuilder in the UK by revenue.

See page 32

Investment management ('LGIM')

£1.2tn

assets under management

We are one of the world's leading asset managers, with internal and external clients.

We are the market leader in UK defined contribution schemes.

We are also a leader in responsible investment, and continue to innovate and be recognised for our strength in this growing area of the market.

See page 35

Retail

c.14 million

people's needs met

We help millions of people in the UK and the US create brighter financial futures. We support their savings, protection, mortgage and retirement needs through our retail and workplace businesses.

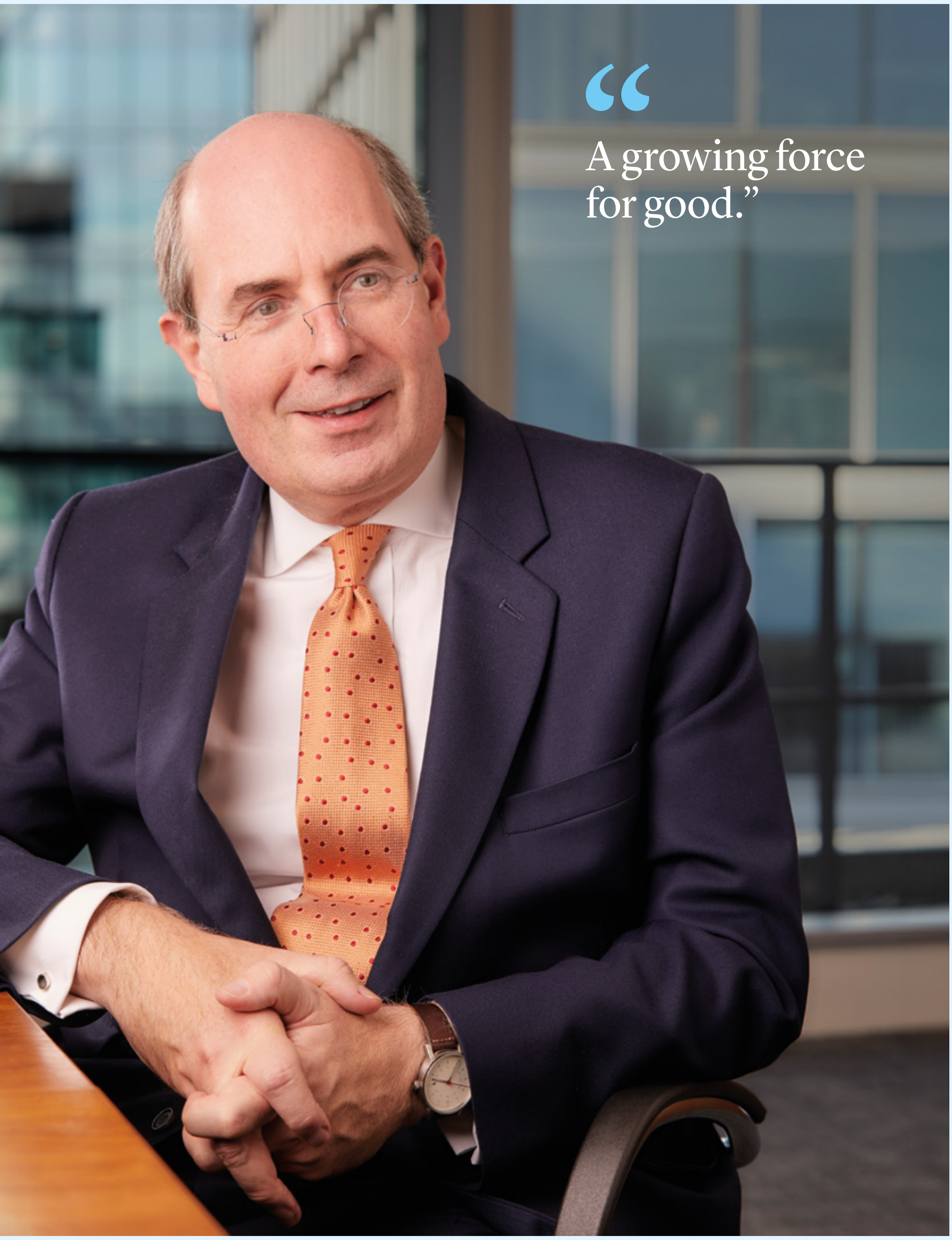
We are a market leader in UK Retail protection and retirement income. Our workplace savings business administers the largest and fastest-growing commercial UK MasterTrust.

Our US protection business continues to grow due to our ongoing investment in technology and digital transformation.

See page 37

Chair's statement

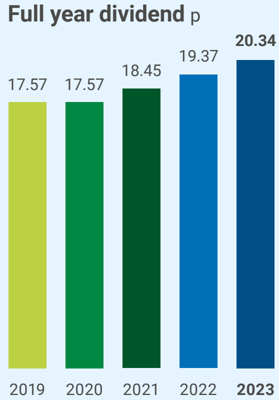
Momentum through change.



Annual General Meeting 2024
The Annual General Meeting (AGM) will be held on Thursday 23 May 2024 at the British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ, with additional facilities for shareholders to join and vote electronically.

Dividend policy
The Group's dividend policy states that we are a long-term business and set our dividend annually, according to agreed principles. The Board's intention for the future is to maintain its progressive dividend policy, reflecting the Group's expected medium-term underlying business growth, including measurement of capital generation and adjusted operating profit.

Full year dividend p



Final dividend to be paid on 6 June 2024

14.63p

(2022: 13.93p)

Introduction

2023 marked the beginning of a transition for Legal & General, with the Company's announcement in January that our Chief Executive Officer (CEO), Sir Nigel Wilson, would stand down by the end of the year, and the appointment of António Simões, with effect from 1 January 2024, as his successor. It is pleasing in that context to be publishing an Annual report that demonstrates continued good progress across the full breadth of our organisation. This is a testament both to Nigel's personal impact, and the strength of the business he has helped to build over the course of a decade.

As we look back on the year, I want to reiterate my gratitude, alongside the Board's, to Nigel for his relentless commitment to Legal & General, and for his leadership and contribution since he took up his post over a decade ago. Under his stewardship, Legal & General delivered outstanding shareholder returns, while putting purpose and societal impact at the heart of our choices, through our championship of inclusive capitalism.

Following a rigorous global selection process, António Simões formally assumed the role of CEO on 1 January 2024. António brings a formidable leadership track record at the most senior level in financial services, working across complex global organisations. His energy, ambition, and clarity of strategic thinking stood out during the selection process, as did his strong belief in the positive role that business should play in society which, of course, he shares with Legal & General.

Change beyond our business

Businesses are now becoming accustomed to a new inflation and interest rate environment, with the global economic outlook remaining uncertain. Geopolitical tensions have also accelerated with the impacts of the war in Ukraine, conflict in the Middle East and the prospect of several important elections in the coming year. These conditions create complex challenges for investors to navigate, as well as rises in cost of living for many households. Our customers rely on Legal & General to continue to pay their pensions, protect their income and manage their assets. I am proud of the role we play, always keeping sight of our purpose, making a real and positive difference to people's lives. 2023 was also a time of wider transition in our industry, particularly in our regulatory environment, with the introduction of IFRS 17 and the Consumer Duty. IFRS 17 changes the way insurance firms account for insurance contracts, and the Consumer Duty sets out new rules for delivering good outcomes for all customers.

Both of these initiatives are important context for Legal & General's business, and I am pleased to report that our teams have done a terrific job to prepare for their introduction. Thanks are due to all colleagues involved.

Positive momentum

In 2023, we delivered a resilient set of results, with an adjusted operating profit of £1.7 billion and a 9% growth in our store of future profit to £14.7 billion. Profit for the year of £443 million and EPS of 7.35 pence reflected mark-to-market movements and certain one-off accounting impacts.

We have a strong balance sheet, with a Solvency II coverage ratio of 224%, and capital generation in the year of £1.8 billion. These have supported a final dividend of 14.63 pence, consistent with our stated ambition to grow the dividend at 5% per year to 2024.

Our performance highlights the benefits of our synergistic business model. This year, we have seen more long-standing LGIM clients transition to our pension risk transfer (PRT) business, where we continue to take advantage of our powerful asset origination and management capabilities to match these liabilities with low capital strain.

The Group continues to build out its international franchises. We have made good progress in the US over the last decade and LGIM continues to expand in Europe and Asia, with 40% of assets under management (AUM) now outside of the UK.

We remain on track to achieve our five-year ambitions, and ready to set new, stretching goals for the next phase of our journey.

A growing force for good

Acting in both an economically and socially useful way is core to the way we do business. We have identified strategic growth areas and in doing so have generated consistent, sustainable, and socially beneficial returns. We are committed to supporting individuals in planning their financial futures, and are proud to help regenerate towns and cities, provide housing and deliver on our climate commitments.

We are delighted to now be settled into our new office in Cardiff, which brings these elements together to create a workplace with sustainability and wellbeing at its heart. This is the culmination of years of strategic investment and development around Cardiff Central Square – Legal & General has invested more than £1 billion in the city in recent years – and underlines the broad and positive value our approach can generate for our shareholders, customers and our people.

We continue to take action on climate change, regarding this as both a responsibility and a fundamental element of our business strategy. Our 2023 Climate and nature report highlights our progress against the targets we set out in our Climate transition plan, released in April 2023, and our commitments for the coming years. Our material climate disclosures are disclosed on pages 45 to 48 of this report.

Looking ahead

With a first-class executive team, a strong and resilient business model and platform for growth, the opportunities for impact are plentiful. In our first months working together, following a smooth and well-managed leadership transition, António's dynamism and ambition have been evident. I am confident we can look forward to going from strength to strength under his leadership.

In closing, I should like to extend my thanks and appreciation to leaders and teams across Legal & General for their enthusiasm and delivery throughout the year, and to our shareholders for their continued support. I look forward to working alongside you, and on your behalf, in the year ahead.

Sir John Kingman
Chair

Transition

Chief Executive Officer's Q&A

Welcoming António Simões

What attracted you to Legal & General?
Three things stood out to me: our sense of purpose and commitment to playing a positive role in society, the quality and performance of our businesses, and the talent and commitment of our people.

Few businesses have such a long-standing heritage – this year is our 188th birthday. We have seen through multiple economic cycles and societal changes, and evolved to stay relevant. We have proven that we can adapt and thrive in changing circumstances, and support our customers and partners throughout.

Today we are a very significant business – a global leader in pension risk transfer, supporting the needs of c.14 million people through our Retail division, managing £1.2 trillion of client assets, and investing alongside them to originate new, socially valuable assets – generating returns that help to fulfil long-term pension liabilities.

With this unique synergistic approach, and our track record of consistent performance and delivery for our shareholders, clients and customers, we are well placed to continue to seize the many growth opportunities in our markets.

Central to this success are our people. Legal & General has a reputation for the dedication and expertise of its employees. I was drawn to the Company as a place with a rich culture, in which excellent people thrive. I'm pleased to say these impressions have only been reaffirmed now I have joined.

In short, Legal & General is a business with strong foundations, and excellent potential. I am looking forward to helping define and lead our next phase.

What should shareholders expect from you as a leader of Legal & General?

A fresh perspective. I bring experiences from outside the business, which means I ask different questions and look at issues in new ways. I am encouraging us to think broadly about our markets and how we work.

My first priority as CEO has been to listen. By taking the time to hear from my colleagues, our customers, clients, shareholders and partners, I am learning what Legal & General means to them, getting their perspectives on what matters most, and where they see our future potential.

Looking ahead, I hope to combine strategic vision and focus with consistent delivery. I am working with my team to articulate our long-term growth strategy, considering how each of our divisions needs to focus and evolve to address our biggest opportunities. I look forward to presenting this later in the year, and working with our people and partners to execute our plans.

How will the experiences you bring from other organisations shape your approach?

I've learned that putting customers at the top of our priority list is how we succeed in the long run. Every decision we take should be with our customer in mind, whether that's a retail customer, institutional client, co-investor or partner. Understanding where our clients are coming from and being able to walk in their shoes is really important – that focus keeps us compassionate and relevant, and helps us to spot new opportunities to add value. I'll be encouraging all our teams to dedicate time to building that connection.

Having lived and worked around the world, I bring a truly international mindset. I understand what it takes to succeed and scale in different markets, particularly the importance of understanding local culture and knowledge. I am also focused on how we take learning from different contexts to improve and innovate elsewhere.

Finally, with nearly 30 years of experience in financial services, I have a strong appreciation of the complexity of our stakeholder environment, and how it shapes our opportunities and success. I'm committed to ensuring Legal & General continues to be an insightful, thoughtful voice in our industry.

What are your early observations on the business?

My early observations are very positive. The strengths I saw looking from the outside are authentic. We are purposeful and commercial; the business is full of talented and expert people. Our track record of delivery against the targets we set in 2020 shows the power and resilience of our business model.

Alongside this, I am focused on our future growth opportunities. The world is hungry for capital and expertise to support new industries and the transition to net zero; institutions want help to navigate a changing economic backdrop; and individuals increasingly need support to prepare for the future financially. With our strengths in asset management and origination, and a respected, trusted brand, we are well placed to help and to benefit.

To be successful, we need to communicate our vision clearly and crisply. My focus over the coming months is to define a strategy that shows why and how Legal & General will be as relevant in the next 188 years as it has been to date.

How important are culture and purpose to you as a business leader?

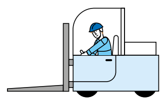
Legal & General is a great example of the importance of purpose and culture in action. Inclusive capitalism has been a powerful galvanising force inside the business and beyond it, and delivered consistent returns for our shareholders. It is motivating to hear how people love being part of Legal & General because we have a clear role to play in society, and to see this reflected in the choices we have made as a business.

Businesses have a responsibility to help solve problems. All our business divisions are shaping how society and individuals prepare for the future. Our decisions can help make that future as positive a place as possible for the next generation.

When can we expect to hear more on your plans for the business?

I have thoroughly enjoyed my first few months at Legal & General. My conversations with our stakeholders, including our shareholders, continue to help me and my team to develop our plans. I look forward to meeting more of our shareholders at the Annual General Meeting in May and providing an update on strategy at our Capital Markets Event in June.

António Simões
Chief Executive Officer



Ambition

Sir Nigel Wilson

With thanks

> "Leading Legal & General has been the most enjoyable and rewarding job of my career."

With additional thanks to:
Ali Toutounchi, Sarah Aitken, Bill Hughes, Drew Love, Mark Holweger, Amy Ellison, Kevin Whitaker, Symon Drake Brockman, Jeff Davies, Tim Stedman, Mark Gregory, Geoffrey Timms, John Godfrey, Chris Knight, Stephen Licence and Emma Hardaker-Jones.

The long view

When we began our usual planning for our Annual report and accounts in autumn 2023, the team shared with me a selection of those we had produced over the course of my tenure at Legal & General.

It was striking how much had changed. Legal & General was a part of my life for 14 years, a third of my career. During that time, we saw transformation on a global, national and business level, of a scale that none of us could have predicted.

I joined the Group as Chief Financial Officer, during the Global Financial Crisis. The ripple effects of which led to reflection on the role and responsibilities of financial services companies, and in the UK ushered in a period of quantitative easing combined with public sector austerity. This sustained for nearly a decade, until the punctuation of the Covid-19 pandemic, and then the war in Europe, spurred rising inflation, interest rates and living costs.

Politics has become more turbulent, in business 'Big Tech' has been dominant, and globally we have recognised the need to transition to a lower carbon way of life, and the extent of change and innovation required to deliver that shift. Developed countries are grappling with the consequences of a rapidly ageing population, and looking to square the opportunities presented by advances such as AI with the potential for equally transformative impacts on the labour market.

Our approach

Legal & General has had to be alert and adaptable in the context of these changing circumstances. I took over a business which had lost c.70% of its annuity business in the face of pension freedom reforms and disposed of around 20 Legal & General businesses to allow us to modernise, diversify and grow.

In my early years as CEO, our annual reporting was led with the tagline 'stepping up'. This captured my belief, shared with my colleagues, that we could both positively advance and benefit from the changes around us.

I am proud that the business we built together has shown itself to be not just resilient, but able to evolve and thrive.

A large part of our success has been driven by our people, who have seen the opportunity that sits on the other side of challenge, and have encouraged and supported others to do the same.

Over the past 14 years, the make up of Legal & General has changed. We have taken informed and rewarded risks; selling, combining and creating businesses to build the organisation we have today. This enabled us to build a global PRT business, delivered under the stewardship of five talented CEOs: Simon Gadd, John Pollock, Kerrigan Procter, Laura Mason and Andrew Kail, whilst building the UK's first £1 trillion asset manager under Mark Zinkula and Michelle Scrimgeour.

Alongside these milestones, through the creation of Legal & General Capital (LGC), we have taken a significant share of the UK housebuilding market, enabled impactful regional regeneration projects, supported growing industries and invested in c.700 start-ups under Kerrigan Procter and Laura Mason's leadership. Our investment in Pemberton, for example, has seen it grow from a small business, when we invested in 2014, to a major mid-market lending platform, which has raised over €19 billion from 227 investors globally across seven strategies.

Meanwhile, we have internationalised our operations, opening offices in Bermuda, Singapore, China, Hong Kong, Japan, Germany, Italy and Switzerland.

Our constant has been the way we have chosen to do business, as an organisation with purpose at its core. Inclusive capitalism led us to look for opportunities to invest profitably in productive assets that address structural societal needs, with the benefits being felt by the members of the pension funds and investments we manage, communities and businesses on the ground, and our shareholders.

Our reputation for combining values with expertise has enabled us to work with some of the most respected universities in the world, the most exciting new businesses, and the most innovative investors across the private and public sectors.

Continued progress

2023 demonstrated the ongoing power of this approach as we remained on track for the stretching targets we set ourselves back in 2020. In a challenging economic backdrop, this is testament to our resilience, competitiveness and the power of our synergistic business model.

We recorded our largest ever PRT volumes in both the UK and the US, including the largest ever single transaction by premium in the market with our buyout of the Boots Pension Scheme. In 2023, 99% of our PRT volumes arose from the conversion of long-standing asset management clients. In a challenging interest rate environment, LGIM continued to expand its client offering and despite significant inflationary impacts, we have taken action to keep absolute costs flat.

Our asset origination business, LGC, showed continued momentum against its five-year targets including significant 'crowding in' third-party capital. In October, we announced that Greater Manchester Pension Fund, the UK's largest local authority pension fund, would invest in our joint venture, Bruntwood SciTech, which is leading the way in providing workspace for innovative UK businesses. We also began construction on our first US investment with our joint venture partner, Ancora, a state health laboratory in Rhode Island.

In our Retail businesses, our annuities arm delivered its strongest ever results with a record-breaking £1.43 billion in sales under Bernie Hickman's leadership. This reflected our persistence in building our offering throughout a time of lower interest rates. Our workplace pensions business, an increasingly critical part of the long-term savings market, also continues to strengthen. In the US, protection sales hit a record high of $175 million annualised premium equivalent (APE).

Finally, we have seen real successes, working with government, to bring forward policy change to set us up for future growth. In December 2023, we saw the passage of the first phase of Solvency UK reforms into law. This is the first step in delivering a regime that will uphold policyholder security whilst enabling greater investment in productive assets.

Moving forward

In closing, I want to thank our shareholders for their support over the last decade and a half. Leading Legal & General has been the most enjoyable and rewarding job of my career. I am confident that the business will continue to develop and prosper with António at the helm, with 11,500 talented and committed colleagues working alongside him to deliver terrific outcomes for all our stakeholders.

All the best,

Sir Nigel Wilson

Timeline of achievements

2009
- Joined Legal & General Group as Chief Financial Officer

2012
- Appointed Chief Executive Officer

2013
- Invested £250m into 4,000 social homes with Places for People, generating long-term income for Legal & General pension savers
- Invested in CALA, now the 10th largest UK housebuilder by revenue

2014
- Invested in the Pemberton platform and raised over €19bn from 227 investors globally across seven strategies since Legal & General first invested
- Committed to Cardiff urban regeneration scheme, having since invested over £1bn in the city

2016
- Created a long-term partnership with Newcastle City Council and Newcastle University to deliver Helix, with 700 residential homes, office and research space and a flagship hotel

2017
- Awarded Britain's Most Admired Leader

2018
- Established major partnership with Bruntwood SciTech to deliver science and technology real estate
- Passed £1tn AUM

2019
- Creation of a £4bn partnership with The University of Oxford to develop homes for university staff and students, together with science and innovation districts

2020
- Partnered with Sky to develop Sky Elstree, the largest independent film studio in Europe

2021
- Combined life insurance, annuities, and workplace businesses to create Legal & General Retail

2022
- Knighted for Contribution to Finance and Regional Development
- Won Britain's Most Admired Company
- Established £4bn partnership with West Midlands Combined Authority

2023
- Announced UK's single largest PRT buy-in, £4.8bn with Boots, and strongest ever year for annuity sales

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

In responding to these long-term drivers, our strategic priorities aim 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.

Short-term influences
Climate change
2023 has been the hottest year on record. We continued to see more extreme weather events, including several episodes of flooding throughout the UK and unprecedented wildfires in Europe, the US and Canada. These events demonstrate the rapid and significant impacts of climate volatility and ecosystem health deterioration. Despite this, 2023 also saw the rapid increase in deployment of solar and wind energy. We are making positive progress against our Climate transition plan, and continue to enhance our risk management framework to ensure our business remains resilient against various climate outcomes.

Geopolitical landscape
Ongoing conflicts in Ukraine and the Middle East, along with broader geopolitical tensions, could significantly disrupt global economic activity. We are carefully monitoring these impacts to ensure we remain financially and operationally resilient to adverse events.

Economic outlook
The global economic outlook remains challenging. While the market continues to predict falls in interest rates over 2024 supported by an easing of inflationary pressures, other factors may slow this improvement. This may impact consumer sentiment, however we believe that our products and services are relevant across a range of economic scenarios helping our customers to achieve financial security.

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.

Market opportunity
We participate in the global PRT market, focusing on corporate defined benefit (DB) pension plans in the UK, the US, Canada, and the Netherlands, which together have more than £6 trillion of pension liabilities.

Strategic priority

We aim to be global leaders in pensions de-risking and retirement income solutions. During 2023, we wrote a total of £15.2 billion of bulk and individual annuity business globally, up 44% on the previous year. This included our largest ever single PRT transactions in both the UK and the US markets at £4.8 billion and $0.8 billion respectively, whilst individual annuities increased by 50% over 2022. We also announced plans to enter into a long-term strategic relationship with Dutch insurer Lifetri, putting us in a strong position to capitalise on expected growth in the Dutch PRT market.

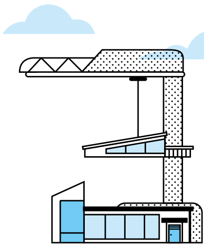
2 Globalisation of asset markets

Asset markets are increasingly globalised and growing. North America, Asia Pacific and Europe are all attractive markets which continue to expand. We look for selective opportunities to build and expand our successful UK business model abroad into markets where we believe we can thrive.

Market opportunity
As global assets under management are projected to increase from more than $115 trillion in 2022 to $147 trillion by 2027, we will continue to innovate in the US retirement income market, expand into European wholesale asset management and increase our presence in Asia Pacific.

Strategic priority

We aim to build a truly global asset management business, entering new markets and expanding our existing operations. We continue to expand our global footprint with international AUM growing by 81% since 2018 and now representing 40% of our total AUM. New offices opened in Singapore and Switzerland to support our growth ambition in Asia and Europe.



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, 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.

Market opportunity

The UK's 'levelling up' programme seeks to leverage private sector institutional capital to support urban regeneration and drive economic growth. Regulatory reform is enabling better deployment of pension funds to growth opportunities such as building more homes, creating science parks, and investing in start-up companies.

Strategic priority

By investing capital over the long term, we aim to become leaders in direct investments, whilst investing our assets in an economically, environmentally and socially useful way.
In 2023, we invested over £1.0 billion in housing and over £8.5 billion in social infrastructure.
We believe investing to address long term, enduring societal needs will enable strong shareholder returns, as well as improve the lives of our customers.

4 Welfare reforms

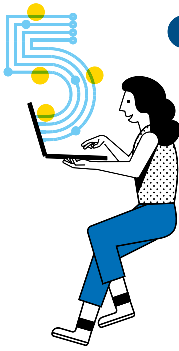
There is a continued need to protect people from financial uncertainty, which includes helping people take personal responsibility for retirement savings, and safeguarding their financial wellbeing and resilience.

Market opportunity

Fiscal pressures, inflation and an ageing population are placing the state pension and social security system under strain. This in turn increases the need for individuals to build and maintain their financial wellbeing. Workplace defined contribution (DC) assets are expected to grow to £1.3 trillion by 2032, with a growing need for pension decumulation solutions.

Strategic priority

We continue to deliver value for money for our Workplace DC members, providing a low-cost pension product to save for their retirement.
Our Retirement Planner tool helps customers understand their retirement goals and the launch of our podcast, 'A Little Bit Richer', has improved financial understanding and awareness amongst a younger audience.
We also offer a range of wider benefits to help customers manage their physical and mental health and wellbeing.



5 Technological innovation

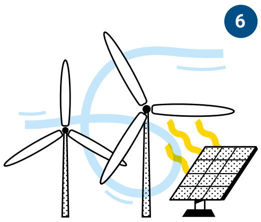
Consumers, clients and businesses look to digital platforms to help organise their finances and working lives. Technological solutions can increase security and improve the ways we work and access information.

Market opportunity

The market for new individual term life business in the US is expected to increase to $3.2 billion over the next three to five years. We anticipate continued premium growth across our UK and US protection businesses as technological innovation makes our products more accessible to customers and digital transformation creates competitive advantage in the US marketplace, while enabling further product and pricing enhancements.

Strategic priority

We will be enhancing our digital capabilities in the UK insurance and grow in the US by expanding into adjacent markets. The US protection grew APE from $129 million to $175 million (a 36% increase) in 2023 creating market differentiation through our US digital platform, as well as digital distribution expansion.



6 Addressing climate change

To minimise the most damaging consequences of climate change, governments around the world agree that we must limit global warming to 1.5°C. This requires a transition to a low-carbon economy while halting nature and biodiversity loss.

Market opportunity

As global finance supports the changes our planet needs to address climate change and prevent nature and biodiversity loss, this creates a significant shift in investment allocation and the emergence of new industries in climate solutions. Despite the short-term uncertainty, world leaders at COP 28 reaffirmed their commitment to rapidly expanding investment in renewable energy supply and recognised the need for nature-based solutions.

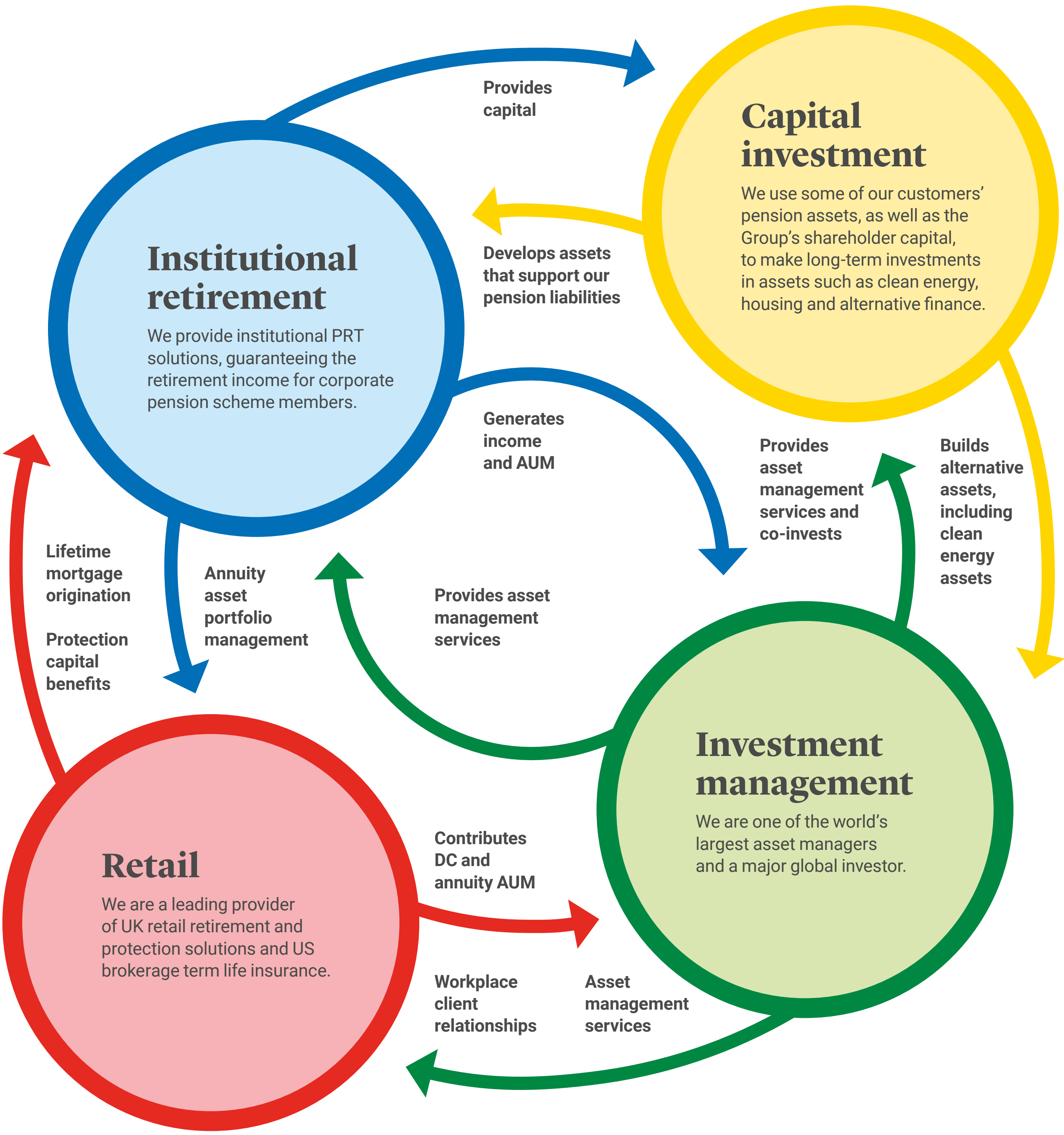
Strategic priority

We are able to support the fight against climate change and nature loss through the positioning of our investments, our influence as one of the world's largest asset managers and through the management of our own operational footprint.
In 2023, we issued our first Climate transition plan and are now focused on delivering against it.

Our business model

What we do

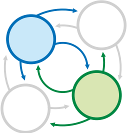
We aim to be leaders in retirement and protection solutions, investment management and capital investment. By taking a long-term approach to inclusive capitalism, our businesses work together to make a difference.



Our synergies in action:

Our biggest investment in Leeds to date

Funded by Legal & General, and developed in partnership with Glenbrook, the Whitehall Riverside residential complex is Leeds city centre's largest BTR funding in 2023.



Both institutional retirement and investment management businesses are being actioned within this investment.

£140m

residential development

500

new homes committed

2026

expected completion date

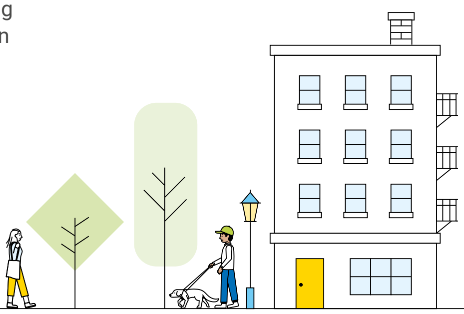
The Whitehall Riverside scheme contributes to LGRI's total direct investment into BTR, which stood at in excess of £1 billion at the end of 2023.

Following the acquisition of our earlier BTR sites: Mustard Wharf in 2017 and Tower Works in 2021, Whitehall Riverside is in addition to almost 500 apartments already delivered by Legal & General in Leeds, making us the city's largest investor and owner of BTR.

The Whitehall Riverside development consists of the delivery of 500 new homes and has been carefully considered to ensure that residents benefit from the diverse and growing employment opportunities, as well as its cultural destinations, local amenities, and strong transport links – including Leeds Central station, which is within a five-minute walk.

This investment aligns with our commitment to establish positive environmental and socio-economic impact, addressing sustainability issues and innovating for biodiversity by including a riverside green and new trees in the wider public realm, as well as an ambition to drive down operational carbon emissions.

With funding provided by LGRI, and utilising LGIM's expertise as an asset manager, this demonstrates how our businesses work together to make a difference. The power of responsibly investing our pension savings in urban regeneration, thereby transforming and reshaping cities, creates productive assets for future generations. This is inclusive capitalism in action.



How we engage with our stakeholders

The impact of our business is wide reaching and affects different stakeholder groups. We place great importance on considering the needs of all our stakeholders in our decision making, and actively encourage their participation.

Our stakeholders
In shaping our strategy, we consider the impact on our stakeholder groups. Below, we provide just a few examples of how stakeholder engagement influences our business and the associated growth drivers.

Growth drivers

1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

Shareholders

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

1 2 3 4 5 6

We invest shareholder capital (targeting returns) and retirement capital (for long-term income streams to pay retirement benefits) into environmentally friendly and socially useful investments, including alternative assets such as urban regeneration, clean energy and affordable housing.

In 2023, we achieved record new business volumes in our institutional and retail annuities businesses, as well as US protection.

Our store of future profit, comprising CSM and RA, grew 9% while adjusted operating profit remained flat demonstrating resilience in the volatile market environment.

Customers

Our customers include those saving for retirement, recipients of retirement income, insurance policyholders, 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, reliable products and services.

1 4 5 6

Our segmentation model helps us personalise customer service at key financial moments. We've improved digital journeys like pension transfer and consolidation. Our Consumer Duty driven research shaped how we identified vulnerabilities, developed new products and services, and supported customers.

One million people saw our TikTok videos in the first three months of 2023. Our new over 50s' lifetime mortgage reimagined retirement lending and our Focus Fortnight webinars broadened intermediaries' knowledge.

Our protection retention project helped people stay covered despite the cost of living crisis, and Group protection's wellbeing guide helped employees and employers respond to it.

Employees

Our employees are based in the UK, the US and other countries and jurisdictions in Europe and Asia. We're working to build a more diverse workforce and inclusive workplace, where care is taken to protect individuals' wellbeing and resilience.

3 5 6

We supplemented the data gathered through our Voice surveys with targeted employee research using Natter – a tool for collaboration and discussion provided by an investee of our capital business – to improve our understanding of employees' views of our culture.

In the UK, we continue to enjoy a productive partnership with Unite, the union which represents employees individually and for collective bargaining, and with our in-house Management Consultative Forum.

Our Cardiff-based employees moved into our newly constructed office in the centre of the city, the latest phase in our investment in the Welsh capital.

Our contribution to the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are focused on tackling the pressing social, economic and environmental issues that could threaten the livelihoods and wellbeing of people worldwide.

Contributing to the SDGs is integral to inclusive capitalism. It is important that our business priorities and strategy align with the goals and that we can demonstrate how the outcomes we are delivering contribute to specific SDGs. As our business grows and evolves, our approach to the SDGs will progress too.

The following SDGs contribute to many of our key stakeholder engagements as they are most heavily aligned to our growth drivers:

- 3. Good health and wellbeing
- 4. Quality education
- 5. Gender equality
- 7. Affordable and clean energy
- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 11. Sustainable cities and communities
- 13. Climate action

Regulators

The Group is subject to financial services regulations and approvals in all the markets in which we operate. We maintain a constructive and open relationship with our regulators and have a programme of regular meetings between the Group's executive and non-executive directors and our UK regulators.

1 2 3 4 5 6

We hold regular discussions with our key regulators on aspects relevant to the evolving regulatory agenda to ensure our strategic focus meets the needs of all stakeholders.

We actively engage with regulatory consultations and calls for evidence across key areas of regulatory policy and reform. In 2023, this included engagement on Solvency UK, the Corporate Governance Code, the Sustainability Disclosure Requirements and Diversity and Inclusion.

We liaise with our supervisors to ensure timely notification of changes to the Group's regulated population and accuracy of the Financial Services Register.

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, and to engage with civil society, encouraging our people to get involved in community causes.

1 3 4 6

Following the 2022 launch of our place-based social impact toolkit, 2023 saw us put the methodology into action. The toolkit helps us identify local needs and priorities by working with communities, and to make positive economic, environmental and social impacts through our real estate investments.

We expanded our partnership with the charity RedSTART to deliver age-appropriate financial education to primary school children, helping expand the programme into South Wales and the Brighton and Hove area.

We matched over £452,000 in employee charitable fundraising and volunteering. In total, we donated £3.4 million to civil society sector organisations, including £200,000 through our annual Summer Challenge.

Suppliers

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

5 6

We work with suppliers to deliver value for money for the organisation, to bring innovation through best practice and to support continued growth for Legal & General.

We aim to build diversity and inclusion into our supply chain to create an equal and fair marketplace, where opportunities are open to all.

We are committed to protecting the environment and this year have set a target to encourage our suppliers to transition to net zero by ensuring that 80%, by spend, of our suppliers will set a science-based[1] carbon reduction target by the end of 2026.

1. We define a target as science based if it is approved by the Science Based Targets initiative (SBTi) or is aligned to its criteria i.e. is a mid-term reduction target with enough ambition to align with the global net zero trajectory.

Place making

We are aiming to reverse the trend of chronic under investment, reduce economic inequalities and create better communities in which to live and work.

Creating better places

Science at Square 10 to complete in 2026.

Ancora L&G

Ancora L&G was formed in 2022, as a joint venture between the US-based science and technology real estate developer Ancora and Legal & General Capital (LGC). It was created as a real estate platform dedicated to driving science and technology growth across the US. The partnership will develop a 210,000 sq. ft. building designed to provide essential space for public health services in Rhode Island, advancing the state's critical public health and safety goals. It will also provide laboratories for development and application of cutting-edge new science, which is anticipated to make a difference to future public health and quality of life.

In March 2023, we purchased a site (Science at Square 10) near the Yale University campus, to further our city-approved plan to build a new 11-storey lab and office building. It will house university research, forward-looking companies, and innovative entrepreneurs in one vibrant hub of growth and discovery.

Poole

We reinvigorated Kingland high street in Poole with an innovative scheme to help Dorset-based start-ups and independent businesses during the pandemic. This has generated £3 million in direct turnover for operators since opening in 2021, led to £2.2 million in additional sales for operators at LGIM Real Assets' neighbouring shopping centre in the first year of opening, created new jobs and increased footfall by 16% ahead of its pre-pandemic trend.

We also developed a partnership of local stakeholders representing the needs of the community, such as charities tackling issues including homelessness, the NHS, and the local university. Our partnership with the NHS, who took 20,000 sq. ft. within the centre to create an outpatient assessment clinic, treated over 15,000 patients in its first 15 months of opening.

> "We've thought hard about how we can catalyse and form local partnerships to create real positive change, including how we communicate and measure social impact."

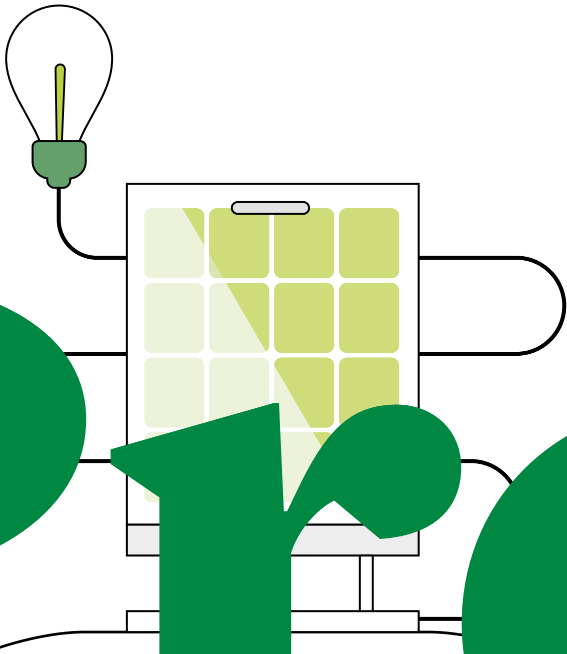
Shuen Chan
Head of Responsible Investment & Sustainability at LGIM Real Assets

Climate and nature

The need to tackle climate change and nature loss is becoming increasingly urgent. It is one of our strategic growth drivers and we aim to deliver via our three-pillar strategy: Invest, Influence and Operate.

Climate and nature report
Our material climate disclosures can be found on pages 45 to 48 of this report, with further information in our 2023 Climate and nature report (including our journey to net zero): group.legalandgeneral.com/reports

> "As purpose-driven, impact-led investors, we are pleased to provide funding to our partners ImpactA as they secure opportunities to invest in sustainable infrastructure that offers the potential for positive financial, social and environmental returns."
>
> **Laura Mason**
> CEO, Legal & General Capital



Prot

Invest

- Through reducing the intensity of our financed emissions.
- Through investing in the transition.

Advanced Electric Machines (AEM)
We have invested in AEM, an electric vehicle motor manufacturer which does not use rare earth materials, significantly reducing environmental impact and reliance on geographically concentrated supply chains, without compromising on quality and performance.

ImpactA Global
We have committed up to $100 million to women-led impact investment advisory firm, ImpactA Global. This investment will be directed to debt financing for sustainable infrastructure in emerging markets, with a focus on addressing climate challenges and reducing inequalities.

Legal & General Capital (LGC) became a significant minority shareholder of ImpactA Global when it launched in March 2023.

Influence

- Through the products we offer our clients.
- Through our engagement with the real economy.

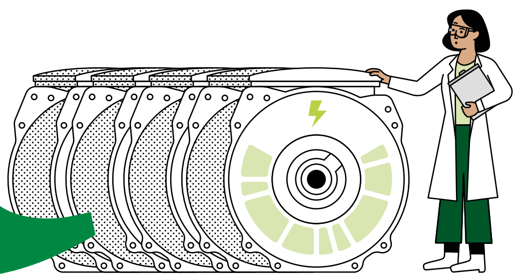
Clean power infrastructure assets
We have partnered with NTR, a leading renewable energy specialist, to launch the L&G NTR Clean Power (Europe) Fund, which aims to offer exposure to a diversified portfolio of clean power infrastructure assets with attractive risk-adjusted returns and positive environmental and social impact.

Operate

- Through our operations.
- Through the businesses we control.

Our housing businesses
Our housing businesses have been helping us deliver on our transition plan. CALA Homes has been advancing the use of hydrotreated vegetable oil (HVO) to reduce their operational carbon footprint and has developed a pilot net zero enabled home to test designs and technology we hope will deliver further reductions. IVG is continuing to design and develop energy efficient homes, in their drive to deliver net zero enabled retirement villages, for example by incorporating heat pumps from our portfolio company, Kensa. Suburban Build to Rent (SBTR) beat its target to have 50% of homes transacted as gas-free.

ect



Working together

We aspire to empower our employees to work together to create value for our customers, shareholders and the communities we're here to serve.

Our customers sit at the heart of everything we do

Employees on our Consumer Duty Programme have worked hard together to implement the new regulations. They have undertaken targeted monitoring reviews across the Group to understand how the Consumer Duty management information will enhance customer outcomes, or where improvements are required.

The ongoing collaborative work has enabled more accurate and effective communications, enhanced delivery of service and driven continuous improvement activity. This has been central to the work undertaken and its subsequent integration into our governance and business as usual activity across the teams.

Emp

£59.9bn

of PRT written since the beginning of 2018

£13.7bn

of global PRT business written in 2023

A major milestone for our UK pension risk transfer team

We have secured the benefits of 53,000 members of the Boots Pension Scheme in a history-making £4.8 billion transaction. This transaction is the UK's largest single buy-in by premium size and, for us, the largest single transaction by number of members.

This significant achievement is a testament to the importance of our Legal & General behaviours – being collaborative, purposeful and straightforward across divisions, businesses and external clients. We have shown this through excellent teamwork and the shared commitment to our clients and customers.

Celebrating Retail annuities success

We had a record year in Retail annuity with premiums reaching £1.4 billion, an increase of 50% over 2022. This means we've provided guaranteed income to more than 12,000 new annuity customers, supporting them in securing brighter financial outcomes for their retirement.

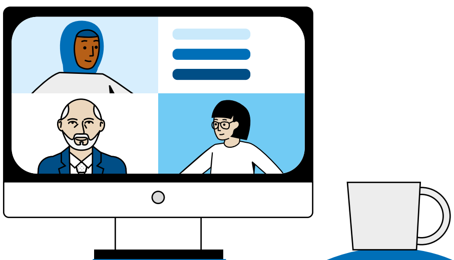
Despite increased volumes and the challenges that brings, our teams continue to focus on helping customers achieve their desired outcomes. We aim to offer exemplary service and for the sixth consecutive year, we have been accredited under the CCA for service excellence.

CCA Awards recognition

Our UK Customer Service team was recently awarded Global Standard Accreditation from the Customer Contact Association (CCA) for the sixth year in a row. This highly regarded accreditation is a framework that assesses the reliability and effectiveness of customer service operations.

> "I am proud that we have been able to work seamlessly across our insurance, legal, reinsurance, client services, finance, risk and investment management teams to deliver this excellent outcome."

Andrew Kail
LGRI CEO



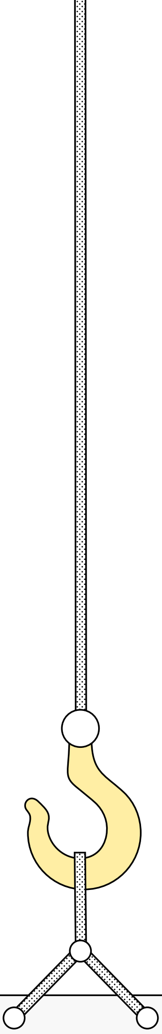
ower

Chief Financial Officer's Q&A

Our business provides a number of attractive growth opportunities.

"We are a leader in the UK PRT market, driven by our scale and competitive advantage in creating, sourcing and managing assets, complemented by a disciplined pricing approach."

Jeff Davies
Chief Financial Officer



£1.7bn

adjusted operating profit

£14.7bn

store of future profit

Over the period 2020 – 2024, our cumulative ambition is for:

- capital generation to significantly exceed dividends
- dividend to grow at 5% for the year to 2024
- net surplus generation (including new business strain) to exceed dividends.

£8 – £9bn

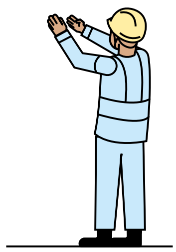
capital generation
(progress to date: £6.8 billion)

£5.6 – £5.9bn

dividends
(progress to date: £4.5 billion)

£0.8bn

net surplus generation
over the dividend (2020 – 2023)



How did Legal & General approach the volatile economic backdrop across 2023?

Our diversified business model helped us to remain resilient despite the volatile economic environment. The store of future profit (CSM + RA) grew by 9%, while the adjusted operating profit result was flat year on year. Growth opportunities continued, with record volumes across PRT, Retail annuities and US protection.

The continued higher interest rate environment has created significant opportunity in the PRT and individual annuity businesses, demonstrated by the strong volumes. This was partially offset by the adverse impacts in the investment management business, where the lower fixed income asset values drove a decrease in asset management revenues and therefore lower year-on-year profit.

You implemented IFRS 17 this year. How did the implementation go and how have analysts and investors responded to this new accounting standard?

IFRS 17 is a new accounting standard effective from 1 January 2023. The standard impacts insurance contracts which, in our case, represents business written through our retirement and insurance businesses. LGIM and LGC are unaffected. As outlined in our half year 2023 presentation, the introduction of IFRS 17 only impacts the timing of profit recognition – the economics of the contract remain the same. There is no change to our dividend capacity (or appetite) and no change to Solvency II capital.

The implementation has gone well and the response from analysts has been positive, as IFRS 17 introduces a more stable and predictable profit profile through the CSM release. For us, this benefit emerges through the deferral of new business profit and demographic assumption changes to the CSM, which will then be spread and released into profit consistently over the lifetime of the contract.

CSM has grown by 9% to £13.0 billion, with £1.2 billion added from new business in 2023, an increase of c.33%. CSM performance over 2023 reflects the high volume of PRT and protection business written, as well as favourable longevity assumption changes.

How are you performing against your ambitions?

We are making good progress against our five-year (2020 – 2024) ambitions. Against a cumulative ambition of £8 – £9 billion, capital generation (Solvency II operational surplus generation) stands at £6.8 billion at the end of 2023.

With the 2023 interim and final dividend growing by 5%, cumulative dividends declared stand at £4.5 billion at the end of 2023, against an ambition of £5.6 – £5.9 billion over the five-year period. The Board has agreed that it aims to continue to grow the dividend at 5% per annum out to the financial year 2024, which would add an additional £1.3 billion.

We are also performing well against our ambition for Solvency II net surplus generation (which includes setting up capital for new business) to cumulatively exceed dividends paid over 2020 – 2024. In total, we have created £0.8 billion surplus to the end of 2023. This has not been at the expense of ongoing investment in the business. For example, since 2020, we have written over £40 billion of PRT and individual annuities.

We remain confident in achieving our ambitions, with our businesses closely aligned to long term and strategic growth drivers, which we expect to persist regardless of any short- or medium-term market volatility.

The PRT market looks set to continue to grow at pace. What is your outlook/ambition in this market over the medium term?

2023 has seen a large volume of PRT deals come to market given the favourable conditions. The high interest rates have led to materially improved funding positions for corporate pension funds, that is to say pension deficits have significantly reduced and, in many cases, have moved to a surplus position. This means that a growing number of corporate pension schemes are able to consider undertaking a de-risking transaction with an insurer much sooner than had been anticipated.

We are a leader in the UK PRT market, driven by our scale and competitive advantage in creating, sourcing and managing assets with relationships across a large percentage of schemes. This is complemented by a disciplined pricing approach.

With the acceleration of the UK PRT market, we increasingly consider our ambition of writing circa £8 – £10 billion of PRT a year as 'business as usual'. In 2023, we wrote £12.0 billion of UK PRT business at a Solvency II margin of 7.4%.

We are also seeing similar PRT market dynamics internationally where we wrote £1.7 billion in 2023. We surpassed $10 billion of total written premium with over 100 deals in the US, since our launch in 2015.

Your Solvency II coverage ratio is strong – how do you think about capital allocation?

The strength of our capital position provides us with both a significant buffer, should interest rates fall, and the scope to continue both to invest, so as to ensure the long-term growth profile of the Group, and also to maintain a progressive dividend. We have a number of attractive growth opportunities in which we could continue to invest. These opportunities include the acceleration of the PRT opportunity for LGRI, building out our asset origination capability in LGC, continuing to diversify and internationalise our investment management offering in LGIM, and enhancing our accumulation and decumulation platforms and customer experience in Retail.

Investing

Key performance indicators (KPIs)

We consider that the measures presented on these pages are KPIs.

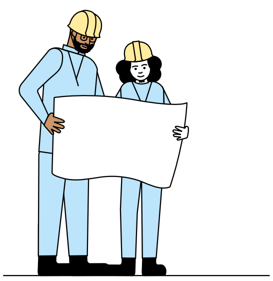
"We remain confident in our ability to deliver resilient, organic growth, supported by our strong competitive positioning in attractive and growing markets."

Jeff Davies
Chief Financial Officer

Guide to symbols used in these financial results

Alternative performance measure (APM), see page 270 for definitions

Key measure in the remuneration of executives, see pages 100 to 102 for definitions



Profit before tax £m

£195m

(2022: £939m)

Purpose: to measure the profit before tax of the Group.

Despite a resilient adjusted operating profit performance of £1,667 million, broadly flat on 2022 (£1,663 million), profit before tax of £195 million (2022: £939 million) was heavily impacted by longevity assumption changes and the unrealised mark-to-market impact of higher interest rates on asset valuations.

Earnings per share p

7.35p

(2022: 12.84p)

Purpose: to illustrate the profitability associated with each share owned by our investors.

Earnings per share reduced to 7.35 pence (2022: 12.84 pence), primarily influenced by the negative investment variances noted above.

Return on equity (ROE) %

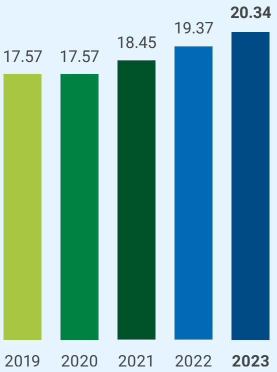
9.7%

(2022: 15.6%)

Purpose: to show how efficiently we are using our financial resources to generate a return for shareholders.

Return on equity of 9.7% is lower than 2022, reflecting the negative impact of investment and other variances on our earnings.

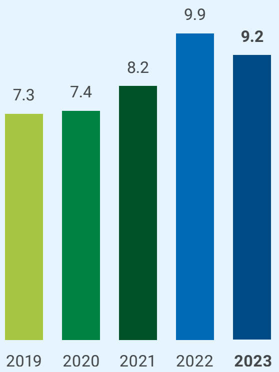
Full year dividend p



Purpose: to show the level of distribution to shareholders.

The Board has recommended a final dividend of 14.63 pence, giving a full year dividend of 20.34 pence, up 5% from the prior year (19.37 pence). This is consistent with our stated ambition to grow the dividend at 5% for the year to 2024.

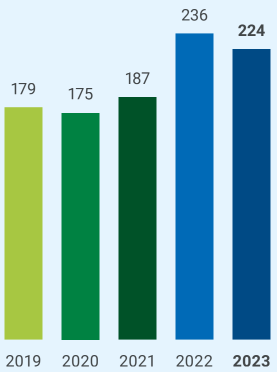
Solvency II surplus £bn



Purpose: to demonstrate the surplus capital position over the solvency capital requirement.

Solvency II surplus of £9.2 billion (2022: £9.9 billion) over our capital requirement demonstrates the continued strength of our balance sheet.

Solvency II coverage %

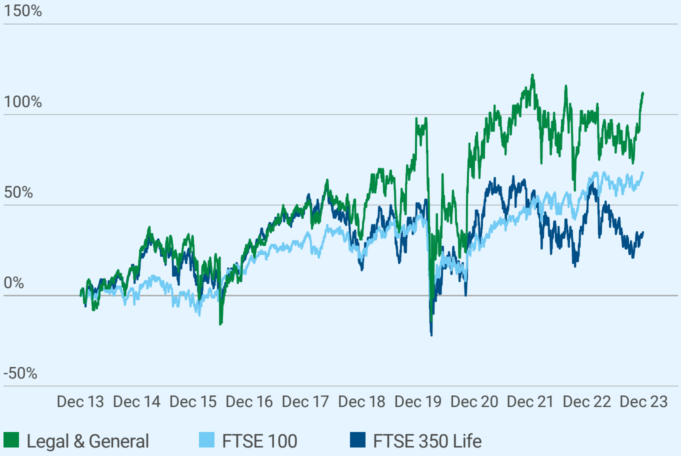


Purpose: to demonstrate the balance sheet strength of the Group.

The Solvency II coverage ratio reduced to 224% (2022: 236%), primarily influenced by record volumes of new business and the impact of mark-to-market asset movements as a result of continuing higher interest rates.

Total shareholder return %

As at 31 December 2023



+8%

(2022: -12%)

Purpose: To measure the total return to shareholders, including dividends and share price movements, over time.

In another challenging year for UK indices, the total shareholder return (TSR) return of +8% outperformed the FTSE 100 index (+6%) and the FTSE 350 Life Index (-9%). Over a ten year period, the TSR performs well (+111%) against the FTSE 100 index (+68%) and the FTSE 350 Life Index (+5%).

Tax review

> We pay the right tax, at the right time and in the right place in line with our published tax strategy and wider commercial purpose."

We aim for our tax affairs to be well governed, transparent, and fair to our customers, shareholders, and the public.

You can read more about our tax strategy, our governance, and what taxes we pay in our Tax supplement, which is approved by the Board and can be found here: group.legalandgeneral.com/reports.

Grace Stevens
Chief Tax Officer

Our 2023 tax position

We have a tax credit for the year which includes a material one-off tax credit arising from the introduction of a new Bermuda corporate income tax regime. This relates to the recognition of a deferred tax asset on inception of the new tax regime and will unwind against future taxable profits in Bermuda.

The tax credit for the year excluding this one-off credit is £27m. This is explained by the varying rates of tax that we pay on our businesses in different territories and the mixture of profits and losses across those territories. Further explanations of our 2023 tax position can be found in our Tax supplement.

The tax environment

With the global economic outlook remaining uncertain as people adapt to higher interest rates and inflation, governments remain focused on both raising revenues and promoting growth across the economy, and the tax regime has a role to play here. In the UK, we've seen a number of changes with these aims in mind including the 'super deduction' being replaced with 'full expensing' of qualifying plant and machinery, changes to the R&D regime and the Lifetime Allowance Notification pension rules, and reductions in the rate of National Insurance for employees. At the same time, the corporate income tax rate has been held at 25% and personal tax thresholds remain frozen. These changes have an impact across our businesses, our investments, our employees and our customers.

New accounting standards, tax legislation and tax reporting requirements continue to add to the complexities that businesses face.

The introduction of any new taxes or levies must be clear in its aims and what it is setting out to achieve. This is particularly important where the tax regime is being used to target behavioural change, for example where 'green' taxes are being introduced to incentivise businesses and wider society to adopt environmentally friendly behaviours. We continue to contribute to discussions and research on the tax landscape, prospective changes and active consultations on new legislation and guidance, with a view to the impact across society, our customers and wider stakeholders.

We recognise that governments, customers, investors, and other stakeholders have justifiably high expectations for compliance, risk management and transparency. Our approach remains consistent with a focus on engaging with all our stakeholders and supplementing our disclosures on tax where we believe this will add value.

Our purpose is to build a better society and make a positive difference to people's lives while delivering value for our shareholders. We believe that paying tax is part of the impact we have on the economy and society and that the tax regime should endeavour to balance the needs of all stakeholders across society, whilst ensuring that policies do not create unintended consequences.

We monitor risks and complexities across all the territories in which we operate, to ensure we pay the right tax, at the right time, in the right place, consistent with our tax strategy. Further detail on our main risk areas – and how we manage those risks – can be found in our Tax supplement.

The new global minimum tax regime

During the year, the UK Government enacted legislation to apply a global minimum tax rate of 15% to multinational businesses headquartered in the UK, under the Model Rules agreed by the Organisation for Economic Co-operation and Development (OECD). These rules apply from 1 January 2024 and will apply to all of Legal & General's businesses globally.

In December 2023, Bermuda enacted a new corporate income tax regime that will apply from 1 January 2025, with a headline rate of 15%. These are all new rules and additional guidance on the implementation of the new regimes and their interaction is expected and will be kept under review for any impact.

The Group is expected to be liable to UK top-up tax in 2024 and Bermuda corporate income tax from 2025 in respect of profits arising in our global reinsurance hub in Bermuda.

Changes to accounting standards impacting the tax we pay

On 1 January 2023, a new global accounting standard for insurance contracts, IFRS 17, came into effect. IFRS 17 is an accounting change only, which does not change the underlying economics of our insurance contracts. It does not change our strategy, capital generation, solvency or dividend capacity.

The introduction of this new accounting standard impacts the tax we pay in the UK. This is because the UK tax regime is based on IFRS results for the companies in our Group and we have previously paid tax based on our IFRS 4 results.

At transition on 1 January 2022, shareholders' equity reduced by c.£5.5 billion. Of this, £5 billion reflects the value taken to the balance sheet under IFRS 17 as part of the CSM, which is expected to emerge as future profit. The remaining balance relates to the implementation of IFRS 9.

The tax regime requires the reduction in equity on transition to IFRS 17 to be treated as a tax credit, which is spread over 10 years. The credit represents the tax that has effectively been paid in prior years on IFRS 4 profits that, under IFRS 17, will now emerge in the income statement in future years. This ensures the same profits are not taxed twice.

As a result of the above, our tax payments over the next 10 years will be reduced.

Tax supplement
Our Tax supplement is available on our Group website. See: group.legalandgeneral.com/reports

£1,582m

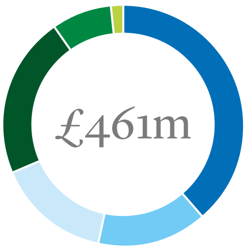
In 2023, our total tax contribution was £1,582 million (2022: £1,838 million) of which 93% (2022: 94%) arose in our UK businesses and 7% (2022: 6%) in our overseas businesses.

Total tax contribution
Our total tax contribution is the amount of tax that we pay together with the amount of tax that we collect on behalf of our employees, suppliers, customers and policyholders. We paid £461 million (2022: £838 million) of tax and collected £1,121 million (2022: £1,000 million).

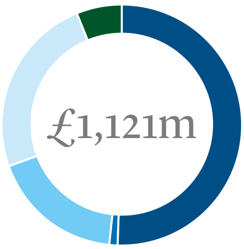
Our total tax contribution of £1,582 million is lower in 2023 than in prior years. This reduction is primarily due to a reduction in UK corporation tax payable arising in 2023 as a result of both larger adverse investment variances in the year and the release of the tax credit arising on IFRS 17 transition, to be spread over 10 years.

Total tax contribution in 2023

Total taxes paid



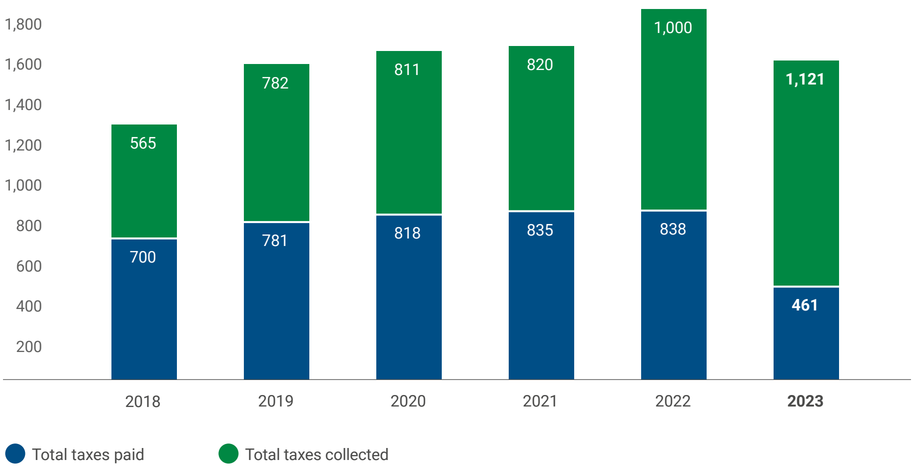
Total taxes collected



Our total tax contribution over the last six years

The table below shows our total taxes paid and collected over the past six years. For a breakdown of how we calculate these numbers, please refer to our Tax supplement.

Total tax contribution £m



Business review

Continuing to share our success with our shareholders, customers and society.

2023 in review
Our unique, powerful and highly synergistic business model has delivered another strong year, enabling our businesses to capitalise on significant growth across our chosen markets. Committed to inclusive capitalism, we are continuously taking action to protect the retirement income of millions and use the power of pensions to generate socially beneficial infrastructure and create opportunities for the next generation.

With purpose-led expertise across asset origination (LGC), asset management (LGIM) and retirement and protection solutions (LGRI and Retail), alongside our scale and long-standing relationships, we remain on track to achieve our five-year ambitions, and are confident in our ability to deliver resilient, organic growth.

Outlook
As a leading global player in the pension risk transfer (PRT) market, our institutional retirement business (LGRI) is uniquely positioned to offer holistic, multinational pension de-risking solutions. Remaining disciplined in pricing and value creation, we demonstrate our market leadership by executing record-breaking, innovative transactions, and we wrote our largest deal to date this year. We have now surpassed $10 billion of international PRT, and will continue to leverage our brand, scale and asset origination capabilities to capitalise on the large global pipeline.

Our capital investment business (LGC) is committed to deploying shareholder capital in a range of underserved areas of the real economy which are backed by long-term structural trends. In line with our ambition, we remain focused on seeking incremental opportunities in clean energy and later living, expanding our international footprint and generating long-lasting value for society.

Building on our success to date, our partnership with Ancora is growing, while our investment with L&G NTR Clean Power Fund will help drive Europe's decarbonisation and support its energy security agenda. Underpinned by the impressive growth to date of Pemberton, we are on track to achieve our third-party AUM ambition of £25 – £30 billion by 2025.

The ambition of our investment management business (LGIM) is to create a better future through responsible investing. Upheld by three strategic pillars: modernise, diversify, and internationalise, we are committed to raising standards in addressing the environmental and social challenges arising from a rapidly changing world. Alongside its core role in the Group's successful synergistic business model, we remain dedicated to broadening our investment offering, expanding our global footprint and improving our operational effectiveness to deliver benefits at scale.

With a mission to reimagine our world to create brighter financial futures, our Retail business harnesses technological innovation to provide our customers with peace of mind. Leveraging operational strength and deep distribution relationships, we continue to widen our product and pricing proposition to ensure we can be there when it matters most. We are well-positioned for long-term growth, after delivering a landmark year for annuities, and record-setting transaction volumes in the US.

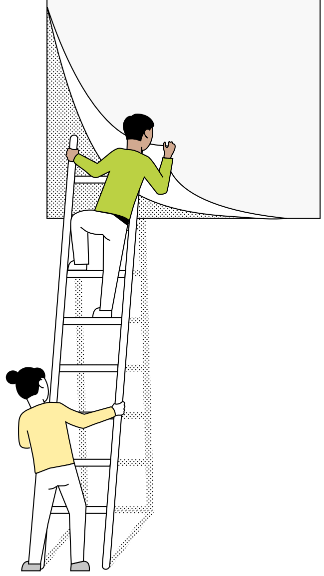
Capital markets event
For full details of our external ambitions, see our capitalmarkets event: group.legalandgeneral.com/CME

£13.7bn
global PRT new business volumes

£378.1bn
assets managed for our clients are linked to ESG

8.5%
growth in our alternative asset portfolio

£412m
protection new business premiums



Institutional retirement

CEO introduction

We transacted record global volumes in 2023, including our largest ever deal. We are seeing continued growth in the US, where total volumes written to date have now passed $10 billion. We have developed innovative solutions to support long-standing clients to achieve their de-risking goals, securing 33 transactions in the UK totalling £12.0 billion, nine in the US totalling £1.5 billion and a £0.2 billion transaction in the Canadian market.

We provide income and security in retirement to more than 600,000 customers, while allowing businesses to thrive by taking risk off their balance sheets. With the UK PRT market expected to exceed £50 billion in 2024 and a significant global PRT pipeline, our combination of long-standing expertise, continued innovation and uniquely global capabilities positions us well to capitalise on this opportunity.

Growth drivers

- Ageing demographics.
- Investing in the real economy.
- Addressing climate change.

Andrew Kail
Chief Executive Officer,
Legal & General Retirement Institutional

2023 key activities

In 2023, we demonstrated how our solutions-focused expertise can help large pension schemes to de-risk at scale, transacting the Boots and British Steel schemes – the UK's largest individual transaction and fully insured scheme respectively – as well as two schemes with United Utilities. Together, these made up two thirds of our total volumes and reflect the strength of our long-standing client relationships and tailored client solutions.

Excellence in customer service

We pride ourselves on our commitment to excellent customer service and have attained the Customer Contact Association's (CCA) Global Standard Accreditation for the sixth consecutive year. In our most successful year to date, we were shortlisted for eight awards and won six at the CCA Awards, including Great Places to Work and 5 Years of Excellence.

New business

During the year, we wrote PRT new business premiums of £13.7 billion across the UK, US, and Canada, including record volumes of £12.0 billion in the UK. Along with LGIM, we develop strong, long-lasting relationships with pension schemes to support them through their de-risking journey. We have a proven track record of executing ground-breaking transactions for very large pension schemes, including through pre-agreed umbrella contracts, while also preserving a strong presence at the small and mid-sized end of the market.

£4.8 billion full buy-in for the Boots Pension Scheme

We agreed a £4.8 billion full buy-in with the Boots Pension Scheme. This secured the benefits of all 53,000 members of the Scheme, making it the UK's largest single transaction of its kind by premium size and our largest by number of members.

Legal & General has a long-standing relationship with Boots, having provided investment management services to the Scheme for over 20 years.

This transaction also represented another innovative step forward in pension de-risking by combining investment and insurance expertise to find solutions for the Scheme's illiquid asset holdings. As a result, the Scheme can achieve the certainty of a transaction and maximise the value of its assets by transferring them to us.

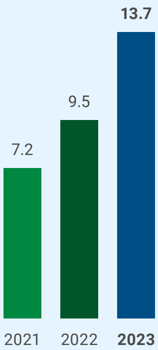
£2.7 billion British Steel Pensions Scheme becomes largest in UK to fully insure its members' benefits

In 2023, we completed a further transaction (four in total since November 2021) with the new British Steel Pensions Scheme (BSPS), where the remaining 40% of liabilities were insured.

We have now insured £7.5 billion of BSPS's liabilities, securing the benefits of c.67,000 members.

Over an 18-month period, a deficit of c.£800 million was closed by executing transactions quickly when there were favourable market conditions. By completing this transaction, BSPS's trustees are now able to make additional payments to members.

Institutional retirement sales £bn

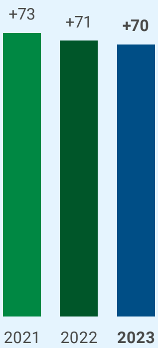


£13.7bn

We achieved strong sales of £13.7 billion in 2023. We transacted 43 deals globally, achieving £12.0 billion in premiums in the UK, whilst also growing our presence in the US market, where we wrote premiums of £1.5 billion.

Our reinsurance hub also wrote £0.2 billion of premiums. Premiums shown exclude longevity insurance.

Net promoter score



+70

Net Promoter Score (NPS) is a metric that is used to measure customer experience on a scale of -100 to +100. We hold a 12-month rolling NPS score of +70 which is regarded as a world-class level of service in the industry, with the average UK score for Banking and Financial Services being +34. We have maintained this world-class level of service for four consecutive years while dealing with adverse economic conditions, demonstrating strong operational resilience and commitment to our customers.

Customer service

Excellence in customer service is one of the core features of our proposition, and we typically find that it is a key consideration for schemes transacting with us.

We strive for outstanding service levels for our customers, issuing 98% of customer communications within five days of the request. We are committed to developing our people in the customer service area, taking on apprentices in 2023 to encourage customer-focused careers.

We continually seek opportunities to listen, engage and improve our service to meet customer needs. This year we welcomed over 2,500 customers to our flagship customer event at BBC Gardeners' World Live, and hosted two customer roadshows themed around wellbeing.

£1.8 billion buy-in with United Utilities
We agreed a £1.8 billion buy-in with the trustees of two pension schemes sponsored by United Utilities, an existing LGIM client, insuring two thirds of their liabilities.

We provided a bespoke price lock to the Scheme's assets, which gave price certainty for the trustees while the transaction terms were agreed.

£500 million buy-in with Deutsche Bank Pension Scheme
In November, we completed a £500 million buy-in with the Deutsche Bank (UK) Pension Scheme, which secured the benefits of around 2,000 members.

This was the Scheme's third buy-in, extending coverage to include deferred members for the first time, and taking the total buy-in to c.£1.5 billion. The Scheme made use of the existing umbrella contract with Legal & General, allowing the buy-in to be transacted quickly and efficiently.

£332 million buy-in with Cable and Wireless Superannuation Fund
We secured the benefits of around 1,800 members as a result of a £332 million buy-in with the Cable and Wireless Superannuation Fund. This buy-in marked the fund's third and final transaction with Legal & General, following buy-ins in 2017 and 2019. It is the culmination of a process of reducing investment and longevity risk, which began in 2008.

With support from Legal & General, the Trustee of the Fund was able to react to changing market conditions and transact at an opportune time.

Opportunities for small pension schemes
Close to 75% of UK DB pension schemes have assets of £100 million or less and there is strong demand from these small schemes. We have a streamlined small scheme proposition to make the process more efficient for this area of the market.

In February, we agreed a buy-in with the Amey Services section of the Citrus Pension Plan, totalling c.£6.5 million, which secured the benefits of 70 members. This transaction demonstrated our ability to carry out fast and efficient pricing in a busy market as the transaction was completed within eight weeks of the trustee sharing the initial data with us.

In 2023, we completed 22 transactions under £100 million, which secured total premiums of £391 million, underlining our commitment to schemes of all sizes.

US PRT deals
Legal & General Retirement America (LGRA) reached another milestone this year by crossing $10 billion in total business written and over 100 deals since its inception in 2015. As our US PRT business continues to grow, so does our team, with a new office in Stamford, Connecticut allowing a larger team and greater capabilities.

Adjusted operating profit £m

£886m

(2022: £807m)

We achieved a strong adjusted operating profit of £886 million driven by releases of the contractual service margin (CSM) of £591 million and the risk adjustment (RA) of £119 million.

Understanding the risks
Taking on the responsibility for pension scheme liabilities and providing income in retirement transfers pension-related risks to Legal & General. In particular, we take on the risk of higher than expected life expectancy, or that we experience defaults in the investments backing our obligations.

We remain vigilant to the long-term trends in longevity in our pricing and use reinsurance to manage selected risks. Working with our investment management business's credit and property experts, we continuously assess default risks in our investment portfolio, managing exposures to sectors that may be at risk in the prevailing economic environment and, where appropriate, trading out of positions.

In 2023, we completed a total of nine deals totalling $1.9 billion, securing the retirement of over 27,000 annuitants, including an individual transaction of nearly $800 million, which is our largest to date. Of the nine deals transacted, four were with existing clients, reflecting the financial security and service excellence we provide to sponsors and pension plan members.

As lead administrator, LGRA also completed two transactions in partnership with Reinsurance Group of America (RGA), insuring c.$350 million of a total c.$1 billion premium and jointly protecting the retirement benefits of more than 6,000 members.

Other International PRT deals

In the Canadian market, we have executed a reinsurance transaction of CAD$350 million with a Canadian regulated insurer which brings our total premium to date to over CAD$1.5 billion in Canada. There continues to be significant opportunity in the US and Canadian markets, and we are well positioned to execute deals using our global pensions de-risking expertise.

We formed a strategic relationship with Lifetri in the Netherlands which presents an exciting opportunity for Legal & General to offer PRT expertise and secure the benefits of more international customers.

Our wider contribution

We have a major impact on wider society through the financial security we provide to pension scheme members and the capital we direct to investment assets, but also through the direct contribution our people make to the community. For example, this year LGRA held its first community day with teams in Maryland and Connecticut volunteering in their local communities to plant trees and clean up a park in partnership with the Chesapeake Bay Foundation.

Residential investment in Northern Ireland

This year, we funded a £150 million residential development in Belfast, committing to the largest real estate investment in the region for 20 years which will fund the development of 627 new homes. This investment will help address soaring rental demand and drive economic growth in the region.

On completion, the build-to-rent scheme will be managed by LGIM Real Assets as we continue to support Legal & General's commitment to levelling up towns and cities.

Leeds city centre

In April, we agreed to invest £140 million for a residential development in Whitehall Riverside in Leeds, committing to the delivery of 500 new homes which will again be managed by LGIM Real Assets.

This marks the third scheme funded by Legal & General in Leeds and will bring the number of new rental homes it has delivered in the City to over 1,000. The development will help residents benefit from growing employment opportunities and strong transport links in the area, showcasing our commitment to delivering positive social outcomes.

Development and conservation

This year, we invested in a number of impactful initiatives including a senior secured loan to the Republic of Senegal, where funding will span 45 development projects around health, education and transportation. We invested in a 'debt-for-nature' swap (Gabon blue bond) to fund marine conservation in Gabon, aimed at conserving the country's biodiversity and environmental capital. We also helped fund the world's largest debt-for-nature swap which is linked to the conservation of the Galapagos Islands, where we were the largest investor in the deal.

Outlook

The UK PRT market continues to grow, and we expect increasingly large transaction sizes in the future, with projections of £360 billion of new business to be written over the next five years.

As we proceed to execute deals globally, we will utilise our PRT expertise to identify and transact on favourable deals both in the UK and abroad as we leverage our international experience and long-term relationships.

> "We are continuing to see an unprecedented acceleration in demand, driven by more pension schemes being closer to buyout than ever before. Against this backdrop, we have posted a record year with £13.7 billion of global PRT written."

Andrew Kail
Chief Executive Officer,
Legal & General
Retirement Institutional

Investment solutions for large schemes

Working alongside LGIM, we have developed a range of solutions for pension schemes with illiquid asset holdings that are looking to secure a bulk annuity.
This includes accepting assets as part of the premium payment or deferring part of the payment to align with asset sales to provide the potential customer with the most flexible arrangement.

In 2023, we were able to assist four pensions schemes with illiquid assets using these solutions, allowing them to secure full buy-in transactions within their preferred time frame.

Capital investment

CEO introduction

Our purpose-driven capital investment business, LGC, has long been investing in alternative asset classes and partnerships that drive superior financial returns with positive social and environmental outcomes.

As we look to grow our business in the UK and internationally, we will continue to deploy catalytic capital, alongside an increasing number of third-party partners. These partners will gain access to our unique pipeline of assets and investments that create long term, secure income streams, underpinned by societal demand.

Growth drivers

- Ageing demographics.
- Globalisation of asset markets.
- Investing in the real economy.
- Welfare reform.
- Technological innovation.
- Addressing climate change.

Laura Mason
Chief Executive Officer,
Legal & General Capital

2023 key activities

In 2023, LGC's alternative asset portfolio grew as we continued to deploy capital into new and existing investments in the UK and internationally, further strengthening our capabilities across a diversified range of alternative assets that are underpinned by structural growth drivers.

Through our ability to manufacture bespoke assets tailored to create attractive long-term investments, our unique asset origination capabilities continue to be a key differentiator for our Institutional Retirement business when competing in the PRT market.

Significant third-party capital was secured by our partnership with Bruntwood SciTech, the UK's leading specialist property provider, as well as Kensa, the UK's leading ground source heat pump provider.

Specialist commercial real estate

Across the UK and the US, we are investing in specialist commercial real estate (SCRE), including laboratory and flexible best-in-class facilities for innovation-focused high-growth start-ups, scale-ups and global businesses in the life sciences and technology sectors.

In 2023, Bruntwood SciTech, our joint venture with Bruntwood, secured £500 million of additional investment and welcomed Greater Manchester Pension Fund (GMPF), the UK's largest local authority pension fund, to the partnership. The funds will be used to expand and redevelop existing science and technology campuses and city centre innovation hubs across the UK, facilitating the UK's ambition to become an internationally recognised science and technology superpower by 2030.

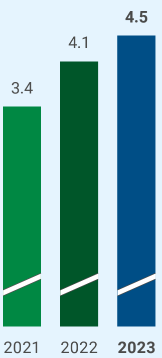
LGC's 50:50 partnership with Ancora, a US real estate developer and asset manager dedicated to driving life sciences, research, and technology growth in North America, continues to expand with three sites across the US, providing a valuable ecosystem for universities including Yale, Brown and Georgia Tech, all of which are within close proximity to the sites.

Additionally, construction of a new 210,000 square feet life-and-health sciences building in Rhode Island is underway. When complete, it will provide essential space for public health services, advancing the state's critical public health and safety goals. It will also provide laboratories for the development and application of cutting-edge new science, which is anticipated to make a difference in future public health and quality of life.

We continue to build on our track record of place-based regeneration through ECF, a joint venture with Homes England and Muse, and also with Oxford University Development (OUD), a joint venture with the University of Oxford.

With the land provided by Oxford University and the investment and development management skills of Legal & General, the partnership aims to drive investment into world-leading innovation to attract and retain talent on a global playing field. OUD expects to have generated over 1.5 million square feet of life science and university space and 3,000 new homes for the Oxford community. Marking a significant milestone for the partnership during 2023, the 270,000 square feet Life and Mind building and the two 135,000 square feet new Begbroke Science Park buildings reached their halfway point in construction. Begbroke Science Park will complete in Q1 2024. These three buildings will provide asset backing for our annuities' pipeline.

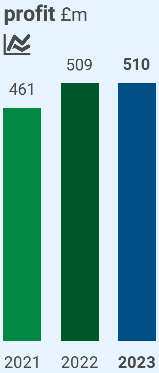
Direct investments £bn



£4.5bn

As we continued to strengthen our capabilities across a diversified range of alternative assets, our direct investment portfolio grew by 8.5% in 2023 to £4.5 billion (2022: £4.1 billion).

Adjusted operating profit £m



£510m

Despite the challenging market conditions, we achieved operating profit of £510 million in 2023, flat versus 2022 (£509 million).

Bruntwood SciTech

Our joint venture with Bruntwood stands as a pivotal initiative to reshape the UK's innovation landscape, contributing to the UK's 'levelling up' agenda. Bruntwood SciTech has now attracted an additional £500 million investment, with the Greater Manchester Pension Fund being the first local authority pension fund to actively participate in a UK-wide science, technology, and innovation property platform.

Over the last five years, Bruntwood SciTech has proven its ability to create places that nurture and grow innovation-based businesses, especially those working within the life science and technology sectors. Now the UK's largest innovation property platform, Bruntwood SciTech aims to create a £5 billion UK-wide portfolio that can support 2,600 high-growth businesses by 2032.

Digital Infrastructure

Since LGC's initial investment in 2019, Kao Data, our specialist developer and operator of high-performance data centres, has grown from a single-site data centre to a multi-site platform, with three operational sites. In 2023, Kao Data secured a further site in Greater Manchester for redevelopment. As a compelling strategic growth opportunity, we have provided further investment into Kao Data, to facilitate its plans to scale across the UK.

In January 2024, Kao Data secured a £206 million debt facility, provided by Deutsche Bank. This further demonstrates its growth from a start-up to a scale-up, its industry-leading reputation, and both the scale and demand for world-class infrastructure that is engineered for AI.

Clean energy

We see a huge market opportunity for reliable and effective solutions to deliver the transition to a low-carbon economy. Our focus is on selective investing in attractive growth equity and clean technology businesses where we have identified the potential for rapid and substantial growth alongside investment into both new and established clean energy infrastructure assets. As of 31 December 2023, we had invested over £400 million into clean energy infrastructure and technology.

In May 2023, Kensa (the UK's leading manufacturer and installer of ground source heat pumps), secured an additional £70 million investment and welcomed Octopus Energy as partners alongside LGC.

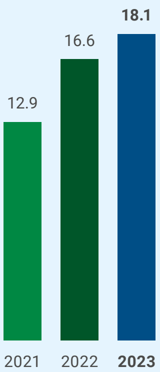
Recognising the market opportunity and social benefits that decarbonising residential real estate presents, we have now committed £49 million in a breadth of investments from reducing construction emissions to the technology and support needed to retrofit existing housing stock.

In our clean energy infrastructure portfolio, we continue to scale our strategic partnership with NTR, leveraging LGIM's distribution capabilities and NTR's sector expertise to raise and deploy significant capital into new and existing renewable energy projects. We provided seed capital to back the first close of the LGIM-managed L&G NTR Clean Power (Europe) Fund, which successfully raised €390 million in April 2023. This deployment will accelerate the construction and operation of clean power infrastructure, facilitating Europe's decarbonisation and energy security.

Alternative Finance
Venture capital

Our venture capital platform remains committed to investing in innovation and growth companies across the UK and internationally through our Fund of Funds and direct investment programmes as well as our venture capital platform. Through these, we have now provided funding to c.700 businesses.

Third-party capital £bn



£18.1bn

Our third-party capital grew to £18.1 billion in 2023 (2022: £16.6 billion) as we further expanded our portfolio alongside like-minded, purpose-driven capital partners.

Understanding the risks

Our early-stage investments through Legal & General Capital are inherently exposed to the risk that they do not perform as anticipated. Where we undertake construction activity, we are also directly exposed to health and safety, and environmental risks. We seek to closely manage our real estate and housing market risk exposures, including development costs and changes in property valuations. Site health and safety is a core focus area across all our property development and operating activities.

Climate and nature report
Our 2023 Climate and nature report is available on our Group website. See: group.legalandgeneral.com/reports

LGC capital markets event
group.legalandgeneral.com/CME

Capital investment
continued

"Socially oriented investing and choosing the right type of capital can directly address some of the most pressing demands of our time, whether at a local, national or international level, while delivering superior risk-adjusted returns."

Laura Mason
Chief Executive Officer,
Legal & General Capital

The university spin-out market is an area of particular focus for us, and a sector where we are seeing increasing appetite from third-party capital partners to invest alongside us. Our unique proposition benefits from long-standing relationships with the UK's leading research institutions that help create the outstanding businesses of the future.

General partner investing
Pemberton, our leading European private credit manager, continues to innovate and add new products to its platform, with success in the launches of its European Alternative Credit Fund and Working Capital Finance strategy, which hit the $1 billion of committed funds milestone in 2023. We continue to support the UK and European lending market through Pemberton, which delivered revenue of €108 million in 2023 (2022: €99 million), with fee earning AUM of €13.6 billion (2022: €12 billion) now deployed across 178 companies.

In March 2023, we announced our investment in ImpactA Global, a women-led impact asset management firm established to help address the sustainable infrastructure deficit in emerging markets. ImpactA Global will provide debt financing for sustainable infrastructure assets, helping to bridge funding gaps in transformational projects. In October 2023, we committed up to $100 million to support its growth strategies. Our partnership with ImpactA Global is indicative of those we seek through our General Partners Investing Programme due to its close alignment with Legal & General's focus on delivering commercially attractive financial returns alongside creating a positive environmental and socio-economic impact.

Housing
Build to Sell
Our Build to Sell business, CALA, gave a resilient performance in the face of a challenging market, achieving an adjusted operating profit of £112 million (2022: £169 million) and delivering 2,917 units.

Later Living
Inspired Villages, our Later Living business, backed by a £500 million 15-year partnership with NatWest Group Pension Fund, has continued to expand its village offering. In 2023, it opened its ninth village in Millfield Green, Bedfordshire. Significantly, this will be the UK's first operationally net zero retirement community.

Affordable Homes
Our Affordable Homes business has established itself as one of the UK's leading institutional developers and managers of affordable housing, having increased its total number of homes over 2023 to 4,026, with new builds targeted to be operationally net zero by 2030.

Modular Homes
In the first half of 2023, we announced our intention to cease production at our Modular Homes factory. Unfortunately, long planning delays meant that we were not able to secure the necessary scale in our pipeline.

Traded portfolio
Our diversified traded portfolio has reduced in size after a strategic reallocation of funds in favour of direct investments. This year, the traded portfolio exceeded expectations primarily driven by strong overall market performance across equities, multi-asset and short-dated private credit investments. The traded portfolio helps support the wider Group's sustainability objectives by backing funds that support renewables and clean energy stocks through our Climate Impact Portfolio.

Outlook
We remain well positioned to drive long-term growth in our diverse portfolio as we continue to scale up our businesses by leveraging our strong balance sheet, pursuing international expansion, and attracting further third-party capital to invest in attractive high-yield opportunities.

The ambition to build LGC's diversified AUM to c.£5 billion (2023: £4.5 billion) across the UK and internationally by 2025, with a blended portfolio return target of 10% – 12% (2023: 8.7%) continues to progress. For investors looking to access investment classes that create long term, secure income streams that tackle some of the major social, environmental, and economic issues society is facing, Legal & General is an attractive partner.

As we continue to scale our impact in 2024, we will bring like-minded, purpose-driven capital partners searching for private market solutions to invest alongside us into alternative asset classes and partnerships that drive superior financial returns with positive social and environmental outcomes.

Investment management

CEO introduction
2023 was another challenging year for the asset management industry, a year characterised by geopolitical conflict, macro uncertainty and volatile markets. Against this backdrop, our AUM and consequently operating profit declined. However, asset management is a long-term business and we remain confident in our strategy, which positions LGIM for sustainable future growth.

Our strategy is centred around our three pillars – to modernise, diversify, and internationalise the firm. We've expanded into new markets and have been investing in our capabilities to achieve resilience and global scalability. During 2023, many of our investment strategies delivered strong relative performance across a range of asset classes, as we continued to pursue our purpose: creating a better future through responsible investing.

Growth drivers
- Globalisation of asset markets.
- Investing in the real economy.
- Addressing climate change.
- Welfare reforms.
- Ageing demographics.

Michelle Scrimgeour
Chief Executive Officer,
Legal & General Investment Management

2023 key activities
Against the challenging economic backdrop, we are maintaining a disciplined approach to cost management whilst continuing to invest deliberately and for the long term. We took expense actions over 2023, including selective reshaping of the workforce and restraint on recruitment and variable compensation. These actions led to lower costs in 2023 compared to the prior year, despite significant inflationary pressure.

Delivering on Purpose: responsible investing
We are committed to raising standards at the companies and markets in which we invest, on behalf of our clients, to address the challenges of a rapidly changing world. As at 31 December 2023, we managed £378.1 billion (2022: £332.2 billion) in strategies explicitly linked to ESG criteria.

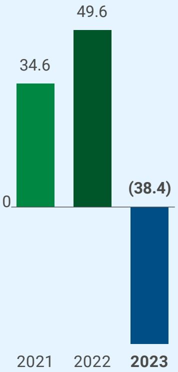
Responsible investing innovation remains core to our product agenda. In 2023, we launched a developed world, fossil fuels exclusion index fund, developed in collaboration with the National Trust, Europe's largest conservation charity. We also launched a global diversified credit fund aligned to the UN SDGs, as well as a suite of net zero, Paris-aligned and bespoke funds to help clients meet their climate commitments.

Our approach continues to receive industry recognition: we recently won the Sustainability Provider of the Year award at the Pensions Age Awards. Last year, we also added dedicated investment stewardship resource in the Asia region, as we extend our reach and influence.

Delivering on our strategy
Our strategic pillars of modernising, diversifying and internationalising the business remain a key focus. We continue to make progress on our five strategic growth initiatives (SGIs) to expand our investment offering and build our distribution footprint. Two SGIs are focused on internationalising our business, by expanding in Asia and Europe. Two SGIs diversify our investment capabilities by expanding in private markets and active fixed income, whilst our final initiative looks to maximise our offering to the UK defined benefit (DB) pension market. LGIM plays a key role within Legal & General alongside our sister divisions, and it is the collaboration between divisions that lies at the heart of our growth agenda.

Modernising
We are shaping the future of the business by investing in our platform, data and people to enhance our efficiency and leverage our scale. Our plan is driven by our strategic target operating model programme, where we are working with State Street and Charles River to create a global platform for investment and middle-office operations to deliver a best-in-class client service. This partnership will help us to offer a more automated, consistent and seamless experience for all of our clients across the world. In the first half of 2023, 172 employees moved to State Street and the first stage of the Charles River roll out went live in January 2024.

External net flows £bn

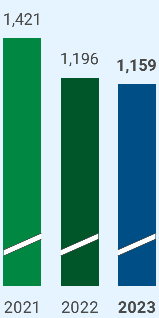


£(38.4)bn

External net flows of £(38.4) billion primarily reflects the re-balancing of 2022 inflows into UK Defined Benefit as clients adjust their portfolios in response to improved funding ratios.

Excluding UK Defined Benefit, LGIM's external net flows were positive at £0.9 billion.

Assets under management (AUM) £bn



£1,159bn

AUM decreased by 3% to £1,159 billion (2022: £1,196 billion), reflecting the impact of higher interest rates on the portfolio.

Our partnership with NTR

In April, we announced that we had successfully raised €390 million in committed capital and co-investment opportunity in the first close of our L&G NTR Clean Power (Europe) Fund. The fund, built in partnership with NTR, a leading renewable energy specialist, is designed for institutional investors with a focus on pension funds, insurers and endowments.

The partnership demonstrated its potential in July, completing the financing of three Spanish solar projects in partnership with NordLB. When fully operational, these will have a combined capacity of 115MWp, producing enough clean power to serve over 50,000 homes.

As the defined benefit market continues to mature in the UK, we are supporting clients to achieve their 'endgame' objectives through modern solutions and enhancements to our platform. With over 75% of schemes now recognising buy-out as their likely ultimate end state, we expect to increase revenue from providing a full range of investment solutions along the de-risking journey. In the US, improved funding ratios due to higher interest rates have increased demand for customised liability hedging strategies.

Given our holistic 'One Legal & General' approach, we expect many of our DB clients to choose our institutional retirement business (LGRI) as a PRT partner.

Diversifying

By selectively adding to our investment offering, with a focus on higher-margin areas, such as private markets and active fixed income, we are building on our core capabilities to improve the business mix. To meet client objectives, we also are increasingly integrating ESG factors into our portfolios, with around 89% of new pooled products developed in 2023 related to responsible investing.

In 2023, we continued to focus on attracting business into our smart beta and active capabilities, generating positive flows and annualised net new revenue (ANNR) into exchange traded-funds (ETFs), multi-asset and real assets. Our defined contribution (DC) business continues to attract new assets, also generating positive flows and ANNR in the period, as does our wholesale business, which ended the year with record levels of client AUM of £68 billion.

Internationalising

We are continuing to expand beyond the UK, with international AUM having grown by 81% since 2018 to £465 billion, representing 40% of our total AUM.

In the US, we are a leading corporate pension manager, working with clients to implement pensions de-risking strategies. We have refocused our index capabilities, leading to early success with $8.1 billion (£6.4 billion) in higher-margin index plus mandates in 2023.

In Europe, AUM increased 11% as we expanded the number of relationships with clients, consultants and intermediaries in our core markets of Germany, Italy, the Nordics and Switzerland.

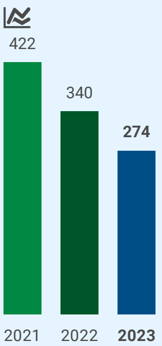
In Asia, AUM grew by 12% in the year, with new mandates in Thailand, South Korea and Taiwan. We also opened an office in Singapore to serve clients in the region and to build connectivity with our London and Zurich offices in serving the important global financial institutions channel. In Japan, our AUM has almost doubled since 2019 and we are now Japan's seventh largest asset manager.

Outlook

We remain confident that our three-pillar strategy positions us well to deliver sustainable future growth. Following the success of the first phase of our strategic target operating model programme, the key foundation of our plan to modernise the business, in 2024 we will build on this success and continue to invest in both our people and technology to lay the foundations towards a wider rollout.

We will look to build on our successes as part of our diversify and internationalise agenda, expanding into higher-margin product areas and global markets where our strengths best align to client demand, whilst maintaining a sharp focus on our core markets.

Adjusted operating profit £m



£274m

Operating profit of £274 million (2022: £340 million) reflects the impact of higher interest rates on AUM, with average AUM 12% lower year-over-year. Revenue of £902 million (2022: £970 million) has been impacted to a lesser extent reflecting LGIM's shift towards higher-margin business. We are maintaining a disciplined approach to cost management, whilst continuing to invest deliberately for the long term.

Understanding the risks

We are exposed to changes in the underlying value of the assets under our management, as a result of either market moves or flows into and out of funds. Operational risk losses can occur where services performed do not meet expectations of clients and regulators. Having a strong control framework within which all our risks are managed is integral to attracting new funds under management, minimising fund outflow and operational errors, and managing regulatory and reputational risks. Our continued investments in systems, processes and people ensures our control environment aligns with risk exposures across our global operating model.

"The market challenges we've seen over the past year have not changed the fundamentals of LGIM's long-term growth strategy. We are well positioned for the future."

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

Retail

CEO introduction

As a leading provider of savings, protection, and retirement products, we are committed to reimagining our world to create brighter financial futures for our customers. Meeting the needs of over c.14 million people through our Retail division, our technological innovation enables us to be at the forefront of customer experience and product diversity.

Our diverse portfolio of businesses means we have been able to weather some of the adverse effects of the current macroeconomic environment. We delivered record-setting transaction volumes in our US protection and UK individual annuities businesses. We have continued to deliver against our ambition – providing better financial outcomes for our customers, value for our partners and returns for our shareholders.

Growth drivers

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

Bernie Hickman
Chief Executive Officer,
Legal & General Retail

UK Retail Protection

Our dedication to helping our 5.5 million customers plan for the unexpected was recognised as we collected five industry awards in 2023 and achieved a record-breaking NPS of 54. With the introduction of the Consumer Duty regulation, we have reinforced our commitment to improving customer outcomes by upgrading our online platform, MyAccount, to give clearer functionality, whilst still maintaining our traditional channels of contact. Customers can now securely upload their documents and track progress, reducing the timeline of their claims. Additionally, our retention programme is delivering results for us and our customers by ensuring they are informed of their options.

This year we partnered with Co-op and HSBC to offer their customers life and critical illness cover, providing them with peace of mind and reaffirming our mission to create brighter financial futures for both our existing and new customers.

UK Group Protection

We are committed to serving over 1.8 million employees and safeguarding their financial futures as demonstrated through our strong retention of existing mandates and winning new business from both large corporates and small and medium-sized businesses. Our successes include winning a £12 million life assurance benefit scheme with a significant financial services FTSE 100 company.

Over 900 new SME employers joined us through Onix, our online quote and buy self-service platform, as we continued to invest in digital enhancements for our customers and reaffirmed our position as a digital transformation pioneer.

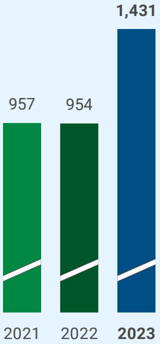
During 2023, we further ingrained our health and wellbeing framework: 'Be Well, Get Better, Be Supported'. Our intervention and rehabilitation services start as soon as we are notified and in 20% of cases the employee can return to work even before the wait period on the policy has expired.

US Protection

In the US, we serve over 1.5 million customers, and we are well positioned to capitalise on further growth opportunities. We have outperformed the market in 2023 and became the third largest term insurance provider in the US.

Our commitment to digital transformation has been the key to delivering record-setting transaction volumes this year. Since its launch in 2019, our innovative online quote and buy platform has focused on streamlining the customer and advisor experience, with more than one in three applicants receiving an instant decision. By reimagining the way life insurance is bought in the US, we have been able to amplify our positive track record and drive increased market share whilst keeping our customers at the forefront of our decisions.

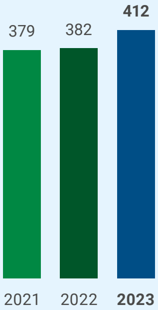
Individual annuity sales £m



£1,431m

We had a very strong year with new business volumes of £1,431 million despite the volatile macroeconomic environment impacting individuals' retirement plans. The rise in interest rates led to increased annuity sales in 2023.

Protection new business premiums £m



£412m

We have consolidated our competitive advantage with a focus on effective use of data and technology resulting in new business premium growth of 7% driven by our best ever single year sales in the US of $175m (£141m).

Bank of Family

Our 'Bank of Family' research uncovered a record number of property transactions being supported by family gift in 2023, highlighting the affordability challenges embedded within the UK housing market.

The Bank of Family looked set to gift £8.1 billion to homebuyers during the year, contributing towards 47% of all homes purchased by buyers under the age of 55. We reinforced the value of advice for those considering providing financial help, and those looking for support to take their first step, or a step up, on the property ladder.

"We help customers manage their assets and income to achieve their life goals. Whether that is helping to protect their income when life gets tough or to grow their pension pots to enjoy retirement."

Bernie Hickman
Chief Executive Officer,
Legal & General Retail

Workplace pensions

Throughout 2023, our Workplace Savings business performed strongly, growing to over 5 million members saving for their retirement with our trusted brand. Legal & General remains the largest commercial Mastertrust in the UK market, offering members value for money with best-in-class governance.

Our research has shown that younger people have low awareness about their workplace pension. Nearly one in five young people with a workplace pension have no idea how much is being contributed to it each month and a third have never checked how much they are paying in. To help bridge this knowledge gap, we have created a series of engaging content pieces and have launched them on social media platforms in line with our commitment to helping the next generation understand the importance of their financial futures.

Retirement income

In 2023, we have continued to invest in our pricing and underwriting capability, achieving record annuity sales of £1.4 billion this year. To highlight our commitment to providing excellent service and value, we were 'highly commended' in the Best Annuity Provider category of the Investment Life & Pensions Moneyfacts Awards.

We appreciate that customers have different retirement plans and have experienced both strong demand for our Lifetime annuities and increased interest in our Fixed-term annuity products, which can provide a bridge to any potential income gap in retirement and give customers financial security.

Building on the already successful long-term relationships we have with Aegon and Prudential, we have extended our annuity partnerships with both providers for five years through to 2028, working together to continue helping people plan their finances in retirement.

Adjusted operating profit £m

£408m

(2022: £415m)

Despite challenging market conditions, our well diversified businesses performed well in 2023 and our profits were resilient. Whilst insurance operating profit was up 22% driven by ongoing profit releases in the UK and US, total adjusted operating profit was down 2% given the lower contribution from Fintech, as valuation uplifts from 2022 did not repeat.

Understanding the risks

As a provider of life insurance, workplace savings, retirement income and lifetime mortgage products, we make assumptions around changing customer health profiles, consumer behaviours, distribution dynamics and forecast lifespans, as well as economic factors including long-term housing market performance. We use our expertise to understand these risks, and price and underwrite our products to take account of them, where appropriate using reinsurance to manage significant exposures.

Retirement lending
We remain a significant lender and innovative influencer in the later life mortgage market, having supported more than 116,000 customers to date. During 2023, we introduced a first-of-its-kind payment term lifetime mortgage (PTLM) for borrowers over 50. PTLM helps borrowers access higher amounts of property wealth by committing to pay interest for an initial term, especially helping customers who need to borrow into retirement and are not well served by existing products.

In 2023, we enhanced our lifetime mortgage range and made the decision to allow new Flexible Lifetime Mortgage customers to make up to 12 repayments each year, up from four, and make repayments by standing order. We have also reduced the minimum drawdown amount to £1,000 allowing customers to easily access their lifetime mortgage funds as and when they need and giving them more control over their finances.

We received five stars at the Financial Times FASA awards and won Best Equity Release/ Lifetime Lender at the Mortgage Strategy, TMA Mortgage Club and AiR Mortgage Club awards, reinforcing why we are trusted by our customers to be with them at every stage of life.

Fintech solutions
Moneyhub
Moneyhub is a provider of open data solutions for the UK financial services market. In 2023, the platform was the winner of multiple awards including Best App and Best Open Finance Platform at the Open Banking Expo Awards and won Open Banking Provider of the Year at the Alt-fi Awards for the second year running. The influential CBInsights named Moneyhub amongst its 100 leading fintech businesses worldwide.

theidol
Our wholly owned subsidiary theidol provides digital development services to several internal teams, annuity comparison services for our customers and comparison technology to UK price comparison websites. During 2023 theidol experienced robust growth, particularly in travel insurance, where revenues increased mainly due to higher sales driven by changing consumer habits.

Onto
An unprecedented fall in the value of used electric vehicles led to liquidity challenges in the funding arrangements of Onto and we wrote down the full value of our investment at half year. The business has since gone into administration.

Mortgage services
As a pioneer of digital evolution, our Mortgage Club is well established in the UK, facilitating around one in four of all mortgages, and one in three of all intermediated mortgages. Since 1995, we have facilitated £978 billion of mortgages and during 2023 we worked closely with a broad range of lenders as we transacted £103 billion of lending.

Mortgage technology
We have advanced our position as a leading provider of research technology through our mortgage platform, Ignite, helping advisors find the best mortgage for their customers with access to 130 lenders.

Surveying services
As one of the largest market participants, managing over 290,000 valuations, we invested in new technology and in refining our digital valuation proposition.

Outlook
We plan to focus on our long-term growth opportunities and build across our core markets, with a continued focus on our customers, and to harness data and technology to deliver excellent client outcomes. We remain intent on delivering the best results for our Retail customers, helping them navigate through challenging economic times and providing them with peace of mind that they are being looked after by a trusted brand and market leader.

Climate and nature report
Our 2023 Climate and nature report is available on our Group website.
See: group.legalandgeneral.com/reports

Digital Transformation

Our US protection business has had a record-setting year for sales volumes, exceeding the previous annual record, and becoming the 3rd largest term provider in the US by doing so.

Our success has arisen from our commitment to digital transformation with our online platform providing an innovative underwriting process and offering a hassle-free digital buying experience for advisors and their qualified applicants.

Since its launch in 2019 the platform has helped streamline the customer and advisor experience through a thoughtful, reflexive digital application that can be completed in as little as 15 minutes. Today more than 1 in 3 applicants receive an instant decision and more than 70% of applicants receive an exam-free offer.

A sustainable business

Being a sustainable business defines our role in society and the value we create.

Sustainability approach

Our purpose is to build a better society while creating value for our shareholders. We're conscious of the impact we have on the environment, the economy and society. We acknowledge that we have a duty to maximise the benefits and minimise any negative effects our business could cause.

Our strategic growth drivers on pages 10 and 11 have a high degree of overlap with environmental and social themes. This, together with awareness of our responsibilities, means that we see the sustainability agenda as central to our business.

We know that our social and environmental impact goes beyond simple adherence to the requirements of ESG considerations. We also see the sustainability agenda and its components as a source of commercial potential for the Group. The transition to net zero, the housing crisis and the need to invest in healthcare and other infrastructure all present opportunities for the long-term investment of capital against our future pension liabilities.

Impacts, risks and opportunities (IRO) assessment

During 2023, we reviewed the areas of focus for our sustainability strategies and assessed their fitness to respond to a taxonomy of over 200 sustainability-related topics. The findings of this IRO assessment were presented to the Group Environment Committee (GEC), one of our senior management committees, in early 2024.

We concluded that the nine most material sustainability topics identified were, overall, adequately addressed in our strategies. Further information on this process, and its findings, can be found in our supplementary Climate and nature and Social impact reports (on pages 46 and 7 respectively).

“At Legal & General a sense of responsibility, commercial opportunity and motivated people combine. These ingredients enable us to keep creating value for society and our shareholders.”

António Simões
Group Chief Executive Officer

On each page of this section, we show which UN SDGs our work supports.

Our sustainability strategy areas of focus

We will promote long-term financial wellbeing

We will promote people's long term and lifelong financial security by providing good value, simple, inclusive, accessible products and education.

Growth driver alignment:

1. Ageing demographics
4. Welfare reforms
5. Technological innovation

We will create better communities in which to live and work

We will build better communities by delivering socially and environmentally positive housing and workplaces at scale. We will create long-term economic prosperity by engaging thoughtfully with communities to meet their needs.

Growth driver alignment:

1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms

We will invest in game-changing environmental solutions

We will play our part in tackling the climate and biodiversity crisis by investing in leading-edge environmental technology and solutions. We will continue delivering low-carbon energy and environmentally beneficial infrastructure and housing, while reducing environmental harm.

Growth driver alignment:

2. Globalisation of asset markets
5. Technological innovation
6. Addressing climate change

We will engage our customers and employees with our impact

We will make sure our customers and employees know that, by being part of Legal & General, they have a positive social and environmental impact. We will meet demand for positive social and environmental impacts by placing these at the centre of how we do business and how we design our products.

Growth driver alignment:

1. Ageing demographics
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

We will role model what it means to be a responsible business

Supporting our work in the above four areas is our commitment to run our business in a responsible way. This includes supporting mental and physical health and wellbeing, promoting diversity and inclusion, and enabling social mobility – both in our own business and in how we influence and interact with others.

A sustainable business
continued

SDG contribution

Reporting our progress

We make sustainability-related disclosures across three main publications. We recommend that readers who want to understand our approach to the whole range of sustainability issues – environmental, social and governance – read these publications together.

In this section of our **Annual report and accounts**, we set out some of the basic reporting that is required under regulation and legislation. Elsewhere in this document, we outline our approach to sustainable business, comment on how our commercial activities have contributed to positive environmental and social outcomes, and describe our governance practices.

Our **Climate and nature report**, prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), describes our climate and environment strategy, scenario planning, risk management, metrics and governance. This report contains detailed data on our carbon emissions and other environmental metrics.

Our **Social impact report** describes the commercial and not-for-profit actions we've taken in the reporting year in pursuit of our sustainability areas of focus. It also contains people-related disclosures, including workforce data; diversity and inclusion data and targets; and pay gap information by gender and, for the first time, ethnicity.

Long-term financial wellbeing

Long-term financial wellbeing is important to us because we want our customers and society to feel financially confident and resilient.

At a human level, this is about the security of being able to pay the bills today, deal with the unexpected, and take steps to ensure a healthy financial future. Conversely, financial difficulties can affect all aspects of human health, especially when unexpected challenges arise, such as recent cost of living pressures. As a leading insurance and retirement product provider, we influence people's long-term financial wellbeing. We are committed to creating a better financial future for the customers and the communities whom we serve.

Our Retail business offers products, services and tools which support individuals' and society's long-term financial wellbeing. We enhance these with extra services and not-for-profit activities aimed at improving our customers' ability to cope with difficult times, creating additional, targeted value for customers who need it most. We also invest capital in ways which look to generate long-term economic value.

Chapter two of our Social impact report gives more detail on this.

Better communities

Access to quality jobs, decent housing, thriving communities and economic prosperity are key to helping people live longer, healthier, happier lives. Our Rebuilding Britain Index – which ran from 2021, when the UK and other economies were still firmly in the grip of Covid-19, until May 2023 – showed the scale of the challenge. Among the impacts of the pandemic were a decline in GDP and declining health and educational outcomes, with those communities already experiencing some of the poorest outcomes in the UK being the hardest hit.

Climate and nature and Social impact reports
Our 2023 Climate and nature and Social impact reports are available on our Group website. See: group.legalandgeneral.com/reports

A great start with RedSTART

As part of our three-year partnership with financial education charity RedSTART, we welcomed 158 Year 6 pupils into our London office for an immersive day of activities aimed at helping them build their knowledge, skills and confidence in handling money.

As an investor in towns and cities through our capital and real assets business, as well as a major housebuilder, we have an opportunity to use capital in ways which benefit society.

During 2022, we developed a model that we employ throughout the lifecycle of an investment, from design and construction to the asset's impact on end users and surrounding communities. 2023 saw us begin to put its principles into practice: driving not only economic, social, and environmental benefits for the people and communities where we invest, but also helping ensure investments maintain long-term relevance.

Chapter three of our Social impact report sets out how we have done this.

Climate and environment

Climate change is a systemic issue, impacting the economies and societies in which we operate. Addressing it is central to our purpose. We see climate change not only as a risk to be managed, but also as an opportunity to invest in the solutions that society needs to manage the transition to net zero.

We believe that despite the turbulence of the past five years, addressing climate change is the right thing to do, not just for our business, but for the many different stakeholder groups our business impacts. Therefore, our long-term strategic response does not change in the face of specific short-term shocks.

By investing our long-term assets to support decarbonisation, we are working to protect our shareholders' and customers' returns while helping to create a more sustainable future.

Our approach to climate change is built on three strategic pillars:

- **invest:** through reducing the intensity of our financed emissions and through investing in the transition
- **influence:** through the products we offer and our engagement with companies, governments and policymakers
- **operate:** through our operations, our purchased goods and services, and the businesses we control.

We believe our strategic response to climate change will support our resilience and allow us to take advantage of the opportunities presented by the transition to a net zero economy. It is set out in full detail in our Climate and nature report and our Climate transition plan, which was presented to, and approved by, our shareholders in 2023.

As well as our actions to address climate change, we also seek to do business in ways which reduce wider environmental harms, both through our investment policies and strategies in how we operate our business, particularly in the construction field.

Our Climate transition plan is clear that addressing climate change must be pursued in tandem with halting nature and biodiversity loss. During 2023, business and finance increasingly recognised the impacts and dependencies we have on nature. We welcomed the release of the Taskforce on Nature-related Financial Disclosures (TNFD) global framework for nature. We are building our approach to nature on the three pillars of our climate strategy, while recognising the unique challenges involved with integrating nature into decision-making.

For in-depth information about our performance and plans in these areas, please refer to our 2023 Climate and nature report and our Climate transition plan.

Engaging customers and employees

The positive impact a company has on the world remains important for many stakeholders, including customers and employees. Our guiding principle is to create a better society, and value for shareholders, by investing in long-term assets that benefit everyone, from housing to renewable energy. This ethos shapes the way we invest, plan, hire and do business.

We're a market leader in life insurance, workplace pensions and retirement income, meeting the needs of c.14 million people through our Retail division.

We employ over 11,500 people globally. Legal & General customers and employees are from all walks of life and many different backgrounds. As a business whose products are so connected to the way people live, we can have a material impact on looking after our vulnerable stakeholders and supporting them during the cost of living crisis.

In chapters four and five of our Social impact report, we describe the steps we take to engage customers and employees, as well as our control framework which ensures we adhere to high standards in the ways we do business.

> "As a global investor, we have a vital role to play in supporting the transition and in helping to protect nature."
>
> **Carl Moxley**
> Group Climate Director

SDG contribution

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION

For more on our approach to addressing climate change, read our 2023 Climate and nature report

More information about our environmental KPIs and reporting

FCA Listing Rule 9.8.6R(8)
A summary of our climate-related financial disclosures is set out on page 45. Our disclosures are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures and can be found on pages 45 to 48 of this report, with additional information available in our separate Climate and nature report.

Transition plan: response to FCA requirement 2021/61 9.8.6FG
Our Climate transition plan was presented to, and approved by, the 2023 Annual General Meeting of Legal & General plc shareholders. The plan assumes, and sets out our proposed role in bringing about, the economy reaching net zero carbon emissions by 2050 in line with the UK Government's Climate Change Act 2008 (2050 Target Amendment) Order 2019.

Companies Act 2006 and SECR
In building our footprint, we have reported on the emission sources for January to December 2023 required under the Companies Act 2006 Strategic report and Directors' report regulations 2013 and have followed the requirements of the Streamlined Energy and Carbon Reporting (SECR) framework.

In line with the Greenhouse Gas protocol, our scope 1 and 2 is the annual carbon emissions of the whole Group. We apply the operational control approach, i.e. we include all operations which we directly control, such as the energy from our core occupied offices, landlord activities, as well as the construction of new homes within our housing businesses and joint ventures.

Environmental system
We manage our business in accordance with ISO14001 certification.

Our sustainability KPIs

Climate

Operational footprint (scope 1 and 2 (location))

27,722 tCO_2e[1]

(2022: 30,062 tCO_2e)

Measures the greenhouse gases (GHG) associated with our direct operations. Scope 1 emissions are direct GHG emissions occurring from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat or steam.

Investment portfolio economic GHG emission intensity

56 tCO_2e/£m

(2022: 62 tCO_2e/£m)[2]

This is made up of our ownership share of the emissions related to the assets we invest in within the Group proprietary asset portfolio, as explained on pages 39 to 40 of the 2023 Climate and nature report. It includes bonds, equities, and investment property but excludes cash, derivatives, or any assets already covered in our operational footprint. It is measured per unit of investment.

Implied temperature alignment

2.5°C

(2022: 2.6°C)[2]

This measures the implied warming potential of the Group proprietary asset portfolio (where we have the relevant data) aggregated from its individual components, calculated in line with LGIM's methodology.

Other

Employee satisfaction index ('eSat')

79%

(2022: 78%)

Measures the extent to which employees report that they are happy working at Legal & General (or their named employing entity).

Median gender pay gap

23.6%

(2022: 22.4%)

Measures the difference between median pay per hour for women and men, expressed as a percentage of the latter. This KPI relates to UK-based employees only.

Management roles held by women

37.2%

(2022: 38%)

Measures the percentage of management-grade roles held by women. We have set the objective of 40% of such roles being held by women by 31 December 2025.

For further information on our GHG emissions, and steps taken to reduce them, please see our separate 2023 Climate and nature report.

For more information on our employee satisfaction index, representation data and pay gap, please see pages 49 to 51 of this report and our Social impact report.

1. Carbon dioxide (CO_2) is the most significant contributor to global anthropogenic GHG emissions, which also includes other gases such as methane and nitrous oxide. The equivalent warming impact of non-CO_2 GHG emissions are measured as tonnes of CO_2 equivalent (tCO_2e).
2. Metrics have been re-baselined through a combination of methodology and data sourcing changes. Figures from the 2022 report, with an associated impact assessment, are provided in the 2023 Climate and nature report on page 55.

Summary disclosure against TCFD recommendations

We have continued to disclose in line with the TCFD recommendations. We have complied with the FCA listing rule 9.8.6R(8) and have considered relevant and material elements of the recommended TCFD disclosures. The table below gives a summary of our material disclosures and directs readers to the relevant pages in this report, and to our Climate and nature report for supplementary information. This additional report provides us with the space we require to provide sufficient detail of our approach to addressing climate change, as we do with our disclosures on risk, tax and social issues. In response to FCA guidance 9.8.6FG, we have also produced a Climate transition plan which was published in April 2023 and was taken to our Annual General Meeting for approval. Our plan sets out our role in aligning our business with a 1.5°C net zero outcome, consistent with the UK government's targets.

Strategy	Additional information is provided on pages 6 to 18 of our Climate and nature report
Climate-related risks and opportunities	We have integrated climate risk management into our overall risk management framework and are well placed to play a role in the decarbonisation of the economy. Our climate-related opportunities and risks and the time periods to which they are assessed are described on page 46.
Impact on our businesses, strategy and financial planning	Based on our scenario analysis, our business model is not expected to be significantly disrupted by climate change, however it does impact how we execute our strategy. As one of our six strategic growth drivers, we have built a three-pillar approach to address climate change: how we invest our assets, how we influence as an asset manager and how our businesses operate. Our proprietary model on climate change is used to quantify the potential impacts of climate change on our portfolio. Page 47 shows our key commitments and interim milestones under each of these pillars, and descriptions of our climate action statements.
Resilience based on scenarios, including a 2°C or lower scenario	Our climate scenario analysis helps us to identify and quantify the sources and magnitude of potential climate-related risks that will emerge as the world transitions to a low-carbon economy. We describe our resilience to these scenarios, including a 2°C or lower scenario, on page 48, and climate considerations are also highlighted in the Group Board viability statement on page 55.

Governance	Additional information is provided on pages 26 to 29 of our Climate and nature report
The Board's role in oversight	The Board is accountable for the long-term stewardship of the Group. It has delegated oversight of the management of climate-related risks to the Group Environment Committee (GEC). We describe the governance structure in more detail on page 47.
Management's role in assessing risks and opportunities	We have appointed a Group Climate Director, who chairs the GEC, and we set out the senior managers' responsibilities through the committees and overall risk and governance framework on pages 47 and 48. The link between executive remuneration and progress against climate commitments is set out in our Annual report on remuneration on page 106.

Risk management	Additional information is provided on pages 30 to 35 of our Climate and nature report
Processes for identifying and assessing climate-related risks	Climate risk management has been integrated into our risk and governance framework, our approach is described on pages 47 and 48. Scenario analysis is a key tool to assess the potential impacts from climate risk, referenced above and described on page 48.
Processes for managing climate-related risks	We deploy a range of management actions to manage our exposure to climate-related risks associated with our investments and operations, to meet our risk management objectives, including: an established framework for climate commitments; exclusions and high-carbon escalation; physical risk controls; review our existing tolerance framework to incorporate climate considerations; and active engagement.
How we integrate these risks into our overall risk management	The Group's climate governance has been designed to ensure that the management of the financial risks from climate change are integrated across the whole governance system and embedded into the existing risk management framework.

Metrics and targets	Additional information is provided on pages 36 to 44 of our Climate and nature report
Internal metrics	Our metrics support our commitment to align with the 1.5°C 'Paris' objective, and our key sustainability performance indicators for managing the risks and opportunities from climate change are disclosed on page 44. We focus on our investment portfolio economic carbon intensity, implied portfolio temperature alignment and operational carbon footprint. We also measure our engagement with investee companies.
Greenhouse gas emissions	Our scope 1 and 2 (location) operational emissions were 27,722 tCO_2e. Our scope 3 non-investment emissions (fuel and energy-related activities, waste, business travel, working from home and serviced offices) were 20,316 tCO_2e. Our scope 3 downstream leased assets were 0.3 million tCO_2e. Our scope 3 investment emissions were 5.0 million tCO_2e. Additional metrics are disclosed on page 44.
Targets	We have set our climate targets across our three-pillar climate strategy to align with the 'Paris' 1.5°C objective. Our key climate commitments, and interim milestones are on page 47. Our Climate transition plan, issued in April 2023, is also available online.

Climate and nature report
Our 2023 Climate and nature report is available on our Group website.
See: group.legalandgeneral.com/reports

Climate and nature-related opportunities and risks

While there are manifestly risks from climate change, the transition to net zero also creates opportunities. The table highlights material climate and nature-related opportunities and risks that Legal & General has identified.

The impacts of climate change are different across our businesses, reflecting the nature of each business. They are also likely to shift over time and we have assessed levels of impact as well as a time horizon to try to illustrate this.

Opportunities

Strategic pillar	Potential opportunities	Business area most impacted	Horizon term: Short	Med	Long
Invest	Investing in the technology and infrastructure needed to transition away from carbon emissions, such as renewable energy sources, low-carbon properties, low-carbon heating, electrification of transport and nature-based solutions.	LGRI, LGIM, LGC, Retail	Medium	High	High
Influence	Attracting and retaining clients by supporting their needs to decarbonise their investment portfolios, for example through net zero-aligned investment products and funds, and provision of data and analytical tools.	LGIM	High	High	High
	Managing funds that provide clients with access to financing opportunities in transition technologies and infrastructure and nature-positive outcomes.		High	High	High
	Engaging with companies and governments to encourage a fast and orderly 'just transition', which also enhances trust in our brand.		High	High	Medium
Operate	Enhanced returns from investing in homes and commercial properties by enabling them to operate with net zero carbon emissions.	LGRI, LGIM, LGC	High	High	Medium
	Increasing our market differentiation through reduced embodied carbon in construction.		High	Medium	Low
	Protecting our long-term returns by developing real assets with high levels of climate resilience.		Low	Medium	High

Risks

Strategic pillar	Potential risks	Business area most impacted	Horizon term: Short	Med	Long
Invest	Investments in sectors or companies which are adversely exposed to a transitioning economy lose value or are downgraded.	LGRI, LGIM, LGC, Retail	Medium	High	High
	Disruptive technology may affect the value of our investments.		Medium	High	High
	Increased frequency or severity of extreme weather events may impact on the value of physical assets or the value of companies with high exposures to these risks.		Low	Medium	High
Influence	Loss of market share should investment solutions be perceived as not meeting rapidly evolving client needs.	LGIM, LGC	Low	Medium	Medium
	A breach of evolving legislative or regulatory requirements may expose us to litigation, regulatory sanction and damage to our brand.		Low	High	Medium
	Reputational risk from not meeting our own commitments, or if activities across the Group are not aligned.		Medium	Medium	Medium
Operate	High delivery costs of low-carbon solutions for residential and commercial properties may impact viability.	LGRI, LGIM, LGC, Retail	High	Medium	Low
	High delivery costs due to changing weather patterns disrupting our supply chain, leading to increased costs and material shortages.		Low	Medium	High
	Property values fall due to increased risk of extreme weather impacts, higher insurance costs or poor energy efficiency.		Low	Medium	High
	Inherent exposure to the risk that key personnel may leave the Group, with an adverse effect on performance.		Low	Low	Low

Key
High impact · Medium impact · Low impact

Short, medium and long term
- Our **short-term** horizon looks at a three-year period.
- Our **medium-term** horizon looks forward up to 10 years.
- Our **long-term** horizon looks at the time horizon up to 2050. This strives to challenge and shape the very nature of our business as well as the overall strategy.

Our approach to climate change and our targets

Invest

We are incorporating climate considerations into how we invest our £92.5 billion of proprietary assets[1].

Influence

We are using our influence as an asset manager with £1.2 trillion of AUM to promote a 1.5°C net zero transition.

Operate

We are changing the way we operate to decarbonise our business.

We are doing this through...

- reducing the intensity of our financed emissions.
- investing in the transition.

- the products we offer our clients.
- our engagement with the real economy.

- our operations.
- the business we control.
- our purchased goods and services.

Strategic commitments

Net zero
asset portfolio aligned with a 1.5°C 'Paris' objective, with a 50% reduction in GHG emission intensity by 2030 from a 2019 base year.

100%
of AUM in alignment with net zero by 2050, working in partnership with clients to reach net zero alignment across 70% of AUM by 2030[2].

Net zero
scope 1 and 2 GHG emissions by 2050, with an absolute reduction of 42% by 2030 from our 2021 science-based target base year[3].

Governance of environmental risks

The Board is ultimately accountable for the long-term stewardship of the Group. Responding to climate change and addressing nature-loss and the opportunities and risks associated with these issues are of significant importance to the Board. Nilufer von Bismarck, a non-executive director, has a responsibility to give specific focus to climate change in her role.

The Board has delegated oversight of the management of environmental risks to the GEC, through the Group Risk Committee, Executive Risk Committee and Group Management Committee. The GEC is responsible for providing strategic direction of the Group's environmental response, including to climate change, with reference to the Group's broader sustainability strategy.

Our Group Climate Director has responsibility for coordinating the Group's response to climate change and incorporating nature and biodiversity opportunities and risks. The role has responsibility for ensuring that an appropriate strategy is in place to understand, identify, measure, monitor, control and report the opportunities and risks from climate change, in line with the risk strategy and risk appetite parameters set by the Board. The Group Climate Director also supports management in the development of appropriate processes to monitor and report exposures to the risks arising from climate change and in benefiting from strategic opportunities arising from climate change.

The GEC is chaired by the Group Climate Director with membership including: the Group CFO, Group HR Director, Group CRO, Group Corporate Affairs Director, LGRI CEO, LGC CEO, LGIM CIO and with the Head of LGIM's Investment Stewardship team in attendance. The level of seniority in its membership and attendees helps ensure that there is a single forum to provide oversight on our response to environmental issues, ensures consistency, encourages debate and demonstrates the importance we place on our response to these issues.

1. We define proprietary assets as total investments to which shareholders are directly exposed, minus derivative assets, loans and cash and cash equivalents.
2. Excludes sovereigns and derivative securities until such time as agreed methodologies exist.
3. To account for the impact of the pandemic our 2021 base year includes estimated emissions data from our Real Assets portfolio based on 2019 data. All other base year emissions are from 2021.

Climate risk management

Our risk management approach to the financial risks arising from climate change reflects our climate strategy, the materiality of the exposures and how we operate. When assessing materiality, we consider both how the Group is affected by climate change, as well as the Group's own impact on the climate.

The risks arising from climate change to which we are exposed to fall into three broad categories: transition risks, physical risk, and corporate risks. The risks from climate change and nature-loss are far-reaching, uncertain and broad-ranging. As much of our balance sheet is based on assumptions and expectations of future experience, risks can materialise through both actual change in experienced profits or losses, as well as changes in those future expectations.

Climate risk management is integrated into our existing risk and governance framework and have carried out a detailed assessment of how we could expect climate risk to emerge across our business model. Given our business model (see page 12), we assess the most material financial risks from the potential impact of climate change on the value and credit rating of our assets.

Transition risks are primarily measured in relation to our carbon exposures, both for our operational footprint (scope 1 and 2), and of our investment portfolio GHG emissions intensity to align with the 'Paris' objective. We deploy a range of management actions to manage these exposures including: our established framework of climate commitments; exclusions and high-carbon escalation; physical risks controls; review of our existing tolerance framework; and active engagement with investees.

Climate scenario analysis

Our scenario analysis enables us to assess how the impacts from climate change may emerge under a range of climate scenarios and time horizons. Our scenario analysis focuses on the financial risks from climate change, both physical and transitional risks, across our major risk categories of credit, longevity and market risk. We have developed four scenarios:

Inaction (approximate warming 3 – 4°C) – failure to act means emissions continue to grow at historical rates
Below 2°C (approximate global warming of less than 2°C) – immediate ambitious policy and investment actions to address climate change
Net Zero 1.5°C (approximate global warming of 1.5°C) – immediate, highly ambitious actions to address climate change reduces emissions to net zero by 2050
Delayed Below 2°C (approximate global warming of less than 2°C) – policy and investment action to limit warming to well-below 2°C is delayed to 2030 resulting in much more disruptive change.

Scenario results for our Group portfolio are produced for the three pathways which are based on transition risks (Below 2°C, Net Zero 1.5°C and Delayed Below 2°C). We do not apply the inaction scenario to our portfolio.
We expect most of the associated impact to be driven by physical risks, which tend to be highly localised and manifest further into the future and are hence more uncertain. As part of our assessment of viability we include the impact of the Group's net zero ambitions, and the Group's ability to adapt its operations and business strategy to address the financial risks arising from both the physical risk of climate change and the transition to a low-carbon economy. The Board regularly considers the potential financial and reputational impact of the Group's principal risks, which includes failure to respond to the emerging threats from climate change for our investment portfolios and wider businesses.

The nature of our business means we have identified four broad mitigations to our transition risk exposure.

1. Our exposure is largely through financial assets, many of which are listed, so we have significant flexibility to adapt by trading to the desired carbon position. This is the expected outcome should active engagement fail.
2. We hold mainly investment grade bonds, which are matched against liabilities such that we are not materially exposed to price risk compared to investors who regularly trade their bond portfolios or those holding greater exposures to equities.
3. We continue to carefully manage our balance sheet and our credit portfolio. We continually analyse our credit exposures and where appropriate, seek out opportunities to improve credit quality at attractive pricing levels. We have incorporated climate considerations within our credit and market risk management and expect these to develop over time. We manage our transition risk from climate change through setting our portfolio decarbonisation targets. These pre-emptive management actions are expected to reduce the credit risk of the portfolio and are expected to reduce the impact of the credit stresses presented in these scenarios. Our decarbonisation strategy also covers our equity portfolio.
4. The balance sheet is well-diversified across different sectors of the economy. Our initial assessment of our implied portfolio temperature alignment indicates that we do not have an over-weight allocation to the highest carbon intensity names within the market sectors.

See our 2023 Climate and nature report for additional information.

Internal risk management landscape (risks and strategy)

External risk management landscape (impacts and considerations)

A responsible business

Our commercial success depends on a strong and economically resilient society in which companies act with integrity and responsibility. Legal & General is no exception. Our impact is far reaching, and strong business ethics are central to making that impact positive.

Governing our business in a responsible manner is part of our promise to stakeholders, including our employees. Therefore, we hold ourselves and our employees to high standards of conduct. Our culture is all-important, and it plays a role in attracting and retaining employees who have the skills and motivation to do excellent work for our stakeholders.

Diversity and inclusion (D&I)

Our commitment and strategy

Addressing the challenges identified in our Group strategic growth drivers (see pages 10 and 11) requires us to build a culture which fosters collaboration, constantly improves employees' decision making, and moves quickly to solve problems in innovative ways. We believe that diversity of experience brings diversity of thought and perspective, which in turn drives greater proximity to customers, better-informed decisions, and a culture which more readily embraces innovation.

Our D&I strategy, which seeks to build such a culture, has been in place for two years. We have strong foundations, built on a much-improved understanding of our people's lived experience and of our organisational culture.

Our focus

Through our D&I strategy, we have committed to two outcomes: a more diverse workforce and a more inclusive culture.

We have three strategic priorities:

- recruit and retain diverse talent
- invest in line manager capability
- create opportunities for everyone at Legal & General.

We measure our success by tracking data about the representation of minority or underrepresented groups at various levels of seniority in our business. We also use data from our listening programmes, such as our Voice survey, to inform our understanding.

We have set certain representation goals which we publish externally. We believe that the actions taken to increase the diversity of our workforce will, in time, have the effect of progressively narrowing pay gaps because they are aimed at improving representation.

For more on our strategy, objectives and performance, please see chapter six of our 2023 Social impact report.

Our goals

We remain committed to our goals for improving representation of people from minority or underrepresented groups in our organisation. Importantly, this applies at all levels of the Company.

Goal	Target date	2023	2022
50% of workforce to be female	31 Dec 2025	46.5%	45%
17% of workforce to be from ethnic minorities	31 Dec 2027	16.9%	16%
40% of senior roles held by women	31 Dec 2025	37.2%	38%
17% of senior roles held by people from ethnic minorities	31 Dec 2027	17.3%	17%
40% of Board roles held by women	31 Dec 2025	42%	42%
17% of Board roles held by people from ethnic minorities	31 Dec 2027	25%	25%

Our performance: pay gap data

In 2023, we saw a slight widening of our median **gender pay gap**, from 22.4% to 23.6%, the first such year-on-year widening since we began to report pay gap data. We remain committed to a progressive narrowing of the gap as a consequence of our ambition of increased representation of women in senior roles.

2023 saw us publish our **ethnicity pay gap** data for the first time. We have a negative median gap of -32.1%, meaning that the median pay for individuals from an ethnic minority background is, in aggregate, higher than that of our white employees.

For more information on our pay gaps, including commentary and our full statutory gender pay gap disclosure, please see chapter six of our 2023 Social impact report.

Gender pay gap	2023 Mean	2023 Median	2022 Mean	2022 Median
Hourly pay	21.3%	23.6%	20.9%	22.4%
Bonus	45.4%	41.2%	48.5%	37.6%

Ethnicity pay gap	2023 Mean	2023 Median
Hourly pay	-9.8%	-32.1%
Bonus	9.4%	-15.7%

"We remain committed to delivering on our workforce diversity goals. We also recognise the value of a culture which promotes belonging and encourages everyone to contribute and progress. Together, these represent commercially logical outcomes."

Emma Hardaker-Jones
Group Human Resources Director

SDG contribution

"We all have mental health, just as we do physical health. Throughout our lives, there are times where our mental health is in peak condition, and other times where we struggle. I've experienced both ends of this range – so I know just how important it is to feel supported and safe. I am committed to creating a culture where everyone at Legal & General has access to the support they need and someone to talk to when they need it."

António Simões
Group Chief Executive Officer

SDG contribution

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Engaging and developing our people

Engagement

Our work to build a strong culture is based on thoroughly understanding our people and involving them in shaping our Company. We do this in several ways, with the insights we gain informing the actions we take.

During 2023, through our Voice survey, we requested feedback from our entire permanent employee base on two occasions. Voice measures employee sentiment on a range of issues and the data gathered are an important indicator of organisational culture. Employee satisfaction in September 2023 was 79, up one point year-on-year and four points above the industry benchmark. This was based on a 79% response rate.

While there is always further progress to be made, overall the strong score in satisfaction, along with a score of 81 on 'intent to stay', were particularly reassuring given the challenges in attracting talent in current markets.

Please see pages 36 and 37 of our Social impact report for more information on how we engage our people, including information on collective bargaining arrangements, and more detail on the findings of our Voice surveys and other engagement mechanisms used in 2023.

Development

We are committed to providing our employees with opportunities to enhance their skills, enabling our business to stay competitive in a rapidly evolving world. Our approach to development is to enable employees to perform in their roles today, develop their skills for the future, and connect with the developmental content and experiences to help keep these skills relevant.

In 2023, we invested over £5.3 million in people development. We offer targeted development opportunities for all employees, for managers and for senior leaders. These are delivered through a blend of in-house and external training opportunities.

We focused on:

- enhancing learning accessibility: simplifying our core programmes and making it easy for our people, regardless of location, to identify what's relevant to them and how to access it. This included running sessions virtually and in-person and across multiple time zones
- increasing our 'in-the-moment-of-need' learning offerings: providing easy access to content such as videos, top tips and how-to guides, which are quick to digest and simple to apply in order to help our people perform when they need it most
- investing in our senior leaders via a new executive development programme called Leading through Connection
- helping our people to develop their understanding and use of our behaviours, in support of our culture and of individual performance.

Please see page 38 of our Social impact report for more information on our approach to learning and development.

Employee wellbeing

We are committed to protecting the physical, mental, financial, and social wellbeing of our employees. We want to create a healthy and safe organisation that brings together healthy people and healthy work, fostering a positive work culture, improving morale and benefiting both our people and our Company.

We take our employees' safety, wellbeing and ability to thrive at work extremely seriously. We recognise the importance of 'psychological safety' – creating a safe and open environment where people can be themselves – in achieving this.

Jeff Davies, our Chief Financial Officer, was named as our executive sponsor for wellbeing and mental health during 2021, with accountability for our strategy in this area. He remained in this role throughout 2023.

During 2023, we developed a new strategy for employee wellbeing, based on the importance of resilience. We believe resilience forms the foundation of wellbeing and that one of the best ways we can support our people is by helping them to build and maintain their resilience. As a more resilient firm, we can respond to change faster while ensuring we continue to deliver for our stakeholders.

Our strategy is based on data about our workforce's needs, gathered through sources including employee surveys and sickness data. We use this to define our approach to promoting better employee wellbeing and in designing services and benefits for our people.

We continue to offer such services and benefits across mental, physical, social and financial wellbeing. A full list of these, as well as more detail on our wellbeing strategy, can be found on pages 39 to 41 of our Social impact report.

Health and safety

The operation of our core offices is managed through a health and safety system aligned with ISO45001 and our offices are audited by a leading health and safety consultancy. We have a well established and documented process for identifying health and safety hazards and risks, and responding to incidents and near misses. We continue to review and update our risk assessments, which are the cornerstone of our management system. We also use our assessments to form policy, processes and guidance for our people.

Procedures and processes are reviewed regularly to ensure compliance with law and best practice. All employees are required to complete a health and safety training module. During 2023, we created a new strategy for health and safety, with a vision to 'protect people and places and promote safer and healthier lives'.

More detail on this strategy and the steps we are taking to implement it, along with data relating to health, safety and sickness, can be found on pages 42 and 43 of our Social impact report.

Modern slavery and human rights

As a leading financial services company and major global investor, we have a duty and commitment to uphold human rights throughout our operation and value chain. We have zero tolerance of labour abuses, including modern slavery.

Our main annual disclosure on the issue of modern slavery and human rights is our modern slavery statement, which can be found on our corporate website. The statement covers, among other matters, how we assess modern slavery and human rights risk in our operations and value chain; the due diligence we perform; and our policies and practices.

We are committed to maintaining high standards when it comes to the protection of human rights – including a commitment to play our part in eradicating modern slavery.

We base our approach on standards set by various bodies, including the United Nations, the International Labour Organization, the Gangmaster and Labour Abuse Authority, the Living Wage Foundation and the Ethical Trading Initiative.

In 2023, we undertook work in several areas to improve our management and mitigation of modern slavery and human rights risk. We:

- joined the UN Global Compact's Modern Slavery Working Group, enabling us to undertake further training on this topic and learn from peers in the industry
- became a member of Unseen, a UK charity that supports survivors of trafficking and modern slavery as well as providing expert support
- focused our activity on training; securing external counsel and support; and undertaking audits across our owned and managed sites, looking for evidence of any breaches of modern slavery and human rights.

Please see our human rights policy and our 2023 Modern slavery statement for more information about our approach.

Our supply chain

We have a complex global supply chain and understand that our actions have far-reaching consequences. We recognise the importance of balancing financial considerations with promoting sustainability both within our operations and within our supply chain.

Our procurement approach allows us to engage with our supply chain effectively and fairly, in a manner that manages risk and promotes value in the best interests of our customers, employees, regulators and shareholders. As part of that framework, our contracts set out the commercial and legal parameters of our engagements with our suppliers, including compliance with laws and regulations, and provisions to ensure continuity of services and the security of data.

Our Supplier Code of Conduct sets out our ambition and defines how we expect our suppliers to play their part. The Code focuses on areas like wages, environment and climate change, human rights and modern slavery, and diversity, equity and inclusion.

We continuously adapt our practices to align with evolving sustainability expectations and requirements. We modify supplier evaluation and monitoring processes to ensure compliance with our sustainability standards. This includes assessing suppliers' environmental practices, labour conditions and adherence to human rights principles. Through regular audits and assessments, we aim to maintain a responsible and ethical supply chain.

For more information on how we manage our supply chain to promote sustainability, please see page 47 of our 2023 Social impact report.

Anti-bribery and corruption

We will not tolerate any person acting on behalf of the Group participating in any form of corrupt practice, including the acceptance, promise, offer or giving of anything that may be considered a bribe. Our financial crime risk policy applies across the Group and mandates that controls are put in place to prevent and detect such activity.

Controls include an annual bribery and corruption risk assessment; regular training; due diligence measures; reporting of suspicions of bribery and corruption; and the control and approval of giving and receiving of gifts and hospitality, political and charitable donations, and corporate sponsorship.

Modern slavery statement
Our Modern slavery statement is available on our Group website. See: group.legalandgeneral.com/ModernSlavery2023

Non-financial and sustainability information statement

Under sections 414CA and 414CB of the Companies Act 2006, we are required to include in our Strategic report a non-financial and sustainability information statement.

This section of the Strategic report (pages 40 to 51) provides the following information required to be included in the non-financial and sustainability information statement:

- environmental matters
- our employees
- social matters
- human rights
- anti-corruption and bribery.

In addition, other required information can be found on the following pages:

- business model (pages 12 to 15)
- principal risks and how they are managed (pages 52 to 59)
- non-financial key performance indicators (page 44)
- Climate-related financial disclosures align to the Taskforce on Climate-related Financial Disclosure (TCFD) requirements (pages 45 to 48).

Details of relevant policies, due diligence processes and the outcome of these policies and processes, are contained throughout the Strategic report.

Our non-financial and sustainability information statement focuses on the stakeholders and issues that are important for us to deliver on our purpose of inclusive capitalism.

SDG contribution

8 DECENT WORK AND ECONOMIC GROWTH

Managing risk

“Our risk management approach supports informed risk taking by our businesses.”

Chris Knight
Group Chief Risk Officer

Finding what you need online
Detailed information can be found in our risk management supplement.

Please visit:
group.legalandgeneral.com/reports

Overview

Understanding the risks that we are exposed to and deploying strategies to ensure residual exposures remain within acceptable parameters is an integral part of our business. Our risk management approach supports informed risk taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to, together with risk limits and required standards of internal control to ensure exposures remain within our overall risk appetite.

As well as managing financial and non-financial risks to our businesses, our risk framework considers broader factors including the delivery of good customer outcomes and the threats from climate change. In focusing beyond pure financial measures of risk, we enable our businesses to fulfil their social purpose.

We seek to deeply embed the necessary capabilities to assess and price for those risks that we believe offer sustainable returns within each of our operating businesses, as well as ensuring the skill sets to closely manage those risk factors which could otherwise lead to unexpected outcomes.

Our straightforward, collaborative and purposeful behaviours underpin the operation of our risk framework, and support a culture of openness and transparency in how we make decisions and manage risks, balancing performance with principles to do what is right.

Our risk section is organised into the following subsections:

Our risk landscape

The risks that are inherent in our business arising from:

- the products we write
- the investments we hold to meet our obligations
- the business environment in which we operate.

Risk appetite

Our quantitative and qualitative expressions for the types of risk to which we are prepared to be exposed.

Alongside the minimum capital requirements that we wish to maintain and the degree of volatility of earnings we wish to avoid, we set a range of tolerances and limits for our material financial and non-financial risk exposures.

Risk management framework

Our formal framework for monitoring our risk landscape and ensuring that we are only exposed to those residual risks for which we have an appetite.

Our framework seeks to reinforce the parameters of acceptable risk taking, allowing business managers to make decisions and take opportunities that are consistent with our risk appetite.

Our risk landscape

Our risk landscape comprises asset, insurance, non-financial and strategic risks. Our largest risk exposures, measured by undiversified solvency capital, are to credit and longevity.

Asset risks
Market, credit and counterparty risks arise from holding portfolios of assets, including property, to meet our obligations to our customers and to deliver returns to shareholders. Liquidity risks also arise from holding illiquid assets and from investment market conditions. Interest rates and inflation are also risk factors.

Credit risk largely arises in our portfolio of corporate bonds and within our direct investment portfolio. As an investor for the long term, assessing and managing credit risk is a core competency, and alongside setting a range of tolerances to diversify our portfolios, we seek to continuously track a variety of risk factors that could adversely impact credit markets.

Insurance risks
Longevity, mortality and other insurance risks are transferred to us by the customers of our PRT, individual annuities and protection businesses. The period that customers continue their policies is also important for profitability, as is our ability to control expenses in line with pricing assumptions.

Longevity risks arise in our PRT and retail annuity businesses. Over the years we have built significant expertise in understanding and pricing for longevity, with a range of disciplines including actuarial, medical, public health, statistical analysis and modelling. Mortality, morbidity and policy lapse are inherent risks to our protection businesses, which we assess and price for.

Our risk management approach

See page 54

Non-financial and strategic risks
Non-financial risks arise in respect of our business processes and IT systems, as well as broader regulatory and legislative risks that can arise in the environments in which we operate. All our businesses have inherent exposure to non-financial risk.

Our risk management and internal control framework seeks to identify areas of potential weakness that could otherwise lead to customer detriment, reputational damage or financial loss and ensure that appropriate measures are in place to mitigate adverse outcomes.

Where our businesses directly engage in house building and property development, we are exposed to risks associated with the management of construction projects, including health and safety risks. Alongside construction-related risks, wider safety risks arise in the operation of retirement villages and our affordable homes businesses. The management of health and safety and the broader risks of building safety are an integral part of our wider risk framework, with expertise in risk management embedded across our business operating model.

Risk appetite

Our risk appetite sets the ranges and limits of acceptable risk taking for the Group as a whole. We express our overall attitude to risk using the statements and measures in the table opposite.

Beneath this, we set further risk tolerances covering our specific exposures to market, credit, insurance, and operational risks including, where appropriate, limits on concentrations and significant aggregation of risks. Our risk appetite is used to govern the nature and quantity of risks that we are exposed to.

Whether we are making a direct property investment or pricing a PRT deal, we use our risk management framework to assess the risk profile and potential rewards to ensure we continue to operate within the ranges of acceptable risk taking that we have set.

Strategy	We manage a diversified portfolio in which we accept risk in the normal course of business and aim to deliver sustainable returns on risk-based capital in excess of the cost of capital. Monitoring metric: minimum return on capital over the planning cycle.
	We have an appetite for risks we understand and are rewarded for, and which are consistent with delivery of our strategic objectives. Monitoring metric: maximum risk-based capital to be deployed over the planning cycle.
Capital	We aim to maintain an appropriate buffer of capital resources over the minimum regulatory capital requirements. Monitoring metrics: capital coverage ratios.
Liquidity	We expect to be able to meet our payment and collateral obligations under extreme, but plausible, liquidity scenarios. Monitoring metric: minimum liquidity coverage ratio.
Earnings	We have a low appetite for volatility of earnings; in particular volatility arising from risks where Legal & General has more exposure than the wider market. Monitoring metric: maximum acceptable variance in earnings compared to plan.
Climate	We manage our businesses to align with the mitigation of climate change and to be resilient to the risk of different climate outcomes. Monitoring metrics: investment portfolio decarbonisation and operational footprint decarbonisation.
Reputation	We seek to treat stakeholders with integrity and act in a matter that protects and enhances the Group franchise. Monitoring metric: reputation risk dashboard.
Compliance and conduct	We have no appetite for action that is likely to result in poor customer outcomes or regulatory non-compliance, however where this arises, we will address it quickly. We accept compliance and conduct risk can arise in the pursuit of strategic objectives, but we aim to minimise this as much as possible. Monitoring metric: Consumer Duty outcomes and compliance with regulatory requirements.

Risk management framework

Our risk management framework is summarised below.

Risk appetite	The documenting of the Group's overall attitude to risk and the ranges and limits of acceptable risk taking.
Risk taking authorities	The formal cascade of our risk appetite to managers, empowering them to make decisions within clearly defined parameters.
Risk policies	Our strategies for managing the risks in the environments in which we operate, so as to ensure residual risk exposures are those within appetite.
Risk identification and assessment	Tools that help managers identify and evaluate the risks to which we may be exposed so that they can be managed in line with our risk policies.
Risk management information	How we report and review ongoing and emerging risks, and assess actual risk positions relative to the risk targets and limits that we set.
Risk oversight	Review and challenge, by the Group and divisional chief risk officer teams, of how we identify and manage risk.
Risk committees	Our structure of Group-level Committees oversees the management of risks and challenges how the risk framework is working. The role of the Risk Committee is set out on pages 92 and 93.
Culture and reward	Performance measures that focus on the delivery of effective risk management, business and customer strategy, and culture.

We operate a three lines of defence risk governance model:

- first, our operating businesses are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with risk policies. The skills to assess and price for risk form part of our first line business management activity
- second, our risk oversight function under the direction of our Group Chief Risk Officer. The team of risk professionals provides our businesses with expert advice and guidance on risk and capital management, alongside ensuring risk taking remains within acceptable parameters
- third, our Group Internal Audit function provides independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.

Own risk and solvency assessment (ORSA)

Our ORSA process is an ongoing analysis of the Group's risk profile and the sufficiency of capital resources to sustain our business strategy over the plan horizon. The process, which covers the whole Group, considers how the financial and broader business risks to which we are exposed may evolve over the planning cycle. Stress and scenario testing is an essential element of the ORSA process. It is used to show us how key risk exposures respond to different risk factors, together with the sensitivity and the resilience of capital and earnings to a range of extreme but plausible events. The stress testing component of our framework assesses the effect of a move in one or more risk factors at a point in time. The scenario element considers group-wide multi-year projections of capital and earnings across a range of downside conditions in financial markets, demographics and the broader economy. The ORSA process is integrated into our business risk and capital management activities and aligned with the strategic planning process to inform forward-looking decision making. As such, it is a key business management tool.

Capital management

Our risk-based capital model seeks to provide a quantitative assessment of the Group's risk exposures. It forms part of the suite of tools we use to evaluate our strategic plans, set risk appetite, allocate capital and evaluate product pricing. Our model is also used to assess significant transactions, including large PRT deals.

Our principal risks

Our principal risks and uncertainties reflect those factors that may threaten the Group's business model, future performance, solvency or liquidity.

Our risk landscape	Principal risks and uncertainties
Asset risks	Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital.
	In dealing with issuers of debt and other types of counterparty, the Group is exposed to the risk of financial loss.
	We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses.
Insurance risks	Changes in experience, regulation or legislation may require revisions to our reserves and capital requirements, and could also impact our reported solvency position and dividend policy.
Non-financial and strategic risks	Failure to effectively implement financial services regulatory or legislative change in a timely manner could lead to regulatory censure, reputational damage and deteriorating customer outcomes.
	New entrants and/or new technology may disrupt the markets in which we operate.
	A material failure in our business processes or IT security may result in unanticipated financial loss or reputational damage.
	The successful delivery of our strategy is dependent on the ability to attract and retain highly qualified professional people.

Group Board viability statement

Group Board viability statement

The Group's strategy is developed, and economic decisions are made, around meeting the long-term protection and savings needs of its customers, and around creating long-term value for customers and shareholders over a period of many years. This reflects the Group's business and investment models which combine managing credit, longevity and market risks over long-term relationships.

The Group's long-term prospects

The Group's prospects are primarily assessed through our strategic and planning processes. Performance against our annual strategic planning process is continuously monitored, and it underpins our business planning model. We consider the sustainability and resilience of our business model over the long-term, including the strategic growth drivers detailed on pages 10 and 11, and longer-term trends in areas such as technology and climate change, as our investment and insurance products and customer relationships are long-standing ones.

The Group is also subject to regulation and supervision, which requires us to manage and monitor solvency, liquidity and longer-term risks, to ensure that we can continue to meet our policyholder obligations.

This long-term prospect assessment is over a longer period than that over which the Board has assessed the Group's viability.

Period of viability assessment

While the Board has considered adopting a longer period, it believes that five years is the most appropriate time frame over which they should assess the long-term viability of the Group, as required within provision 31 of the UK Corporate Governance Code. The following factors have been taken into account in making this decision:

- we have reasonable clarity over a five-year period, allowing an appropriate assessment of our principal risks to be made
- the assessment is underpinned by our business planning process, and so aligns to the period over which major strategic actions are typically delivered, and takes account of the economic environment and evolving political and regulatory landscape during the relevant period.

Our business planning process is an annual process and culminates in the production and review of the Group's business plan. Our plan is built up from divisional submissions, and considers the profitability, liquidity, cash generation and capital position of the Group. This projection process involves setting a number of key assumptions, which are inherently volatile over a much longer reporting period, such as foreign exchange rates, interest rates, economic growth rates, the continued optimisation of capital strategies for Solvency II, and the impact on the business environment of changes in regulation or similar events.

The Board carries out a detailed review of the draft plan during the Group Board's annual strategy assessment, and amendments are made accordingly. Part of the Board's role is to consider the appropriateness of any key assumptions made. The latest annual plan was approved in December 2023, resulting in our current five-year business plan.

How we assessed our viability

In making its assessment of viability, the Board has considered a number of factors, including but not limited to:

- a robust and detailed assessment of the Group's risk profile and both material and emerging risks (see below for further detail), in particular those risks which could have a material impact on the Group's future operations, financial conditions or regulatory expectations
- the impact of various stress scenarios on both the Group's viability (see further detail below), as well as the operational resilience of the Group
- the stability of major markets in which the Group operates and material known regulatory changes
- the sustainability of any future capital distributions
- the impact of the Group's net zero ambitions, and the Group's ability to adapt its operations and business strategy to address the financial risks arising from both the physical risk of climate change and the transition to a low-carbon economy.

The Board regularly considers the potential financial and reputational impact of the Group's principal risks (as set out on pages 56 to 59) on our ability to deliver the business plan, and we regularly review and refresh our principal risks to reflect current market conditions and changes in our risk profile. In its assessment of viability, not just long-term prospects, the Board has taken into consideration all of the Group's principal risks, as any significant change in the risk profile or outlook of those principal risks, or inadequate mitigation, could have a significant impact on the Group's viability over the assessment time frame.

Quantitative stress and scenario testing is undertaken to enable the Board to consider the Group's ability to respond to a number of plausible individual and combined shocks, both financial and non-financial, which could adversely impact the profits, capital and liquidity projections in the Group plan. For example, during 2023, the Board considered the impacts of a severe market event. The severe market event was set with reference to the Bank of England's latest 'Annually Cyclical Scenario', but modified to reflect the Group's underlying risk profile.

The scenario is broadly based on the Global Financial Crisis of 2008 for market risks exposures and 2002 experience for rating transitions (downgrades and spreads).

The scenarios tested showed that the Group would continue to have sufficient headroom to maintain viability over the five-year planning period, after taking into account mitigating actions to manage the impacts on capital and liquidity. The Group maintains buffers and a suite of management actions to maintain resilience to adverse scenarios and preserve the Group's viability. It is clearly possible that shocks could be more severe, occur sooner and/or last longer than we have currently considered plausible.

Additionally, reverse stress testing and contingency planning gives the Board a solid understanding of the Group's resilience to extremely severe scenarios which could threaten the Group's business model and viability. This analysis assists in identifying any mitigating actions that could be taken now, or triggers to put in place for future actions. Potential scenarios that were explored included severe capital market stresses, adverse regulatory changes, reputational and internal or external events causing falls in business volumes, and severely adverse claims experience. The results confirmed that the Group remains resilient to extreme stresses as a result of the risk management system in place and the diverse range of mitigating actions available, including raising of capital or reduction in the level of dividends.

Our conclusion on viability

Following this assessment, taking into account the Group's current position and principal risks, the Board can confirm that it has a reasonable expectation that the Group will continue in operation and meet its liabilities, as they fall due, over a viability horizon of five years. The Board's five-year viability and longer-term prospects assessment is based upon information known today.

Principal risks and uncertainties

The directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks are set out below including details of how they have been managed or mitigated. Further details of the Group's inherent risk exposures are set out at Notes 7 and 15 to 17 of the financial statements.

Risks and uncertainties	Risk management	Outlook
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital. The performance and liquidity of financial and property markets, interest rate movements and inflation impact the value of investments we hold in both shareholders' funds and to meet the obligations from insurance business; the movement in certain investments directly impacts profitability. Interest rate movements and inflation can also change the value of our obligations and although we seek to match assets and liabilities, losses can still arise from adverse markets. Falls in the risk-free yield curve can also create a greater degree of inherent volatility to be managed in the solvency balance sheet, potentially impacting capital requirements and surplus capital. Falls in investment values can reduce our investment management fee income.	We cannot completely eliminate the downside impacts on our earnings, profitability or surplus capital from investment market volatility and adverse economic conditions, although we seek to position our investment portfolios and wider business plans for a range of plausible economic scenarios and investment market conditions to ensure their resilience across a range of outcomes. This includes setting risk limits on exposures to different asset classes and where hedging instruments exist, we seek to limit our exposures on a financial reporting basis. Our ORSA process is integral to our risk management approach, and includes an assessment of the financial impacts of risks associated with investment market volatility and adverse economic scenarios for our solvency balance sheet, capital sufficiency, and liquidity requirements.	The global economic outlook remains uncertain, with the potential for interest rates to remain at current levels for longer than anticipated by the markets, and longer than required to subdue inflation. This could lead to significant unintended damage to the broader economy, including a sustained period of low investment and growth, reduced consumer spending and higher unemployment. Our businesses are primarily exposed to the UK and US economies. Asset values, including commercial and residential property prices, remain susceptible to reappraisal should the current economic outlook deteriorate, as well as from a range of geopolitical factors including the ongoing war in Ukraine and conflict in the Middle East. Towards the end of 2023, commercial property markets stabilised to an extent and some confidence returned. Within our construction businesses' supply chain, cost inflation and labour shortages continue to present risk.
In dealing with issuers of debt and other types of counterparty, the Group is exposed to the risk of financial loss. Systemic corporate sector failures, or a major sovereign debt event, could, in extreme scenarios, trigger defaults impacting the value of our bond portfolios. Under Solvency II, a widespread widening of credit spreads and downgrades can also result in a reduction in our balance sheet surplus, despite already having set aside significant capital for credit risk. We are also exposed to default risks in dealing with banking, money market and reinsurance counterparties, as well as settlement, custody, and other bespoke business services. Default risk also arises where we undertake property lending, with exposure to loss if an accrued debt exceeds the value of security taken.	We manage our exposure to downgrade and default risks within our bond portfolios, through setting selection criteria and exposure limits, and using LGIM's global credit team's capabilities to ensure risks are effectively controlled, where appropriate trading out to improve credit quality. In our property lending businesses, our loan criteria take account of borrower creditworthiness and the potential for movements in the value of security. We manage our reinsurer exposures tightly, with the vast majority of our reinsurers having a minimum A- rating, setting rating-based exposure limits, and where appropriate taking collateral. Similarly, we seek to limit aggregate exposure to banking, money market and service providers. Whilst we manage risks to our balance sheet, we can never eliminate downgrade or default risks, although we seek to hold a strong balance sheet that we believe to be prudent for a range of adverse scenarios.	The risk of credit default increases in periods of low economic growth, and we continue to closely monitor the factors that may lead to a widening of credit spreads including the outlook for the real economy, and fiscal and monetary policy. Although real incomes in the UK have risen in 2023, any reversal of this would particularly impact economic activity in sectors reliant on discretionary spending. We remain vigilant, closely monitoring all the names or assets in our portfolio in the short term, as well as forming views on the medium to long-term outlook. Our credit portfolio remains 99% investment grade, and our office property lending continues to focus on high-grade assets let to investment grade or government tenants. Details of our credit portfolios are on pages 195 to 197.

Risks and uncertainties

Changes in experience, regulation or legislation may require revisions to our reserves and capital requirements, and could also impact our reported solvency position and dividend policy.
The pricing of long-term business requires the setting of assumptions for long-term trends in factors such as mortality, lapse rates, expenses, interest rates and credit defaults. Actual experience may require recalibration of these assumptions, changing the level of provisions and impacting reported profitability.

Regulation defines the overall framework for the design, marketing, taxation and distribution of our products, and the prudential provisions and capital that we hold. Significant changes in legislation or regulation may increase our cost base, reduce our future revenues, impact profitability or require us to hold more capital.

The prominence of the risk increases where change is implemented without prior engagement with the sector. The nature of long-term business can also result in some changes in regulation, and the reinterpretation of regulation over time, having a retrospective effect on in-force books of business, impacting future cash generation.

Changes in these areas can affect our reported solvency position and dividend policy.

Risk management

We undertake significant analysis of the variables associated with writing long-term insurance business to ensure that a suitable premium is charged for the risks we take on, and that provisions continue to remain appropriate for factors including mortality, lapse rates, expenses, valuation interest rates and credit defaults in the assets backing our insurance liabilities.

We seek to have a comprehensive understanding of longevity, mortality and morbidity risks, and we continue to evaluate wider trends in life expectancy. However, we cannot remove the risk that adjustment to reserves may be required, although the selective use of reinsurance acts to reduce the impacts to us of significant variations in life expectancy and mortality.

We actively engage with government and regulatory bodies to assist in the evaluation of regulatory change to promote outcomes that meet the needs of all stakeholders. To influence policy, our interactions with government and policy teams at regulators, include face-to-face and virtual meetings, written responses to discussion papers and consultations, ad-hoc communications and attendance at roundtables with industry peers. With our experience in various sectors, we can explain how proposed policy translates into practice and identify potential issues or unintended consequences that might arise.

When such regulatory changes move to the implementation stage, we undertake detailed gap analysis work and depending on the scale of the work required, establish project management arrangements with first- and second-line teams working together. This is to ensure we deliver regulatory change effectively and efficiently, minimising disruption to our operations.

Outlook

We have seen continued elevated levels of mortality in both the UK and the US. The causes are unclear, but may reflect indirect impacts of Covid-19 related illness, and the deferral of diagnostics and medical treatments for other conditions. There remains continued uncertainty as to the impacts of "long Covid". Continued cost of living pressures and government spending decisions also have the potential to affect mortality outcomes.

Along with the emergence of new diseases and changes in immunology impacting mortality and morbidity assumptions, other risk factors that may impact future reserving requirements include significant advances in medical science leading to more effective treatments, beyond that anticipated, requiring adjustment to our longevity assumptions.

Whilst at present we do not believe climate change to be a material driver for mortality and longevity risk in the medium term, we continue to keep this under review.

Beginning 2024, the UK will enforce a 15% global minimum tax to multi-national firms, following OECD rules. Bermuda's new Corporate Income Tax will be effective from 1 January 2025. The Group is expected to be liable to UK top-up tax in 2024 and Bermuda corporate tax from 2025 on profits arising from its Bermuda reinsurance hub. We are actively working with relevant bodies on the implementation of these new legislations.

Changes in capital standards, both in the UK and elsewhere, could impact our reported solvency position and dividend policy.

Post-Brexit, the UK is reforming its capital regime to move from Solvency II to Solvency UK. The key changes are designed to enable annuity product providers to invest more broadly to diversify risk and support investment in the UK economy. A reduction in the risk margin took effect at the end of 2023, with reform of the matching adjustment due in 2024. We are actively engaging with the PRA on the new regime's details and working to implement the required changes.

The Bermuda Monetary Authority (BMA) revised its capital regime for life insurers in 2023, with changes effective from March 2024. The impact of the proposed changes on Legal & General's business is expected to be modest.

The International Association of Insurance Supervisors (IAIS) is finalising the Insurance Capital Standards (ICS), a global minimum capital standard for Internationally Active Insurance Groups (IAIGs). The ICS is expected to be adopted end-2024. Legal & General, designated an IAIG by the PRA, has actively participated in consultations on the standard. If Solvency UK is considered as strong as the ICS, it may be used for ICS compliance and therefore would result in little impact on the Group. We will continue to engage with both the PRA and the IAIS during this period.

Principal risks and uncertainties
continued

Risks and uncertainties	Risk management	Outlook
We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses. As a significant investor in financial markets, commercial real estate and housing, we are exposed to climate-related transition risks. Abrupt shifts in the political and technological landscape could impact the value of those investment assets associated with higher levels of greenhouse gas emissions. Physical risks, stemming from extreme climate outcomes, could impact the valuation of at-risk assets, for example floods could impact the value of our property assets; and could also potentially have longer-term effects on mortality rates. We are also exposed to reputation and climate-related litigation risks should our responses to the threats from climate change be judged not to align with the expectations of environmental, social and governance (ESG) groups. Our risk management approach is also reliant upon the availability of verifiable consistent and comparable emissions data.	We recognise our scale brings a responsibility to act decisively in positioning our balance sheet in addressing climate change risks. We assess climate risks in our investment process, including in the management of real assets, and measure the carbon intensity of our investment portfolios. Along with specific investment exclusions for carbon intensive sectors, we have set overall reduction targets aligned with the 1.5°C 'Paris' objective. This includes defining near term science-based targets to support our long-term emission reduction goals in line with our Climate transition plan. We continue to develop how we incorporate the potential physical impacts of climate change on both assets and liabilities into our modelling and projections work, while also evolving our approach to include nature and biodiversity in our climate risk work. Alongside managing exposures, we closely monitor the political and regulatory landscape, and as part of our climate strategy, we engage with regulators and investee companies in support of climate action. As we change how we invest, the products and services we offer, and how we operate, we are mindful of the need to have the right skills for the future.	Over the next decade, the change necessary to meet global carbon reduction targets will require societal adjustments on an unprecedented scale. The events of 2023, particularly the increasing frequency of record-breaking heat events and the extreme summer weather events experienced in the northern hemisphere, have demonstrated that the impacts of increased climate volatility can be significant and may emerge rapidly. If governments fail to ensure an orderly transition to low-carbon economies, it increases the risk of sudden late policy actions and large, unanticipated shifts in the asset values of impacted industries. Our Climate transition plan aims to minimise exposure to this risk, but its success is dependent on the delivery of the policy actions and the climate reduction targets of the firms we invest in. The actions governments take will also significantly impact our ability to meet our climate-related targets, and as the science of climate change evolves, we may need to adapt our actions. Anti-ESG sentiment, particularly within countries with a high dependency on fossil fuel-related industries, may also limit global efforts to address climate change and investment opportunities. Although a broad set of actions to limit global warming is underway, we are moving to a situation where the path to achieving a sub-1.5°C temperature increase is becoming narrower. This could have an impact on our ability to meet the climate-related targets we have set ourselves. We expect a continuing and increased focus on nature and biodiversity risks going forward.
Failure to effectively implement financial services regulatory or legislative change in a timely manner could lead to regulatory censure, reputational damage and deteriorating customer outcomes. We are exposed to several risks where effective identification and implementation of regulatory changes are particularly important. These include changes relating to our management of operational risk, conduct risk, climate risk, and health and safety risk. The magnitude or scope of some regulatory changes can have a bearing on our ability to deliver our overall strategy. Regulatory or legislative changes can have a significant impact on our business. Such changes could limit our ability to operate in certain markets or sectors, potentially leading to a reduction in our customer base and revenue. There is a risk that regulatory policies could develop in a manner that is detrimental to our business and/or customers. Alternatively, it could develop in a way that presents opportunities, but we fail to revise our strategy and adapt quickly enough to benefit. Non-compliance with new regulations or legislation could potentially damage our reputation. This could lead to a loss of customer trust and result in regulatory sanctions.	We identify, track and review the impact of regulatory change through our internal control processes, with material updates being considered at the Executive and Group Risk Committees and the Group Board. Our processes are designed to ensure compliance with all new and developing regulation. We actively engage with appropriate regulatory bodies to ensure we maintain high standards of business and deliver for our customers. In 2023, we successfully implemented the Consumer Duty for open products, with our work on legacy products well underway. We have also made progress on our implementation of the UK's operational resilience rules which are due to come into force in March 2025. We seek to influence the direction of travel on various regulatory policy themes at government and regulator level for the benefit of our customers and other stakeholders. We have advocated on the development of the Consumer Duty, pension reforms, sustainability and diversity and inclusion.	The volume and burden of regulatory change remains high across the sectors we operate in. We analyse, interpret and implement all relevant financial services legislation and regulation impacting our business units ensuring appropriate levels of governance and assurance. Key forthcoming developments in our risk areas include: Operational risk: work is underway to comply with the UK's new operational resilience rules by 31 March 2025 and similar developing rules in other jurisdictions. Conduct risk: the FCA continues to focus on Consumer Duty, with closed book products in scope from 31 July 2024. Discussions are ongoing about the advice/guidance boundary and a proposal for 'targeted support' to close the advice gap. In 2024, new rules on diversity and inclusion in financial services are expected, likely leading to increased data collection, disclosure and reporting requirements. We maintain a focus on minimising the risks of financial crime for our customers and on our financial results. Climate risk: there are a variety of moving pieces in the development of climate regulation at the UK, the US and EU level. We anticipate more focus on scenario testing and scrutiny on sustainability claims following the FCA's new anti-greenwashing rule and Sustainability Disclosure Regulations effective from 31 May 2024. We are awaiting the UK Green Taxonomy and implementation of International Sustainability Standards Board (ISSB) disclosure standards. Health and Safety: we have enhanced our governance processes and developed a three-year strategy focusing on culture, quality, consistency, technology, and keeping pace with change. Registration requirements for the new Buildings Safety Act were met by the October 2023 deadline. Strategic risk: we continue to follow the development of the government's Mansion House reforms and wider pensions reforms, such as the Pensions Dashboard work.

Risks and uncertainties	Risk management	Outlook
New entrants and/or new technology may disrupt the markets in which we operate. There is already strong competition in our markets, and although we have had considerable past success at building scale to offer low-cost products, we recognise that markets remain attractive to new entrants. We are also cognisant of competitors who may have lower return on capital requirements or be unconstrained by Solvency II. The continued evolution of AI has the potential to be a significant disrupting force across our businesses, for example by enabling new entrants to compete with potentially lower costs, and more efficient processes. The technology itself could have an impact on asset valuations, and on our liabilities including through its impact on the effectiveness of life sciences and health care systems.	We continuously monitor the factors that may impact the markets in which we operate, including evolving domestic and international capital standards, and are maintaining our focus on our digital platforms. We have responded to the rapid advancement and accessibility of generative AI capabilities from third parties by launching a central AI Accelerator programme. This initiative brought together colleagues across the Group to shape and incubate our generative AI approaches, raise awareness and educate our business, and deliver a secure environment for internal test and learn use cases. Our regulatory developments team keeps a close watch on the AI landscape across all our regulators. We are actively engaged in numerous consultations in relation to AI and generative AI.	We observe a continued acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. In the current operating environment, businesses like ours have transformed working practices, and we anticipate further investment in automation, using robotics and machine learning to enhance business efficiency. We are deepening our understanding of the impacts of AI on our businesses and in the wider sector. Our businesses are also well positioned for changes in the competitive landscape that may arise from pensions-related changes. We welcome innovation in the market, such as the proposed roll out of defined benefit ‘superfund’ consolidation schemes, as long as the security of members’ benefits is prioritised. We may see alternative de-risking offerings coming to the market targeting a similar segment to superfunds. The pension dashboards initiative will also be a positive development. Legislation is being introduced in 2024 to make providing a qualifying pensions dashboard service a regulated activity, and it is likely we will see firms apply for this. On the ‘collective’ defined contribution reform, while we have seen limited demand for this to date, it holds the potential to disrupt both the workplace and retirement income market.
A material failure in our business processes or IT security may result in unanticipated financial loss or reputational damage. We have constructed our framework of internal controls to minimise the risk of unanticipated financial loss or damage to our reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions, or reputational damage. We are also inherently exposed to cyber threats including the risks of data theft and fraud and more generally, it is imperative that we maintain the privacy of our customers’ personal data. There is also strong stakeholder expectation that our core business services are resilient to operational disruption.	Our risk governance model seeks to ensure that business management are actively engaged in maintaining an appropriate control environment, supported by risk functions led by the Group Chief Risk Officer, with independent assurance from Group Internal Audit. We continue to evolve our risk management approach to IT, operational resilience and data access and privacy. Whilst we seek to maintain a control environment commensurate with our risk profile, we recognise that residual risk will always remain across the spectrum of our business operations and we aim to develop response plans so that when adverse events occur, appropriate actions are deployed.	We continue to remain alert to evolving operational risks and invest in our system capabilities, including those for the management of cyber risks, to ensure that our business processes are resilient. We also remain cognisant of the risks as we implement a new global operating model and IT platform for LGIM and have structured the migration in phases to minimise change risks.
The successful delivery of our strategy is dependent on the ability to attract and retain highly qualified professional people. The Group aims to recruit, develop and retain high quality individuals. We are inherently exposed to the risk that key personnel or teams of expertise may leave the Group, with an adverse effect on the Group’s businesses. As we increasingly focus on the digitalisation of our businesses, we are also competing for technology and digital skill sets with other business sectors as well as our peers.	We seek to ensure that key personnel dependencies do not arise, through employee training and development programmes, remuneration strategies and succession planning. Our processes include the active identification and development of talent within our workforce, and the highlighting of our values and social purpose, promoting Legal & General as a great place to work. As well as investing in our people, we are also transforming how we engage and develop capabilities, with new technologies and tools to support globalisation, increase productivity and provide an exceptional employee experience.	Competition for talent remains strong with skills in areas such as technology and digital particularly sought after across many business sectors, including those in which we operate. We also recognise the risks posed by the outlook for inflation in salary expectations across the wider employment market, and internally we have taken steps to help our employees through direct financial support and by providing advice and resources to help them manage their financial wellbeing.

Investing in our people

We offer a range of different programmes suitable for university graduates and school leavers.

In particular, we provide apprenticeship pathways, alongside an intern and graduate placement programme, in business areas spanning data analysis, finance, project management, IT and more.

We are proud to provide a range of opportunities for first time employment along with a culture of encouraging development and rotation to empower our future leaders. Our business is proof that these programmes are a great foundation to a successful career.

Governance

Reporting against the 2018 UK Corporate Governance Code (the 'Code')

Compliance with the Code

Details of how we have applied the principles, and complied with the provisions, of the Code are set out within this report, the Directors' report on remuneration and the Directors' report. For more information on our compliance, please visit the relevant sections outlined below. Our compliance statement can be found on page 67 of this report.

Letter from the Chair

“Our governance framework is the foundation upon which we remain confident in our decision making across the Group as we continue to navigate challenges presented by ever-changing market conditions.”

Dear shareholders,

Introduction

2023 has been another year where the Board’s role in monitoring and managing emerging risks in the macro-economy, and in markets, has been critical. The UK has continued to face a number of challenges and global market conditions have continued to be volatile during the period. Throughout this, Legal & General has remained robust and resilient, and we have much to be positive about going into 2024.

As a Board we remain confident in our strategy and in our ability to deliver resilient growth, supported by our strong competitive positioning in attractive and growing markets. Our strategy positions us well to navigate the prevailing market environment. We are confident we can continue to deliver profitable growth as we execute on our strategy and deliver on our purpose to improve the lives of our customers, create value for our shareholders and build a better society.

Our 2023 half year results were the first under a new accounting standard for insurance contracts. IFRS 17 was first conceived in the late 90s, but for most insurers significant work started in earnest in 2017. I would like to express my gratitude to everyone that contributed to the IFRS 17 programme across the Company. More detail on the implementation of this standard can be found in the Audit Committee report on pages 86 to 91.

As shareholders will be aware, in January 2023, Sir Nigel Wilson informed the Board of his intention to retire from executive life after 14 years with Legal & General, 11 of those years as Group Chief Executive Officer. Nigel’s achievements over those years, and the leadership qualities he brought to the Company, are immense. Nigel has successfully navigated significant geopolitical changes as well as challenges in the regulatory and market environments of each of our core businesses and has steered the Group into a position of strength from which it can continue developing on behalf of its shareholders, customers and people. These achievements were rightly recognised, not only by Nigel’s knighthood, but also when we were voted Britain’s Most Admired Company by our fellow FTSE 100 and FTSE 250 companies last year. Under his stewardship, the Group has consistently delivered profitable, sustainable and inclusive growth. Nigel has been a tireless champion for investment-led growth and responsible investment. On behalf of the Board, I thank Nigel for his significant contribution and leadership of the Company and wish him well for the future.

Following Nigel’s decision to retire from executive life, the Nominations and Corporate Governance Committee led a rigorous, global, selection process which led to the appointment of António Simões, who joined us on 1 January 2024. I look forward to working with António over the coming years. Further detail on the selection process can be found in the Nominations and Corporate Governance Committee report on page 81.

As a Board we continue to oversee and test the Company’s strategy. The development and delivery of that strategy falls to our executive colleagues, led by our new Group Chief Executive Officer, António Simões, our Group Chief Financial Officer, Jeff Davies, and the heads of our four business divisions: Laura Mason, Andrew Kail, Michelle Scrimgeour and Bernie Hickman, each in turn supported by their management teams.

They are highly effective, individually and collectively, and there were a number of major successes across the Company during the period, which you will read about throughout this report. Our divisions work best when they work together: Legal & General Capital (LGC) creates real assets to support the Legal & General Retirement Institutional (LGRI) buy-out deals and fund annuities. Legal & General Investment Management

(LGIM) helps clients de-risk in preparation for buy-out – the majority of LGRI clients have been LGIM clients first. We are also a UK market leader in Retail for life insurance, workplace pensions and retirement income, and our divisions continue to work together to drive synergies to help us maintain excellent customer service, competitive market positions and business growth. Our collegiate and collaborative approach is crucial for maximising opportunities.

I would also like to note the opening of Calon, our new office in Cardiff. 'Calon' translates to 'Heart' in English and was chosen as the preferred name in a vote by our employees. The development of Calon and the wider investment into the Central Square of Cardiff has drawn upon the input of many key stakeholder groups. In addition to surveying our own people to understand their requirements, Legal & General fostered close relationships with local partners, suppliers and communities throughout the development process to ensure that the investment in the office benefits the local community as well as our employees. The office has been designed to operate with a lower carbon footprint than a standard office and is a key milestone towards Legal & General's commitment of achieving net zero carbon emissions from our occupied offices (where we control the management of utilities) by 2030. More information about Calon can be found on page 77.

Our approach to governance

As a Board, it is our role to promote the highest levels of corporate governance and ensure these values are embedded within our culture and throughout the organisation. As our business continues to evolve and as we pursue our strategic objectives in an ever-changing environment, our strong governance framework supports the Board in ensuring that across the Group we make decisions in the right way. The Board has worked closely with the executive team throughout the year as the business has continued to navigate the challenges presented by volatile market conditions to ensure our business can continue to flourish.

Ahead of 2024, a group-wide project was initiated which has led to the optimisation of our executive decision making across the Group through the implementation of a new executive governance framework, which took effect from 1 January 2024. More information on this new enhanced framework can be found on page 66.

For the year ended 31 December 2023, we were required to measure ourselves against the Code. The Board has considered carefully the requirements of the Code and I am pleased to report that we have complied with all provisions of the Code throughout the year.

Further details on our compliance with the Code and how we have applied the various principles can be found on page 67.

Stakeholder engagement

As a Board, we are very focused on the impact that our business and decisions have on our stakeholders, as well as our wider societal impact. Our stakeholders are key to our decision making and it is hugely informative for us to hear the viewpoints from a variety of parties with an interest in the Company. We were able to conduct a number of face-to-face interactions this year, including site visits to our offices in Hove and Cardiff. I am always impressed during our Board site visits how evident our purpose is and how our values are demonstrated every day in ensuring we are doing the right thing for our customers. I would like to thank all of our colleagues for their significant contribution to our business. Through their roles as Designated Workforce Director and Consumer Duty Champion, non-executive directors Nilufer von Bismarck and Laura Wade-Gery have also conducted a number of meetings and site visits. We view these visits as an important way to meet with our partners and employees and experience Legal & General's culture first hand.

We presented our Climate transition plan at our 2023 AGM, and I was pleased this was supported by 97.7% of our shareholders. The Climate transition plan sets out our climate commitments and how we plan on achieving them. We spoke with a range of our major institutional investors about the plan who provided useful feedback during its development. Our Climate transition plan details how we are going to make our ambitions a reality, organised under three pillars: invest, influence and operate. It is important that we make our plans for addressing climate change public and ensure that our shareholders are supportive of them. More about our progress against the Climate transition plan can be found on page 43.

Board changes and succession planning

Legal & General continues to benefit from an outstanding Board with a diverse range and depth of expertise and skills.

The Nominations and Corporate Governance Committee spent a considerable amount of time this year focusing on executive succession planning, particularly in relation to the Group Chief Executive Officer. Each year, the Nominations and Corporate Governance Committee also considers the Board's skills and experience to support discussions around non-executive succession planning, which once again was a focus for the Nominations and Corporate Governance Committee in 2023. In September 2023, Lesley Knox succeeded Philip Broadley as the Board's Senior Independent Director. Philip remains a non-executive director of the Company and as a member of all five of its Committees. In February 2024, Laura Wade-Gery succeeded Lesley Knox as Chair of the Remuneration Committee. Lesley remains as a member of the Remuneration Committee.

Annual General Meeting (AGM)

The 2024 AGM will be held on Thursday 23 May at 11am at the British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ, once again in a hybrid format, with additional facilities for shareholders to join and vote electronically. Full details of the business to be considered at the meeting will be included in the Notice of Annual General Meeting that will be sent to shareholders by their chosen communication means and published on our website: group.legalandgeneral.com/AGM.

Board effectiveness

During 2023, we conducted an external effectiveness review of our Board and its Committees. Following a tender process, Clare Chalmers Limited was appointed as the preferred provider to facilitate the review, which consisted of one-to-one interviews with Board members and observations at a series of Board and Committee meetings. The output of this review was considered by the Nominations and Corporate Governance Committee and the Board, and I am pleased to report that the conclusion was that the performance of the Board and each of its Committees continues to be highly-rated. Further details of the process and outcome of the external evaluation can be found on pages 84 to 85.

Conclusion

I would like to take this opportunity to thank my fellow Board members and colleagues at Legal & General for their dedication to the business and our customers. I have confidence that in the coming years Legal & General will continue to adapt, and grow, thanks to our greatest asset, our people.

Sir John Kingman
Chair

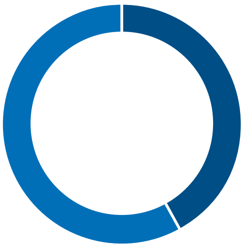
Board of directors

Committee membership key
- A Audit
- D Data and Technology
- N Nominations and Corporate Governance
- R Remuneration
- Ri Risk
- Committee Chair

Other Board members during the year were:

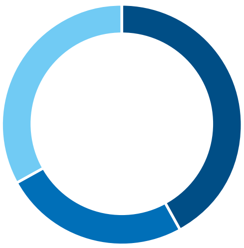
Sir Nigel Wilson (retired from the Board on 31 December 2023).

Gender



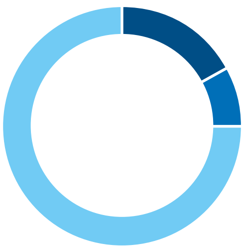
As at 31 December 2023 the Board comprised:
- **42%** Women
- **58%** Men

Tenure



As at 31 December 2023 the length of tenure of the Board varied:
- **42%** Over 6 years
- **25%** Between 3 – 6 years
- **33%** Between 0 – 3 years

Ethnicity



As at 31 December 2023 the Board comprised individuals from the following ethnic groups:
- **17%** South Asian
- **8%** Black
- **75%** White

Sir John Kingman KCB FRS
Chair
Appointed October 2016
N

Skills and experience:
John brings financial sector, government and regulatory experience to the Board. John previously served as Second Permanent Secretary to HM Treasury, where he was closely involved in the UK response to the 2007 – 2008 financial crisis. He was the first Chief Executive of UK Financial Investments Ltd; and from 2010 – 2012, John was Global Co-Head of the Financial Institutions Group at Rothschild. From 2016 – 2021 he was the first Chair of UK Research & Innovation, which oversees government science funding of around £8 billion a year.
In 2018, John undertook a highly critical independent review for the UK government of the Financial Reporting Council.

Other appointments:
- National Gallery (Deputy Chair and Trustee)
- Barclays Bank UK PLC (Chair)
- Barclays PLC (Non-Executive Director)

António Simões
Group Chief Executive Officer
Appointed January 2024

Skills and experience:
António has extensive financial services experience, spanning over 25 years. Prior to his appointment, he was CEO of Banco Santander Spain and Regional Head of Europe. Before joining Santander, António spent 13 years at HSBC in various executive positions in London and Hong Kong; starting with strategy and M&A before leading different businesses as UK and European CEO and finally, global CEO of private banking. Prior to that, he was a partner at McKinsey & Company. António studied in Lisbon (Nova School of Business and Economics), Milan (Bocconi) and New York (MBA from Columbia University).
In 2009, he was appointed a Young Global Leader of the World Economic Forum. António was previously a member, and Chair, of the Practitioner Panel of the FCA. He was also a member of the Practitioner Panel of the PRA.

Other appointments:
- Prince's Trust International (Trustee)

Jeff Davies
Group Chief Financial Officer
Appointed March 2017

Skills and experience:
Jeff was appointed Group Chief Financial Officer in March 2017. He brings a wealth of insurance experience, having previously served as a senior partner of Ernst & Young LLP (EY) and led its European risk and actuarial insurance services. Prior to joining EY in 2004, he held a number of senior actuarial roles at Swiss Re Life & Health. Jeff is a Fellow of the Institute of Actuaries.

Other appointments:
- Ethniki Hellenic General Insurance Company S.A. (Non-Executive Director)

Philip Broadley
Independent Non-Executive Director
Appointed July 2016
A D N R Ri

Skills and experience:
Philip has over 30 years experience in the insurance industry, including 6 years as Group Finance Director of Old Mutual plc and prior to that 8 years in the same role at Prudential plc. He is a former Chair of the 100 Group of Finance Directors. Philip graduated from St Edmund Hall, Oxford, where he is now a St Edmund Fellow. Philip is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments:
- AstraZeneca PLC (Senior Independent Director)
- Lancashire Holdings Limited (Non-Executive Director)
- Eastbourne College (Chair of Governors)
- London Library (Treasurer and Trustee)

Henrietta Baldock
Independent Non-Executive Director
Appointed October 2018
N R Ri

Skills and experience:
Henrietta has extensive knowledge of the financial services and insurance sectors through her 25 years' experience in investment banking, most recently as Chair of European Financial Institutions at Bank of America Merrill Lynch.

Other appointments:
- Legal and General Assurance Society Limited (Chair)
- Investec PLC and Investec Limited (Non-Executive Director)
- Investec Bank Plc (Non-Executive Director)
- Hydro Industries Limited (Non-Executive Director)
- Rathbones Group plc (Non-Executive Director)

Nilufer von Bismarck OBE
Independent Non-Executive Director
Appointed May 2021
A D N Ri

Skills and experience:
Nilufer was previously the Head of the Financial Institutions Group and the Equity Capital Markets practice at Slaughter and May and has spent a large part of her 34-year career working with major international financial institutions. As well as a deep and extensive understanding of the financial services sector, Nilufer has considerable experience across a range of other industries and sectors, including real estate, green infrastructure and fintech. Nilufer is the Designated Workforce Director and Non-Executive Director for Climate.

Other appointments:
- IntoUniversity (Trustee)
- Oxford University Law Faculty (Visiting Professor)

Lesley Knox OBE
Senior Independent Director
Appointed June 2016; Senior Independent Director from September 2023
N R Ri

Skills and experience:
Lesley brings a wealth of international, strategic and financial services experience having spent over 18 years in senior roles in financial services, including with Kleinwort Benson, the Bank of Scotland and British Linen Advisors. Lesley previously served as Chair of Alliance Trust Plc and as Senior Independent Director at Hays Plc.

Other appointments:
- Legal & General Investment Management (Holdings) Limited (Non-Executive Director)
- 3i Group Plc (Senior Independent Director)
- Genus Plc (Senior Independent Director)
- Dovecot Studios Limited (Non-Executive Director)
- Grosvenor Group Limited Pension Fund (Trustee)

Carolyn Johnson
Independent Non-Executive Director
Appointed June 2022
A N Ri

Skills and experience:
Carolyn has extensive knowledge of the insurance and financial services industries following a 30-year executive career in the United States. Carolyn has deep experience in the life insurance market and is an accomplished business leader and experienced board member. She has previously held senior roles at AIG, Voya Financial and Protective Life Corporation.

Other appointments:
- Kuvare Holdings (Director)
- Beazley Plc (Non-Executive Director)

George Lewis
Independent Non-Executive Director
Appointed November 2018
A N R Ri

Skills and experience:
George has significant executive and professional experience in financial services, with a strong focus on global asset management from experience in Canada, Asia, the US and UK. George joined the Royal Bank of Canada in 1986, serving in various financial and wealth management roles. He was a member of RBC's Group Executive Board from 2007 – 2015, with responsibility for RBC's wealth, asset management and insurance segments.

Other appointments:
- Legal and General Assurance (Pensions Management) Limited (Chair)
- Ontario Teachers' Pension Plan (Non-Executive Director)
- AOG Group (Non-Executive Director)

Ric Lewis
Independent Non-Executive Director
Appointed June 2020
N R

Skills and experience:
Ric has significant experience in investment management and, in particular, a focus on the real estate sector where he has more than 25 years of experience, including as the founder and Executive Chair of Tristan Capital Partners, an investment manager specialising in real estate investment strategies across the UK and continental Europe.

Other appointments:
- Dartmouth College (Trustee)
- Royal National Children's SpringBoard Foundation (Director)
- Black Heart Foundation (UK) Limited (Trustee, Chair and Founder)
- Black Equity Organisation (BEO) (Trustee)
- Imperial College London (Council Trustee)

Tushar Morzaria
Independent Non-Executive Director
Appointed May 2022
A N R Ri

Skills and experience:
Tushar is a chartered accountant and brings a wealth of financial services experience to the Board and has extensive knowledge of strategic financial management, investment banking and operational and regulatory relations. Tushar was previously Group Finance Director at Barclays PLC and prior to that, he was the Chief Financial Officer of Global Investment Banking at JP Morgan Chase & Co.

Other appointments:
- BP Plc (Non-Executive Director)
- Barclays PLC (Chair of Global Financial Institutions Group)

Laura Wade-Gery
Independent Non-Executive Director
Appointed January 2022
N D R Ri

Skills and experience:
Laura has extensive knowledge of digital transformation, business strategy and customer experience transformation. Her previous executive roles include her position as Director of Multi-Channel, a main board member at Marks and Spencer Group Plc and as Chief Executive Officer of Tesco.com. Laura served as the Chair of NHS Digital from 2021 – February 2023 and was a Non-Executive Director of NHS England from 2018 – 2023. She was previously a Non-Executive Director of the John Lewis Partnership.

Other appointments:
- The British Land Company PLC (Non-Executive Director)
- Moorfields Hospital Foundation Trust (Chair)
- Britten Pears Arts (Trustee and Chair of Trading Subsidiary)

Geoffrey Timms
Group General Counsel and Company Secretary

Geoffrey has been the Group General Counsel since 1999 and, in addition, the Group Company Secretary since 2008.

Group Management Committee

Our Group Management Committee has the appropriate balance of skills, knowledge and experience to successfully lead the execution of the Group's strategy.

António Simões
Group Chief Executive Officer

Jeff Davies
Group Chief Financial Officer

Emma Hardaker-Jones
Group HR Director

Bernie Hickman
Chief Executive Officer, Legal & General Retail

Andrew Kail
Chief Executive Officer, Legal & General Institutional Retirement

Chris Knight
Group Chief Risk Officer

Laura Mason
Chief Executive Officer, Legal & General Capital

Michelle Scrimgeour
Chief Executive Officer, Legal & General Investment Management

Geoffrey Timms
Group General Counsel and Company Secretary

Our executive governance framework

Towards the end of 2023, a group-wide project was initiated to explore how we could best optimise executive decision making across the Group and enhance collaboration across executive management, whilst simultaneously promoting appropriate divisional and functional accountability and autonomy. Following this, a new executive governance framework was implemented from 1 January 2024.

Group Chief Executive Officer (Group CEO)

Group Management Committee (GMC)
The GMC is a formal committee of the Group CEO. Its purpose is to support the Group CEO in the discharge of those things within his authority as delegated to him by the Group Board, in particular in relation to group-wide strategic and material matters, and identify matters required for escalation to the Board.

Investment Committee
Provides oversight and, where appropriate, approval of Group transactions.

Executive Risk Committee
Provides oversight of the management of key risks, sets risk appetites and mandates, and identifies matters which require escalation to the Group Risk Committee.

Disclosure Committee
Oversees the management of inside information, and manages the content and requirements of material announcements to the market.

Governance report

The 2018 UK Corporate Governance Code (the 'Code') – 2023 Compliance Statement

The Code emphasises the role of good corporate governance in achieving long-term sustainable success. The principles of the Code are the standards against which we are required to measure ourselves. Each year, the Board reviews the Group's governance framework and compliance with the Code. We are pleased to report that we have applied the principles and complied with each of the provisions of the Code for the year ended 31 December 2023. A Code compliance reference table can be found on page 61. Following the publication of the 2024 UK Corporate Governance Code in January, the Board is in the process of conducting a gap analysis against the new requirements to ensure that we are in a position to comply from the relevant effective dates.

Our governance framework

Our governance framework supports robust decision making by providing a clear framework of delegations and responsibilities within which decisions can be made to deliver our strategy. Our framework also ensures that decisions remain within the risk appetite set by the Board and are undertaken with appropriate Board oversight.

Board of Legal & General Group Plc
The Board is collectively responsible for the long-term sustainable success of the Company.

Chair
Leads the Board and, in consultation with the Group CEO, sets the agenda. Creates the conditions for overall board and individual director effectiveness, both inside and outside of the boardroom.

Senior Independent Director (SID)
Acts as a sounding board for the Chair, as well as being available to shareholders and independent directors if they have concerns which cannot be resolved through the normal channels.

Independent Non-Executive Directors
Scrutinise and hold to account the performance of the executive against agreed goals and objectives. Non-executive directors constructively challenge and contribute to the development of strategy.

Group Chief Executive Officer
The Board has delegated the day-to-day management, and the responsibility of the successful execution of the strategy, to the Group CEO.

Group Chief Financial Officer (CFO)
The Group CFO is responsible for supporting the Group CEO in establishing group-wide financial and strategic objectives.

Committees of the Board
Each Committee Chair reports to the Board on key discussion topics and decisions taken after each meeting.

Audit Committee
Responsible for oversight of the Group's financial statements and reporting and the adequacy and effectiveness of the internal control environment, including financial control. Oversees the relationship with the external auditor and the activities of the Internal Audit function.

Read more on pages 86 to 91

Data and Technology Committee
Responsible for oversight of all aspects of information technology, cyber security (including IT and information security) and data and analytics across the Group.

Read more on page 79

Nominations and Corporate Governance Committee
Responsible for the overall composition of the Board and its Committees. Oversees Board and executive succession planning. Responsible for overseeing the Group's governance framework.

Read more on pages 80 to 85

Remuneration Committee
Responsible for overseeing the remuneration of executive directors and other designated individuals, as well as the Group's remuneration policy.

Read more on pages 94 to 119

Risk Committee
Provides guidance to the Board on the Group's risk appetite, advice on what constitutes acceptable risk taking and oversight of the Group's risk management policies and procedures.

Read more on pages 92 to 93

UK Corporate Governance Code (2018)
A full version of the Code can be found on the Financial Reporting Council's website: frc.org.uk

More information on the roles and responsibilities of our Chair, SID and Group CEO can be found on page 69.

Role and leadership

The Board is responsible for the overall leadership of the Group; it is charged with setting the Group's values and standards. The role of the Board is to promote the long-term sustainable success of the Company, whilst simultaneously generating value for shareholders and contributing to wider society; how the Board achieved this throughout 2023 is outlined in greater detail in our s.172 statement on pages 76 to 78. The Board is committed to maintaining the highest standards of corporate governance across the Group to support the delivery of our strategy, the fostering of positive stakeholder relationships and the creation of long-term sustainable value for our shareholders.

The specific parameters of the Board's role and responsibilities are set out in the Matters Reserved for the Board and are separated into eight categories:

- strategy and management
- structure and capital
- financial reporting and dividends
- risk and internal control
- corporate governance
- key personnel and remuneration
- product distribution and pricing
- brand.

The Matters Reserved for the Board outline the decision-making powers reserved for the Board and underpins the governance framework across the Group. It is reviewed and approved as part of an annual corporate governance review, and otherwise as required, to ensure the role and responsibilities of the Board remain appropriate and up to date.

The Board, as well as the boards of the Group's principal subsidiaries, operate within a clearly defined, and fully embedded, delegated authority framework. The delegated authority framework ensures that there is an appropriate level of Board oversight of, and contribution to, key decisions and that the day-to-day business is managed effectively. It also enables an appropriate level of debate, challenge and support in the decision-making process.

Those matters which are not reserved for the Board's consideration are delegated by the Board to Group-level Committees and the Group CEO. The Board has delegated the day-to-day management of the Company, and the responsibility of the successful execution of the strategy, to the Group CEO. Throughout 2023, the Group CEO, Sir Nigel Wilson, delegated further decision making onward to the Group Capital Committee, an executive decision-making forum, as well as to his direct reports. Following the appointment of António Simões as Group CEO on 1 January 2024, a new governance framework has been implemented. Further information on the changes is outlined on page 66.
Although the Board delegates the day-to-day management of the Company, it is accountable for the long-term sustainable success of the Company and must continue to oversee the Group's strategic objectives and monitor performance against those objectives.
The Board meets formally on a regular basis and at each meeting considers business performance, strategic proposals, material transactions and critical projects in the context of the Group's strategy, risk appetite, the interests of the Group's stakeholders and our wider social purpose.

The Board is supported in its work by its Committees, each of which is governed by its own terms of reference, which clearly outline its remit and decision-making powers. The Committees of the Board, and their core responsibilities, are set out in the governance framework outlined on page 67, and each of the respective Committee reports on pages 79 to 119.

Composition, independence, and effectiveness

As at the date of this report, the Board is comprised of the independent non-executive Chair, two executive directors and nine independent non-executive directors. At least half of the Board, excluding the Chair, are independent non-executive directors, in accordance with provision 10 of the Code. Upon appointment, the Chair was identified by the directors as being independent in accordance with provisions 9 and 10 of the Code.

When considering the appointment of new directors, the Board is mindful of the contribution and skillset that each new appointee will bring to the Board; the Board has an established skills matrix which supports Board succession planning. The Board continues to focus on maintaining a well-balanced and diversified Board, with the right mix of individuals who can apply their wider business knowledge and experiences to the setting and oversight of delivery of the Group's strategy. More information on the Group's Diversity and Inclusion Policy can be found on pages 82 and 83.

In January 2023, Sir Nigel Wilson announced his intention to retire from his role as Group CEO after over a decade in the role. Following a rigorous, global, selection process managed by the Chair, António Simões was appointed as Group CEO with effect from 1 January 2024. Prior to joining Legal & General, António was CEO of Banco Santander Spain and Regional Head of Europe, and previously spent 13 years at HSBC in various roles including CEO of UK and Europe and CEO of Global Private Banking. António strengthens the Board's experience having worked across complex, global organisations and brings a formidable leadership track record at the most senior level of financial services. António will help ensure that Legal & General continues to deliver on its enormous potential for its shareholders, employees, customers and the communities of which it is a part, through his executive leadership and strategic direction. More information on the Group CEO appointment process can be found on page 81.

A board effectiveness review is conducted on an annual basis. In line with the requirements of the Code, this review was externally facilitated in 2023. As part of this review, board dynamics and board decision-making, including non-executive directors' engagement, constructive challenge and contribution to board discussions, is assessed. Throughout the year, there were no concerns as to the operation of the Board or management of the Company.

Further information relating to the external effectiveness review can be found on pages 84 to 85.

Committee terms of reference
All Committee terms of reference can be found on our website at group.legalandgeneral.com/committees.

Division of responsibilities

In line with the provisions of the Code, a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business has been established and, in particular, set out in writing between the Chair, Group CEO and the Senior Independent Director, as illustrated in the table below. Each of these role and responsibility statements is reviewed and approved by the Board as part of an annual corporate governance review, to ensure they remain relevant and accurately reflect the requirements of the Code, the Companies (Miscellaneous Reporting) Regulations 2018 and industry best practice.

Role on the Board	Responsibilities
 **Sir John Kingman, Chair**	As Chair, Sir John Kingman is responsible for: • Establishing a close relationship of trust with the Group CEO and providing support and advice • Upholding the highest standards of integrity and probity and setting clear expectations concerning the style and tone of Board discussions • Ensuring the Board has effective decision-making processes and applying sufficient challenge to major proposals • Ensuring the Board receives accurate, timely, high quality and clear information, with the support of the Group Company Secretary • Ensuring effective communication with shareholders and stakeholders, as well as ensuring an appropriate balance is maintained between the interests of shareholders and other stakeholders • Promoting a culture of openness and debate • Promoting effective relationships and open communications between directors, and building effective relationships based on mutual respect and open communication • Promoting the highest standards of corporate governance and ensuring that all directors are aware of their responsibilities • Ensuring a clear structure for the effective running of the Board's Committees.
 **António Simões, Group CEO**	As Group CEO, António Simões is responsible for: • Proposing the Group strategy and delivering the strategy as agreed by the Board • Upholding the highest standards of integrity and probity and thereby setting the style and tone for the Group Management Committee • Embodying the Group's three behaviours and promoting an inclusive culture across the Group • Promoting the highest standards of corporate governance and managing a clear legal and operating structure that reports to the Group Board and its Committees • Ensuring that the Group maintains high standards of adherence to, and alignment with, regulatory requirements and standards • Developing and retaining the confidence of the Board, the executive and all other stakeholders.
 **Lesley Knox, Senior Independent Director**	As Senior Independent Director, Lesley Knox is responsible for: • Providing support to the Chair in the delivery of their objectives and being a trusted channel of communication to the Chair for the other directors • Being available to shareholders and other non-executive directors for any concerns which cannot be resolved through the normal channels • Attending meetings with major shareholders to listen to their views and develop a balanced understanding of issues and concerns and ensure that they are being considered by the Chair • Leading the annual evaluation of the performance of the Chair.

You can read more about the skills and experience of the Board in their biographies on pages 64 to 65.

The Role and Responsibilities document can be viewed on our website: group.legalandgeneral.com/en/about-us/corporate-governance/group-board-roles-and-responsibilities

Conflicts of interest and time commitment

The identification and management of Board members' conflicts of interest is defined and governed by the Company's Articles of Association, law and regulation, best practice and a number of internal policies which are reviewed and approved by the Board, as part of an annual corporate governance review. When identifying and managing any potential rise in conflict of interest, a record is maintained for each Board members' disclosed directorships and appointments. In the instance of an actual or potential conflict of interest arising, if the Board authorises said conflict, a formal record is maintained as part of the Company's records and would be declared at the start of each relevant meeting and noted within the minutes of the meeting, as stipulated and governed by our directors' conflict of interest policy. To ensure accurate records, on an annual basis, Board members are required to formally approve and sign their conflicts of interest register, thereby confirming that all directorships and appointments contained within are accurate and up to date.

All non-executive directors' letters of appointment outline the time commitment expected of them throughout their tenure on the Board. At times, their commitment may be required to go beyond that set out in the letter of appointment. The time commitment is reviewed regularly. External commitments, which may have an impact on existing time commitments, must be agreed in advance with the Chair and approved by the Nominations and Corporate Governance Committee, acting under its delegation from the Board. As part of the external appointments approval process, each director's time commitments are assessed in detail. The significant commitments of each director are detailed in their biographies on pages 64 to 65.

Non-executive directors' time commitments are considered by the Nominations and Corporate Governance Committee as part of its ongoing assessment of the Board's composition. Upon review, the Committee assesses the directors' commitments to the Company alongside their other significant commitments to ensure that they continue to be able to fulfil their duties to the Company. Where the Committee approved new external appointments, it was satisfied that they did not give rise to a conflict of interest and would not impact the directors' time commitment to the Company. In line with our conflicts of interest policy, directors absent themselves from any discussions relating to their own internal or external appointments.

The Board, on the recommendation of the Nominations and Corporate Governance Committee, is satisfied that each non-executive director serving at the end of the year remains independent, effective and continues to have sufficient time to discharge their responsibilities to the Company. Upon making new appointments to the Board, prospective candidates are expected to devote sufficient time to fulfil their responsibilities and duties to the Company and to do so by acting with integrity, leading by example and promoting the desired culture.

The Chair's commitments were considered on appointment, are regularly reviewed, and are assessed robustly whenever he proposes to take on an external appointment. In June 2023, the Chair took up the roles of chair at Barclays UK PLC and non-executive director at Barclays PLC. The Nominations and Corporate Governance Committee, led by the SID, carefully considered these external appointments and determined that, given the length of the Chair's tenure at the Company and significant experience, he was capable of balancing the time commitments and any potential conflicts, and overall the new roles would be additive to the Chair's experience, and accordingly, to the Company. Thus, the Nominations and Corporate Governance Committee was comfortable that the Chair is able to devote sufficient time to the Company.

Diversity and inclusion (D&I)

At Legal & General, we are building an inclusive culture that celebrates diversity and creates fair opportunities for everyone. Diversity is important to the Board, and the Group as a whole, because it generates a wider pool of talent by reflecting the broadest range of human attributes, experience and backgrounds, whilst simultaneously supporting good decision making and reducing the risk of groupthink.

It is important for our Board to have a broad range of insights and perspectives to help us make better decisions as a business and create an inclusive culture for our people. All appointments to the Board are based upon an impartial gap analysis of knowledge, skills, experience and diversity across the Board as a whole. This gap analysis is routinely conducted to review the composition of the Board and make relevant recommendations for any changes; it also takes account of succession plans to ensure a sustainable pipeline of diverse board talent.

D&I continues to be an area of focus for both the Board and the Nominations and Corporate Governance Committee. For more information on the Board's commitments to D&I, please visit our Nominations and Corporate Governance Committee report on pages 80 to 85.

Our purpose and culture

The Company's three core 'behaviours' embody our values and reflect the belief that it's not just what we do that is important, but how we do it. Together we are: purposeful, straightforward and collaborative.

These behaviours are the foundations of our long-term sustainable success and define how we do what we do. Throughout 2023, we have reshaped the way we assess our performance culture and reinforced a balance between the 'what' in terms of our achievements, and the 'how' in terms of demonstrating our core behaviours whilst achieving our goals. This approach not only helps us to further enhance our performance culture, but also to ensure our core behaviours are embedded into the way we do what we do.

The Board regularly receives updates on the Voice survey which provides insights into employee satisfaction. The surveys include questions on purpose, values and culture to enable the Board to understand whether these areas are aligned to the three key pillars used to measure satisfaction; engagement, culture and productivity, and enablement.

As well as reshaping the way we assess and measure performance against our core behaviours and values, in September we sought to achieve further insight into what it is like to work as part of the Company, by seeking views directly from our employees globally. This qualitatively complimented the findings from our Voice survey and enabled a deeper understanding which was not led or constrained by questions in a survey, but instead facilitated via a forum for employees to communicate their views, in confidence.

Throughout the year, the Board attended site visits across our UK offices, which enabled our directors to meet with our employees and gain insights into our culture and behaviours in action. In addition, Board members meet with smaller groups of employees to speak directly with them, both with and without management present, and hold town hall events to answer questions from employees. The executive management team also held numerous town hall events at various locations throughout the year to update the workforce on topical issues. Employees are offered the chance to ask the management team questions throughout these sessions. These events are run as hybrid events to maximise engagement.

Social impact report
Our 2023 Social impact report is available on our Group website: group.legalandgeneral.com/reports

For further detail on our group-wide D&I strategy and goals, please see page 49 of this report.

Subsidiary boards

At Legal & General we have benefited from a strong governance framework operating at subsidiary level for many years now.

Henrietta Baldock and Lesley Knox continue in their roles on the board of two of our principal operating subsidiaries: Henrietta as Chair of Legal and General Assurance Society Limited (LGAS) and Lesley as non-executive director of Legal & General Investment Management (Holdings) Limited (LGIM(H)). George Lewis was also appointed as the Chair of Legal and General Assurance (Pensions Management) Limited in February 2024, having been a member of the board since April 2022. This crossover of directors on our Group Board, principal and other key subsidiary boards allows greater interactions, information flows and promotes enhanced collaboration.

Induction, training and development

The Board places great value on training and development, and all new non-executive directors are invited to participate in a comprehensive, formal and tailored induction programme upon joining the Board. Induction programmes provide new directors with the knowledge and understanding of the Company and its business to enable them to provide effective contribution to Board discussions, effectively challenge the executive and properly fulfil their statutory duties.

Following his appointment as Group CEO, António received a comprehensive and tailored executive director induction to the Board. All Board members receive regular training throughout the year; the Board believes that continual director training and development is important to maximise the effectiveness of the Board and ensures the Board can effectively challenge the executive. The training programme is generated on an annual basis, based on the needs of the Board, and internal and/or external circumstances, including any recommendations from the annual evaluation of the Board and its Committees. It is the responsibility of the Chair to help ensure directors continually update their skills, knowledge and familiarity with the Group, and the Chair does so with input from the Board and the Group Company Secretary. In 2023, the Board received specific training on various topics, including cyber security, biodiversity and AI. In addition, Board and Committee meetings are regularly used to update the Board on developments in the areas in which the Group operates, and specific training sessions for directors are scheduled for key topical issues. As part of their ongoing training and development, Board members are invited to attend site visits to the Group's various offices, developments and investments, with the aim of widening Board members' knowledge of the business, gain first-hand insights and to provide Board members with the opportunity to meet personally with our employees. Throughout the year, site visits were carried out at our offices in London, Hove and Cardiff, as well as individual director visits to Solihull.

Board and Committee meeting attendance during 2023

Director	Appointment date	Committee appointments[2]	Board		Audit Committee		Data and Technology Committee[1]	Nominations and Corporate Governance Committee		Remuneration Committee		Risk Committee[1]
			Scheduled	Ad-hoc	Scheduled	Ad-hoc	Scheduled	Scheduled	Ad-hoc	Scheduled	Ad-hoc	Scheduled
Non-executive directors												
H Baldock[3]	4 October 2018	N R Ri	7/7	3/3				3/4	2/2	5/5	3/3	5/5
N von Bismarck OBE[4]	1 May 2021	A D N Ri	7/7	3/3	4/5	0/1	4/4	3/4	2/2			5/5
P Broadley	8 July 2016	A D N R Ri	7/7	3/3	5/5	1/1	4/4	4/4	2/2	5/5	3/3	5/5
C Johnson	17 June 2022	A N Ri	7/7	2/3	5/5	1/1		4/4	2/2			5/5
L Knox[5]	1 June 2016	N R Ri	7/7	2/3				3/4	0/2	5/5	3/3	4/5
G Lewis	1 November 2018	A N R Ri	7/7	3/3	5/5	1/1		4/4	2/2	5/5	2/3	5/5
R Lewis[6]	18 June 2020	N R Ri	6/7	3/3				2/4	2/2	5/5	3/3	5/5
T Morzaria	27 May 2022	A N R Ri	7/7	3/3	5/5	1/1		4/4	2/2	5/5	3/3	5/5
L Wade-Gery[7]	3 January 2022	N D R Ri	7/7	3/3			4/4	4/4	2/2	5/5	3/3	4/5
Chair and executive directors												
Sir J Kingman[8]	24 October 2016	N	7/7	3/3				4/4	2/2			
J Davies	9 March 2017		7/7	2/2								
Sir N D Wilson[9]	1 September 2009		7/7	2/2								

1. No ad-hoc meetings throughout 2023.
2. Committee appointments in accordance with appointments as at 31 December 2023.
3. Unable to attend Nominations and Corporate Governance Committee meeting on 6 December 2023 due to pre-agreed commitments.
4. Unable to attend Audit Committee and Nominations and Corporate Governance Committee meetings on 6 December 2023 due to personal reasons.
5. Unable to attend Risk and Nominations and Corporate Governance Committee meetings on 12 October 2023 due to pre-agreed travel arrangements.
6. Unable to attend Board meeting on 17 May 2023 and Nominations and Corporate Governance Committee meetings on 17 May and 12 December 2023 due to pre-agreed travel arrangements.
7. Unable to attend Risk Committee meeting on 15 May 2023 due to pre-agreed travel arrangements.
8. Attends all Audit, Data and Technology, Remuneration and Risk meetings as an invitee.
9. Retired from the Board on 31 December 2023.

Committee membership key

- A Audit
- D Data and Technology
- N Nominations and Corporate Governance
- R Remuneration
- Ri Risk
- Committee Chair

The Board meets regularly to oversee the delivery of the Group's strategic objectives to ensure it continues to promote the long-term sustainable success of the Company.

How the Board spent its time in 2023

The Board meets regularly to oversee the delivery of the Group's strategic objectives to ensure it continues to promote the long-term sustainable success of the Company. Throughout 2023, the Board held 10 Board meetings, including one strategy event, and one additional site visit. Board Sub-Committees were also constituted on a number of occasions in order to deal with particular matters arising outside of the formal schedule of meetings: a Sub-Committee was constituted during the year to oversee and closely manage the Group CEO search process. The non-executive directors have private meetings without the executives present before and after each Board meeting, and otherwise as required.

Board members meet informally with the executive directors and Group Management Committee on a regular basis outside of the formal meeting schedule. Members of the Group Management Committee and, as appropriate, individuals from the relevant business areas are also invited to attend Board meetings in relation to key items, allowing the Board the opportunity to debate and challenge initiatives directly with the senior management team, along with the executive directors.

The Board informs itself of the views of shareholders on a regular basis through updates from the Group CEO and Group CFO, as well as an update from the Chair following his annual schedule of investor meetings. Where relevant, Board Committee Chairs also hold meetings with investors.

The Board has established the Company's purpose, values and strategy, and has satisfied itself that these and its culture are aligned.

This is reflected in the Board agendas throughout the year, which are set by the Chair, with input from the Board, and consist of regular reports on the following discussion areas:

- updates from the Group CEO, the Group CFO and the Chair of each of the Committees
- updates from key business divisions on business performance and progress against strategy, key business initiatives, customer and employee engagement, the control environment and culture
- discussions on strategic ambitions, material transactions and other material initiatives, to ensure alignment with strategic objectives
- updates about meetings held between directors and key regulators, such as the FCA and PRA
- implementation of the Consumer Duty and a greater board focus on customer outcomes
- risk and compliance matters, including regular updates on whistleblowing
- audit matters, including IFRS 17 considerations
- legal and governance matters from the Group General Counsel and Group Company Secretary
- people, culture, and employee engagement matters, including updates from the Designated Workforce Director and updates on the results of the employee Voice survey
- ESG, climate and sustainability considerations
- the Group's relationship with various stakeholder groups. For more information on the Board's stakeholder engagement throughout the year, see pages 76 to 78.

"I was honoured to receive the Instant Impact Award at the 2023 Legal & General Awards, and have this presented to me by one of our non-executive directors. It was a fantastic opportunity for all nominees and winners to meet and integrate with the Board."

Jack Maclean
Pensions Consultant

Jan

Discussed the Group's growth opportunities in pension risk transfer (PRT)

Mar

Approved the full year financial results, annual report and accounts and final dividend recommendation

Received training on cyber security

Apr

The Chair, Sir John Kingman, and non-executive directors, Laura Wade-Gery, Tushar Morzaria and Nilufer von Bismarck spoke at town hall events for colleagues at our Hove office

May

Hosted the Group's Annual General Meeting

Hosted the first 'talent dinner' of 2023 with colleagues who have demonstrated potential to progress into senior roles within the business

Jun

Approved the appointment of António Simões, following recommendation from the Nominations and Corporate Governance Committee

Aug

Approved the half year financial results and interim dividend

Received a presentation from the PRA on the 2023 Periodic Summary Meeting Letter

Oct

Held an executive business awareness session on nature and biodiversity

Held interactive sessions with LGIM senior leadership in the London Head Office

Hosted the second 'talent dinner' of 2023

Nov

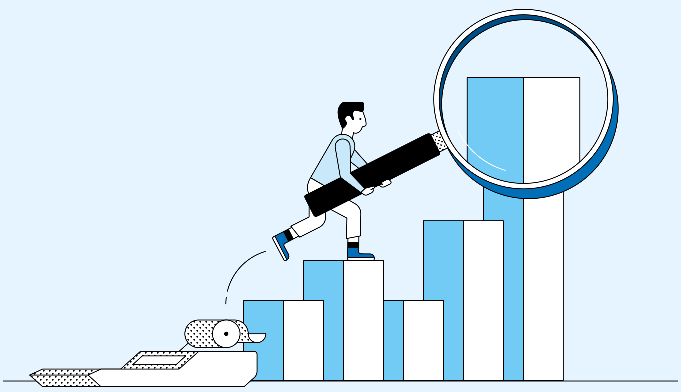
Held an off-site event and attended the Legal & General awards at our new Cardiff office, Calon

Received training on Artificial Intelligence

Dec

Reviewed and approved the annual corporate governance review, to maintain compliance with legal and regulatory requirements and corporate governance best practice

Approved the Group Financial Plan for years 2024 – 2028



Employee engagement

“On behalf of the Board, I will continue to listen to our people.”

Nilufer von Bismarck
Designated Workforce Director

“It’s clear that Nilufer is passionate about collaboration and our unique partnership with Unite. She has had a positive impact on the business and our members, particularly around Diversity and Inclusion and Wellbeing.”

Pam Edwards
Head of Unite

My role

The wellbeing of our employees is a key priority for the Board and we recognise that our success is driven by our people. As Workforce Director, I engage with, and listen to the concerns of, our employees. I seek to support our people by representing their views to the Board and finding ways to address the issues I uncover.

At the end of 2022, with input from both employees across divisions and the Board, we established my 2023 programme for engagement with our people based around three pillars:

- Diversity and Inclusion and Wellbeing
- Collaboration
- Growth.

These pillars are relevant to all areas of the business and align with the priorities established by wider management. Engagement with employees during 2023 was structured around these pillars and we tracked the impact and outcomes of my engagement.

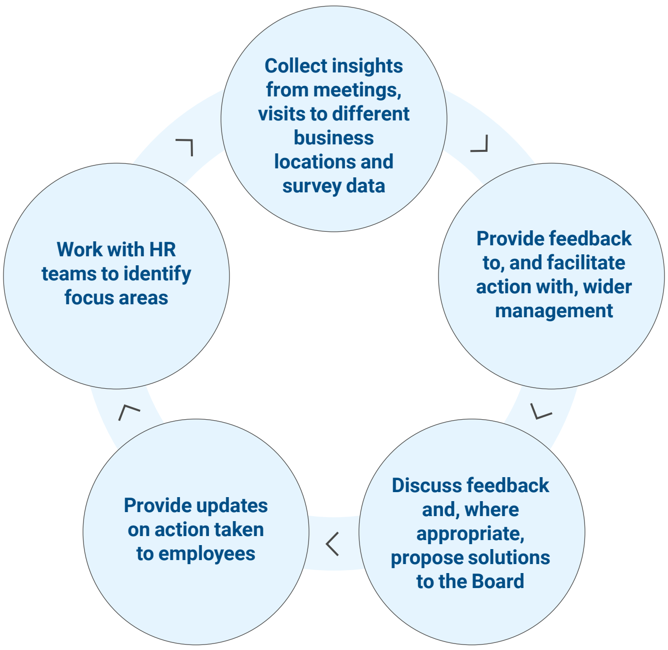
Elevating employee views

There is a standing item at each Board meeting to discuss my activities as Workforce Director since the last meeting and to provide relevant feedback. During 2023, I reported against the programme and discussed relevant issues and any potential responses or changes.

Not all issues required discussion at the Board and so I decided in each case whether it was more appropriate to raise issues with the relevant member of the executive team and then report to the Board on any action taken.

The key focus was always to ensure that what mattered most to our people was communicated and, where appropriate, addressed, whilst providing our people with transparency of relevant Board activities.

Elevating employee views



Some of my 2023 activities

My relationships with Unite and the Management Consultative Forum (MCF) are key. Through these bodies, I can gather the views and concerns of a range of employees at a variety of grades across the Group. During 2023, I met with representatives from both organisations every quarter.

For each business division, I received regular updates on Diversity and Inclusion, Wellbeing and on the Voice survey results and actions being taken following such results. This links to my 2023 programme pillar of Diversity and Inclusion and Wellbeing, but also to Collaboration as I have been able to share best practices across different parts of the business.

I have participated in various events across the business, such as the Women in Business & Finance panel, LGC's 'Grade 5 forum' and the summer internship induction programme, all supporting the focus on Growth.

Through meeting people at our business locations in Barnsley, Cardiff, Chicago, Frederick, Hove, London, Solihull and Stamford, I have been able to focus on issues specific to business areas and location, building on all three pillars of my programme.

Voice

I interrogate the Voice survey data to understand how our people feel and this is discussed by Board members at the Nominations and Corporate Governance Committee, together with any appropriate actions to take in response. Employee satisfaction is at 79%, and work is underway to improve this even further in 2024.

2024

On behalf of the Board, I will continue to listen to our people, provide feedback, and, where relevant, implement changes through wider management and the Board.

In 2024, my priorities as Workforce Director will again be aligned with the Board and wider management's focus. I will continue to focus on Diversity and Inclusion and Wellbeing, and Collaboration, whilst Growth will evolve to Performance and Capability. I will build my interactions with employees around these pillars, complemented with analysis and understanding of the results of employee surveys.

> "We are grateful for the regular forum with Nilufer to raise issues impacting management-level employees and have been able to shape approaches to benefits and internal policies."
>
> **Sarah Hilton**
> Management Consultative Forum representative

Section 172 statement and stakeholder engagement

Statement on Section 172 of the Companies Act 2006 (the 'Act')

Section 172(1) of the Act requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so, have regard to a non-exhaustive list of factors to ensure that the broader implications and interests of stakeholders are considered in their decision-making.

The Board recognises the importance of nurturing its positive relationships with its key stakeholders and is committed to maintaining strong engagement with them. The Board believes that this engagement provides meaningful insights into the views, priorities and issues facing its key stakeholders which can then be considered as part of the Board's strategic decision-making and planning.

The Board has reflected on its engagement mechanisms throughout 2023 and concluded that they remain effective and have provided the Board with a comprehensive understanding of the interests of its key stakeholders.

A summary of the Board's major decisions and activities during 2023 can be found below. This, combined with our key engagement activities on page 78, makes up our section 172(1) statement. Further information on our key stakeholders and their importance is set out on pages 14 and 15.

Key employee engagement in the year

Following the announcement of the appointment of António Simões as Group CEO Designate, effective from 1 January 2024, a new group-wide CEO edition of the employee Voice survey was launched in preparation for António's arrival. The survey invited employees to share their feedback on working at Legal & General which was shared directly with António upon his appointment.

Major decisions and activities during 2023

The following examples of major decisions and activities during the year illustrate how the Board considers different stakeholders' interests in its decision making and how this supports the implementation of the Group's long-term strategy and its strategic growth drivers (as set out on pages 10 and 11).

We believe that major decisions are those that are both material to the Group and to its key stakeholders. Whilst not all decisions affect every stakeholder group, the Board and its delegated decision-making forums endeavour to balance the sometimes conflicting needs of our stakeholders to ensure that all are treated consistently and fairly.

Our strategic growth drivers

1. Ageing demographics
2. Globalisation of asset markets
3. Investing in the real economy
4. Welfare reforms
5. Technological innovation
6. Addressing climate change

Major decision

Approval of a £2.7 billion buy-in with the British Steel Pension Scheme

1 3 4

The Board approved a final buy-in policy with the British Steel Pension Scheme (the 'Scheme'), totalling £2.7bn, under which the remaining 40% of liabilities was insured. This was the final transaction in a series of four phased buy-ins to fully insure the £7.5bn of the Scheme's liabilities, securing the benefits of all circa 67,000 retired and deferred members. In doing so, the Scheme became the largest pension scheme in the UK to have fully insured all its members' benefits.

This transaction demonstrates our expertise in pensions de-risking and our commitment to helping schemes find solutions to secure pension commitments against a backdrop of ageing demographics.

At the core of these transactions, and to insure benefits at this scale, Legal & General developed strong relationships with the Trustees' sponsoring company, the Scheme's in-house teams and advisors and brought together expertise across Legal & General. These transactions signal a successful continuation of our long-term, collaborative relationship with the Scheme.

Through rigorous board review and decision making, and a series of well-timed transactions, the Scheme capitalised on volatile markets and strong decision making to capture attractive pricing and achieve the Trustees' and Sponsors objective of full insurance.

For more information on the Group's institutional retirement business, please visit pages 29 to 31.

Key stakeholder consideration

Customers

Circa 67,000 members will benefit from the security that Legal & General provides to their pensions. As populations live longer, their pensions last longer too. By delivering on a carefully considered and well-established plan, we helped the Trustees and sponsoring company of the Scheme secure the benefits of their members for the long-term – far faster than initially anticipated.

Regulators

We continue to maintain strong and positive regulatory engagement with the Prudential Regulation Authority and we provided updates on the transaction through our periodic pipeline reporting.

Shareholders

This transaction has helped us to deliver another strong result for our pension risk transfer business and create long-term value and strong returns for our shareholders.

Major activity

The development and residency of our new Cardiff office, Calon

3 4 5 6

Throughout the year, the Board was updated on the £475 million regeneration project in Cardiff's Central Square, which included the development of Calon, our new Cardiff headquarters. Our aim was to create a workplace with sustainability, wellbeing and our purpose of inclusive capitalism at its core. By October 2023, all of our Cardiff based colleagues had been successfully relocated to Calon, bringing our people and our Company into the heart of the investments we're making in the city, and their long-term future.

To celebrate the opening of Calon, our Group CEO, Group CFO, Group HR Director and Retail CEO joined employees and community stakeholders for an official 'opening ceremony' to celebrate our new home for our circa 2,500 people in Wales. In November, the Board held its strategy event at Calon and combined this with an interactive site visit to experience the new office for themselves and to meet with colleagues.

As part of this, the Board held an in person town hall and invited all colleagues to join. Updates were provided on diversity and inclusion within the Board, emerging risks and opportunities and Consumer Duty. Employees were invited to ask a range of questions and provide their feedback on their new working environment.

Calon has been designed for sustainability, wellbeing and inclusivity. The new office has been developed using a climate-focused approach and represents the delivery of our socially responsible investing agenda and our continued relationship with all of our stakeholders. It is hoped that Calon will drive an evolution on how cities are suitably designed to be sustainable, long-term.

The development of Calon is the result of a £475 million investment by Legal & General into the regeneration of Cardiff's Central Square, run in partnership with Cardiff Council, the Welsh Government and Rightacres. It demonstrates our commitment to investing in the real economy and forms part of our wider £1 billion investment in Cardiff in recent years.

Key stakeholder consideration

Employees

Engaging with our employees throughout the planning and development stages of Calon has supported our inclusive company culture whilst understanding what is important to them in a hybrid working environment. Our workforce is vital to our success. To help us understand the views of our employees, we engaged through formal and informal channels; the name of the new office 'Calon' – Welsh for heart – was chosen in a vote by our employees.

Communities and environment

Calon meets the highest standards in sustainable design. There is no gas in the building, and it can generate its own electricity from solar panels and air source heat pumps. It has achieved a BREEAM Outstanding rating and is also targeting Nabers UK 5-star. With over 3,000 living plants and natural lighting throughout, it has occupants' wellbeing at its core.

Suppliers

In line with our commitment to inclusive capitalism, we utilised local suppliers and products throughout the development process where possible, to further improve the social impact the building delivers.

Major activity

The development of our partnership with Bruntwood SciTech to achieve additional investment for the regeneration of our towns and cities in the UK

2 3 5

The Board oversaw the development of our science and technology real estate joint venture with Bruntwood SciTech, the leading property and innovation services provider in the UK, including a new partnership with Greater Manchester Pension Fund (GMPF), the UK's largest local government pension fund, securing £500m of additional investment.

We're bringing a fresh injection of capital which reinforces our commitment to investing purposefully in the real economy. The long-term vision for our joint venture with Bruntwood SciTech is to provide the infrastructure that businesses and the public sector need to thrive and to provide the UK's regional cities with the capacity they need to support future growth.

Opportunities exist to export our investment expertise internationally to support our global ambitions. The success of Bruntwood SciTech has paved the way for the expansion of our UK business model to the US market with Ancora L&G, where we believe there is significant potential for further growth.

For more information on the Group's capital investment business, please visit pages 32 to 34.

Key stakeholder consideration

Communities and environment

We are committed to creating and supporting thriving cities and our joint venture with Bruntwood SciTech has enabled us to work with cities and universities to create modern science infrastructure. The growth of the Bruntwood SciTech partnership through the introduction of GMPF supports the delivery of a significant long-term investment project that is economically viable and bolsters innovation strategies and regeneration of towns and cities in the UK.

At Bruntwood SciTech's core is the drive to invest in an innovation backbone for the UK. The new capital will be used to expand and redevelop existing science and technology campuses and city centre innovation hubs, delivering additional world-leading lab and office space in the UK across a secured 3.6m sq ft development pipeline.

The investment supports the drive to regenerate towns and cities in the UK, helping to create highly skilled jobs, increase productivity and drive wage growth, while supporting the UK's target to become a global science and technology superpower by 2030.

Section 172 statement and stakeholder engagement
continued

Key stakeholder engagement during the year

Stakeholder	Key engagement activities throughout the year
Shareholders Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	• The Chair, Group CEO and Group CFO attend numerous investor roadshows throughout the year with our key institutional investors to understand their views on areas such as our strategy, financial performance, AGM voting and macroeconomics. • Following the release of our full and half year financial results, the Group CEO and Group CFO met with investors and analysts. In addition, a webcast of each result presentation is made publicly available on the corporate website to enable accessibility for our shareholders. • The AGM continues to provide an important opportunity to engage with all shareholders, particularly our retail shareholders.
Suppliers Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive outcomes for the environment and wider society.	• The Group CFO and members of the senior management team meet with key suppliers during the year to discuss performance and strategy. • The Legal & General Resources Limited board, our main contracting entity for suppliers, is responsible for reviewing and monitoring the Group's key supplier relationships and receives an update at each board meeting on our relationships with suppliers and their performance. • The Executive Risk Committee, Group Risk Committee and Group Data and Technology Committee receive reports relating to supplier resilience and security. • The Group Environment Committee also receives updates on suppliers in the context of setting environmental targets aligned with our net zero ambitions.
Regulators We actively engage with appropriate regulatory bodies to ensure that we maintain high standards of business and deliver for our customers. We work closely with regulatory authorities to effectively monitor external developments and identify and respond to the evolving landscape.	• Board members meet with the PRA and FCA periodically to discuss various priorities and supervisory strategies. • Regular meetings continue to take place between management, our risk function and our regulators, the outcomes of which are reported to the Board and relevant Board Committees. • Periodic meetings continue to take place between management, trustees of our master trust pension scheme and The Pensions Regulator, the outcomes of which are reported to relevant subsidiary boards, as appropriate.
Communities and environment Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	• Through organised site visits, members of the Board are able to see first-hand how the Group's direct investments in infrastructure positively impact local communities by delivering socially and environmentally positive housing and workplaces at scale. • Our Group Sustainability function is responsible for developing areas of focus for sustainability activity, as well as forming charitable partnerships and enabling our employees' fundraising and volunteering endeavours. • Our Group Environment Committee is responsible for providing strategic direction for the management of environmental impact.
Customers Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	• Laura Wade-Gery, in her role as Consumer Duty Champion, continues to lead on providing Board oversight of the implementation of the Consumer Duty regulations across the Group to ensure that we continue to deliver good outcomes for retail customers. • The Board receives detailed customer management information at each meeting to ensure that customer outcomes are robustly monitored. • We hold annual member forums for thousands of members of our pension schemes which allow members to ask questions in a live Q&A environment.
Employees Engaging with our people enables us to create an inclusive company culture and a positive working environment.	• Nilufer von Bismarck continues to engage with our workforce through her position as our Designated Workforce Director. Further details of Nilufer's engagement can be found on pages 74 and 75. • Members of the Board host numerous employee town halls throughout the year at our various office locations, including following the announcement of full year and half year results, which provides an opportunity for the Board to increase employee awareness of the factors affecting the performance of the Company and provides the opportunity for direct engagement through live Q&A sessions.

For more information on:
- the sustainability of our supply chain and actions against modern slavery, refer to page 51 of this report
- the Board's oversight of climate and environmental issues, and the non-environmental aspects of our sustainability agenda, refer to our Social impact report and Climate and nature report: group.legalandgeneral.com/reports
- our gender pay gap, alongside other people-related KPIs, refer to our Social impact report: group.legalandgeneral.com/reports.

Data and Technology Committee report

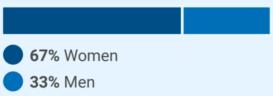
Committee overview

Committee meetings and membership

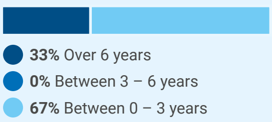
The Committee met 4 times during the year. The Committee is composed entirely of independent non-executive directors. As well as the Committee members, the Group CEO, the Group CFO, the Group CRO and the Chief Technology Officer are expected to attend each meeting. The Committee is advised by an independent Cyber Security Advisor and an independent Information Technology Advisor who attend each meeting and provide key insights into industry trends and advice on the evolution of our technology, data and cyber strategies.

Members
Laura Wade-Gery (Chair)
Philip Broadley
Nilufer von Bismarck

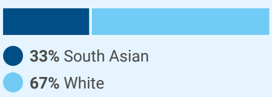
Gender



Tenure



Ethnicity



The role of the Committee

The role of the Committee is to provide assurance to the Board on the management of data and technology and associated change programmes, and to ensure that the Group is operating within its targeted information security and cyber risk appetite.

Key responsibilities

- Provide oversight of, and guidance to, the Board with regards to all aspects of information technology, data and analytics and cyber security (including IT and information security) across the Group.
- Review and endorse the Group information technology and digital strategy, Group data strategy and Group cyber security strategy, and their respective implementation plans.
- Oversee technology and data aspects of major change programmes and understand their strategic contribution and risks.
- Review and endorse the operating model in place for information technology, data and analytics and cyber and information security, and subsequently consider its ongoing suitability.
- Review and approve any proposed technology projects and contracts within its remit of responsibility.
- Consider current capabilities relating to technology, data, cyber and digital skills and plans to address any gaps.
- Consider the adequacy, resilience and performance of suppliers and supply chains for IT and cyber.

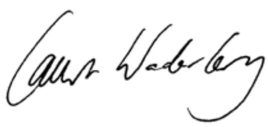
The Committee's terms of reference can be viewed on our website: group.legalandgeneral.com/committees

I am pleased to present my second report as the Chair of the Data and Technology Committee. During the year, the Committee's remit evolved to include oversight of Legal & General's data strategies. This is an important area of focus for Legal & General as we recognise the opportunities that can be derived from data. This change has enabled the Committee to become a more forward-looking and strategic forum to drive innovation.

The Committee's focus during the year has been around four key themes: control & risk; capability & capacity; strategy & innovation; and change delivery. These themes have allowed the Committee to explore technology, data and cyber in depth and has created an environment where these key strands can be brought together to support the Board in seizing technological and data opportunities and overseeing the challenges presented by technology and cyber. The Committee is supported by an executive level technology and security governance framework. This framework has provided greater oversight of, and allowed the Committee to place greater reliance on, the Group's executive-level governance arrangements.

During the year, the Committee has focused considerably on data as it becomes an increasingly important element of our business. Data touches every application, process and business decision we make. We have an ambition to become a more data driven and insight led organisation, and to do this, we need to ensure data is treated as a highly valuable and strategic asset. The Committee also spent time focusing on how divisions can collaborate to drive greater efficiencies and capabilities. In October, we concentrated on this from a people and capabilities' perspective. This was a useful exercise as it highlighted some shared challenges and opportunities across the Group and recognised that the different markets in which our businesses operate demand different skill sets, experiences and capabilities to meet their divisional needs. I have been pleased to see the formation of a technology leadership community across the Group which is bringing together these shared challenges and opportunities.

As Artificial Intelligence continues to embed into society, the Committee will continue to discuss and oversee its associated opportunities and challenges.



Laura Wade-Gery
Chair of the Data and Technology Committee

Nominations and Corporate Governance Committee report

“The Board was delighted to appoint António Simões and I look forward to working with António to ensure that we continue to deliver on our enormous potential for our shareholders, employees, customers and the communities of which we are a part.”

Committee overview

Committee meetings and membership

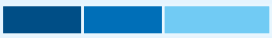
The Committee met 6 times during the year. The composition of the Committee remains in compliance with the Code, the requirements of its terms of reference and comprises only independent non-executive directors. Details of members' experience and skills can be found in the biographies on pages 64 and 65.

Members
Sir John Kingman (Chair)
Henrietta Baldock
Nilufer von Bismarck
Philip Broadley
Carolyn Johnson
Lesley Knox
George Lewis
Ric Lewis
Tushar Morzaria
Laura Wade-Gery

Gender

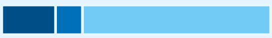
50% Women
50% Men

Tenure



30% Over 6 years
30% Between 3 – 6 years
40% Between 0 – 3 years

Ethnicity



20% South Asian
10% Black
70% White

The role of the Committee

The role of the Committee is to ensure that the Board's composition, and that of its Committees, is appropriate to discharge its duties effectively, and to oversee the Company's corporate governance framework and commitments to diversity and inclusion.

Key responsibilities

- Regularly review the structure, size and composition of the Board.
- Lead the process for new appointments to the Board, ensuring appointments bring the required skills, knowledge, background and experience to the Board to support the development and oversight of the Group's strategy, and taking into account the promotion of diversity and inclusion.
- Give consideration to succession planning for directors and senior executives.
- Oversee and monitor the Company's corporate governance framework, including its compliance with the UK Corporate Governance Code.
- Oversee and monitor the Company's commitment to diversity and inclusion across the Group.
- Oversee the process by which the Board, each Committee and individual directors assess their effectiveness.
- Review non-executive directors' time commitments and consider additional external appointments.

The Committee's terms of reference can be viewed on our website: group.legalandgeneral.com/committees

Chair's introduction

I am pleased to present my report as Chair of the Nominations and Corporate Governance Committee.

One of the Committee's main areas of focus for the year was succession planning, particularly the extensive search and full and robust selection process to appoint our new Group Chief Executive Officer. The Board was delighted to appoint António Simões with effect from 1 January 2024 and I look forward to working with António. In addition, we implemented succession planning for the Chair of the Remuneration Committee, as well as the Senior Independent Director, as part of our commitment to, and support of, the FCA's targets on board diversity as set out in the Listing Rules.

The external Board effectiveness review was another key area of focus this year for the Committee. Further information on the process and results can be found on pages 84 and 85 of this report.

Sir John Kingman
Chair

Key activities during 2023

- Led the process for the search and appointment of the new Group Chief Executive Officer.
- Considered director reappointments, external appointments and changes to the composition of the Board and its Committees.
- Recommended the appointment of the external facilitator for the annual effectiveness review of the Board and each of its Committees.
- Oversaw the development of a diverse pipeline of talent for succession to the Group Management Committee across near- to long-term time horizons.
- Oversaw the development of, and progress against, the Group's diversity and inclusion workforce policies, including the annual review and approval of the Board's Diversity and Inclusion Policy.
- Considered the results of the employee Voice surveys.

Corporate governance

The Committee is responsible for overseeing and monitoring the Company's corporate governance framework and compliance with the Code. The Company has complied with all provisions of the Code throughout the year. Further details of the Group's corporate governance framework, including compliance with the Code, can be found on page 67.

Appointment of our new Group Chief Executive Officer

Upon recommendation from the Committee, the Board appointed António Simões as our new Group Chief Executive Officer with effect from 1 January 2024. António's appointment followed a rigorous, global selection process managed by a Sub-Committee of the Nominations and Corporate Governance Committee, led by the Chair. A summary of the process is outlined below.

Talent management and succession planning	The Committee annually reviews and assesses the executive talent pipeline to ensure there is a pipeline of credible and capable successors for executive management, including for the role of Group CEO.

1. Constitution of Sub-Committee to manage and oversee the process	A Sub-Committee of the Committee, led by the Chair, was constituted to provide direction and Board oversight of the Group CEO succession planning process.
2. Engagement with executive search firm and creation of role specification	The Sub-Committee engaged with independent external search firm Russell Reynolds. Russell Reynolds has no other connection with the Company or its directors and is a signatory to the Voluntary Code of Conduct for Executive Search Firms. Russell Reynolds was chosen for its significant depth in insurance and financial services more generally, a track record of focusing on diversity, and a strong leadership team who would challenge the Board on its thinking on candidates. The Sub-Committee worked with Russell Reynolds to devise a role specification, which was approved by the Board.
3. Candidate long lists	The search firm produced a diverse long list of candidates which was reviewed, thoroughly discussed and refined by the Sub-Committee. The long list included internal candidates and best-in-class external talent. In reviewing the long list, the Sub-Committee was mindful of diversity, including of background and experience, as well as the desired skills and attributes for the role as set out in the role specification.
4. Candidate short list and interviews	All candidates on the long list were interviewed by the Sub-Committee, following which a short list of final candidates was produced. All shortlisted candidates were assessed against the role specification, on merit and with due regard to all forms of diversity. The final candidates were interviewed by the full Committee, which included a presentation from candidates. In addition, they underwent psychometric testing, and references were taken on the external candidates.
5. Candidate selection	Following shortlisted candidates' presentations and interviews, the Board discussed each candidate in detail, taking into account all elements of the search process. Following this discussion, it was agreed that António was the outstanding candidate.
6. Candidate appointment and approval	The Committee unanimously recommended to the Board the appointment of António Simões as the next Group CEO, subject to regulatory approval, and the Board duly approved the appointment. The Remuneration Committee led on the development of an appropriate remuneration package. António was interviewed by the PRA and FCA as part of the approval process, and approval for his appointment was granted in October 2023.

Induction	A comprehensive, tailored induction programme was undertaken by António upon appointment, led by the Chair and the Group Company Secretary. This included a focus on the markets and regulatory regions in which the Group operates, as well as meetings with all senior management, key external stakeholders, and undertaking site visits to the Group's offices in the UK and globally.

Nominations and Corporate Governance Committee report
continued

Key activities during the year
Board composition, succession and other changes throughout the year
CEO succession
A key activity for the Committee in 2023 was managing and overseeing the search for the new Group CEO, António Simões. For more information on the appointment process, please see page 81.

Board composition
The Committee undertakes a rigorous annual review of the Board's composition to support discussions on succession planning. This includes a capability assessment of Board members' knowledge, skills and experience in the context of the Company's short and medium-term strategy, supported by a self-assessment analysis undertaken by each individual director, which forms part of an overall Board skills matrix. The skills matrix reflects the results of the assessment. The skills matrix is refreshed and reviewed on an annual basis and is used by the Committee to support discussions on succession. Various other considerations, including the tenure of the Board as a whole, independence and diversity, are also considered by the Committee when reviewing the Board's composition.
The outcome of the 2023 discussion on composition was that, overall, the Board was of an appropriate size and composition, with key succession plans having been executed over the course of the year. The upcoming focus for the Committee will be succession planning for the Chair and non-executive directors who will be coming to the end of their tenure.

The Committee also considered reappointments of directors to the Board, and directors' external appointments to the boards of other companies. Where the Committee approved new external appointments, it was satisfied that the appointments did not give rise to a conflict of interest and would not impact the directors' time commitment to the Company. In line with our conflicts of interest policy, directors absent themselves from any discussions relating to their own reappointment, chair appointment or other internal or external appointments.

Other board changes
The Committee considered and approved the following board composition changes throughout the year.

Following the 2022 and 2023 discussions on board composition, Lesley Knox succeeded Philip Broadley as SID in September 2023. As a result of this change, the Company now complies with the FCA's targets on board diversity to have at least one of the following senior board positions held by a female: Chair, Chief Executive, SID or Chief Financial Officer. Philip remains a member of the Board and we continue to benefit from Philip's experience and counsel. Lesley was considered by the Committee as the outstanding candidate for the role of SID due to her length of tenure, strong understanding of, and experience in dealing with, the Group and its various stakeholders from her roles as Remuneration Committee Chair, Designated Workforce Director and her role on the board of one of our principal subsidiaries.

Being mindful of the time commitment for Lesley to take on the role of SID, Laura Wade-Gery succeeded Lesley as the Chair of the Remuneration Committee in February 2024. The Committee considered Laura an excellent candidate due to her established track record as a UK-listed company Remuneration Committee Chair and her strong understanding of the Committee's current workings and short- and medium-term priorities. Laura fulfils the Code requirement for any appointee to the Remuneration Committee Chair role to have served on a Remuneration Committee for at least 12 months prior to appointment. Having discussed Laura's internal and external time commitments, the Committee considered that Laura has sufficient time to dedicate to the Remuneration Committee Chair role.

Executive succession and talent management
In addition to reviewing the Board's composition, throughout the year the Committee has focused on executive-level succession across near- to long-term time horizons to ensure there is a credible pipeline of successors for executive roles.

Subsidiary succession
The Company benefits from a strong governance framework operating at subsidiary level. The continued strength of the boards of the Group's subsidiaries is vital for ensuring the Group's high standards are maintained and there is sufficient oversight of activity further down the Group, particularly in our principal subsidiaries. While succession planning remains the responsibility of each subsidiary board, it is nevertheless very important for the Committee to have continued oversight of its key subsidiaries and ensure orderly succession plans are in place. In addition, I meet regularly with the non-executive directors of our principal subsidiary boards, without the presence of executive management, to gain direct feedback.

Appointments to the Group's principal subsidiaries are made on the recommendation of the Committee. This year the board of one of the Group's principal subsidiaries, Legal and General Assurance Society Limited (LGAS), approved the appointment of Andrew Kail as its new CEO, following regulatory approval, on the recommendation of the Committee. Andrew succeeded Sir Nigel Wilson who held the LGAS CEO role (in addition to the Group CEO role) until his retirement in December 2023. In making its decision, the Committee highlighted Andrew's knowledge and understanding of the Group and the LGAS business, having run the Group's PRT business for the last two years as well as previously running the Group's Retail Retirement division, meaning that Andrew was well-placed to take on the role.

Diversity and inclusion (D&I)
D&I across the Group
As a Group, we are working towards a more equitable workplace where all our people can realise their potential. We believe that diversity of experience and skills brings diversity of thought and perspective, which in turn drives greater proximity to our customers and promotes a culture which more readily embraces innovation.

Last year, we set ourselves deliberately challenging ethnicity goals across the Group in order to expand the scope of our D&I agenda and to complement existing goals for gender. These goals are for 17% of our workforce, senior management roles and Board members to be from minority ethnic backgrounds by 2027. During 2022, we built these new goals into group-wide and divisional D&I plans, including key operational areas like recruitment. As a Group we have made good progress on achieving our ethnicity goals by 2027, and good progress on our employees' voluntary disclosure of ethnicity data. However, we are aware that faster progression is required to achieve our gender diversity goals, particularly achieving 40% female leadership at the senior/middle management level, and we continue to explore areas of opportunity to achieve this.

Throughout 2023, the Committee received regular updates on the progress against the group-wide and divisional D&I plans and the following key D&I focus areas:

- embedding the progress made in 2022, including inclusive recruitment, improving line manager capabilities and the creation of opportunities for those from underrepresented backgrounds
- evolving the D&I governance and operating model across the Group by increasing transparency, reducing duplication and elevating the voice of our employee networks
- holding leaders and line managers to account on diversity matters.

The Committee continues to support the work of the executive management and the D&I Council in driving the D&I agenda across the Group. For more information on our group-wide D&I activity during 2023, including our progress on achieving our objectives, please see page 49 of this report.

D&I of the Board

As a Committee, we believe that diversity is important as it supports good decision making and reduces the risk of groupthink by providing different viewpoints, ideas and challenge. As part of this, we believe that it is important for our Board to be diverse in terms of gender, ethnic and social backgrounds and have a broad range of perspectives to help us make better strategic decisions and lead by example in creating an inclusive culture for our people.

Lesley Knox was appointed as SID in September 2023. This appointment reflects our commitment to gender diversity in senior board positions and complies with the FCA's targets on board diversity as set out in Listing Rule 9.8.6(9)(a)(ii), that at least one of the following senior board positions should be held by a female; Chair, Chief Executive, SID or Chief Financial Officer.

We are proud to have a Board which is diverse, both in terms of gender and ethnicity. As at 31 December 2023, the Board comprised 42% women, and 25% of the Board was from an ethnically diverse background. Both of these percentages exceed regulatory requirements, the targets in the FTSE Women Leaders Review (Hampton-Alexander) and Parker Review, as well as the goals we set ourselves in our Board Diversity and Inclusion Policy. The Board is also compliant with the board diversity requirements in the Listing Rules and discloses its compliance in the prescribed format below.

When making appointments to the Board, the Committee only engages executive search firms that are signatories to the Voluntary Code of Conduct for Executive Search Firms which promotes gender diversity and best practice for corporate board searches.

D&I of senior management

A diverse senior leadership team is as important as a diverse Board, because we believe that executive decision-making is more effective if it takes into account a wider range of views and opinions. Last year we introduced a new goal of 17% of our senior management roles to be held by people from minority ethnicity backgrounds by 2027. During 2023, we are pleased that our hiring rates for minority ethnicities are trending positively, increasing our confidence in our ability to achieve our 2027 goals.

We continue to monitor the progress of our gender diversity goals of 40% female leadership by 2025 and a 50:50 gender balance across the workforce by 2025. We have made good progress on the representation of women over the last 5 years, particularly in some of our most senior roles, however the pace of change has been slow. As a result, focus on areas of opportunity for this particular segment of employees, such as optimising incentives, job-sharing and job design, continues.

From 1 January 2024, we implemented a new executive governance framework. The Group Management Committee was formed as a formal committee of the Group CEO. As at 31 December 2023, our Group Executive Committee (which existed under our previous governance framework) comprised 40% women*, with 50% of our businesses led by a female CEO. Also at 31 December 2023, representation at the middle/ senior management level was 37.2% women (2022: 38%). We are eager to increase the ethnic diversity of senior management across the Company, which is why we have set ourself the goal of 17% by 2027 – we are currently at 17.3% for this constituency.

Board D&I Policy

During the year, the Committee reviewed and approved the Board Diversity and Inclusion Policy, which complements the Group's wider workforce policies and values on D&I. The Board Diversity and Inclusion Policy sets out the approach to diversity and inclusion of the Board of Legal & General Group Plc, and its Committees, in compliance with the Disclosure Guidance and Transparency Rules (DTR). As a business, we have a clear purpose to improve the lives of our customers, build a better society for the long term and create value for our shareholders. Inclusive capitalism lies at the heart of our business strategy and is built on the belief of being economically and socially useful, embracing diversity and being fully inclusive in everything we do. As part of the policy, the Board, upon recommendation from the Committee, has committed to building a diverse and inclusive Board and a more diverse and inclusive senior management team, as well as driving diversity and inclusion across the Group.

More information on the diversity of our workforce, including the gender and ethnic diversity of our Board and executive management, can be found in our Social impact report: group.legalandgeneral.com/reports

The Board Diversity and Inclusion Policy is available here: group.legalandgeneral.com/en/about-us/corporate-governance/diversity.

Listing Rule disclosure on diversity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management*	Percentage of executive management*
Men	7	58%	3	6	60%
Women	5	42%	1	4	40%
Not specified/prefer not to say	–	–	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management*	Percentage of executive management*
White British or other White (including minority-white groups)	9	75%	4	10	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
South Asian	2	17%	–	–	–
East Asian/Southeast Asian	–	–	–	–	–
Black/African/Caribbean/Black British	1	8%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* exclusive of the Group CEO and Group CFO who are included in the number of Board members.
The information in this table was collected on a confidential and voluntary self-reporting basis and is accurate as at the date of this report. For the purpose of this disclosure, 'executive management' means the Group Executive Committee as at 31 December 2023. From 1 January 2024, a new executive governance framework was implemented as detailed on page 66.

Nominations and Corporate Governance Committee report
continued

Assessing board and committee effectiveness

Another role of the Committee is to oversee the annual Board and Committees' effectiveness review. In line with best practice, a formal and rigorous review of the effectiveness of the Board and its Committees is conducted each year. The Board and its Committees undergo a full, independent external evaluation every three years, and an externally-facilitated internal evaluation on all other years. This year, in line with the requirements of the Code, the effectiveness review was undertaken by an independent, external board effectiveness review specialist.

Following a robust tender process conducted by the Chair and Group Company Secretary, upon the Committee's recommendation, the Board approved the appointment of Clare Chalmers Limited as the independent external reviewer to conduct the 2023 evaluation. Clare was chosen due to her specialism in financial services firms. Clare Chalmers Limited has no other connection with the Company or individual directors.

The process, findings and resulting actions from the 2023 effectiveness review of the Board and its Committees can be found in the diagram below across pages 84 and 85. Clare had the opportunity to comment on these disclosures.

Chair and individual director performance evaluations

The SID leads the non-executive members of the Board in an annual evaluation of the performance of the Chair, which includes an assessment of the working relationship between the Chair and the Group CEO. In carrying out the annual evaluation, the SID meets with the non-executives without the Chair present and takes into account the views of the executive directors, as appropriate. Following this year's review, the effectiveness of the Chair continued to be highly-rated.

The Chair meets with Board members throughout the year to assess their individual performance. Following this year's review, and the insights gained from the external facilitator, the Chair confirmed that the individual directors' continued to contribute effectively to the Board.

2023 Board and Committees' effectiveness review

Process

1

Scoping
Clare met with the Chair and Group Company Secretary to agree the scope of the 2023 effectiveness review. This included the objectives of the review and the key areas of focus. The agreed aim of the review was to assess the effectiveness of the Board, both as a collective unitary Board and at Committee level. The review focused on, amongst other things:

- board composition, including diversity
- succession planning for the Board and senior management
- board dynamics, board decision-making and how effectively members work together to achieve objectives
- strategy, performance and risk
- purposes, values and culture
- stakeholder considerations.

2

Document review and meeting observations
Clare and her associates conducted a thorough review of previous Board and Committee papers, minutes and other relevant documentation to provide context on Board matters and the decision-making process, to help inform the one-to-one interviews. Following this review, Clare observed a series of Board and Committee meetings to enable her to form an independent view of the meeting dynamics.

3

Interviews
Clare held in-depth one-to-one interviews with Board members covering a broad range of topics, as agreed with the Chair and the Group Company Secretary. The topics for consideration were shared with the Board members prior to their individual interviews. Clare also interviewed certain members of senior management, including the Group Chief Risk Officer, Group HR Director, Group Chief Auditor and Group Company Secretary, to bring useful insights on the performance of the Committees and an overall holistic view of effectiveness. Discussions with all interviewees remained confidential.

4

Report
Clare produced an initial, draft report on her independent review findings, which she discussed with the Chair and Group Company Secretary in the first instance. Clare then presented a final written report to the Committee and invited discussion on the report's findings and recommendations.
No views were attributed to any individual in the final report.

Update on previous board evaluations

In 2021 and 2022, internal reviews of the performance of the Board and its Committees were undertaken, externally facilitated by Ffion Hague at Independent Board Evaluation (IBE). IBE has no other connection with the Company or individual directors. At each board meeting, an update on progress against the review recommendations is provided. An overview of the recommendations from the 2022 review and progress against them is provided below.

Recommendations from 2022 review	Progress against recommendations
Continuing the practice of 'top down' risk discussions and 'lessons learnt' exercises	'Lessons learnt' exercises continued to be requested and presented to the Board and its Committees throughout 2023, including lessons learnt in relation to the LDI crisis and data security and privacy. The Group Chief Risk Officer now presents an annual update on emerging ('top down') risks to the Group Risk Committee.
Ensuring that strategy papers continued to be forward-looking	The Board strategy papers continued to be reviewed by the Group Strategy & Investor Relations Director and Chair at an early stage to ensure papers were sufficiently 'forward-looking'. Throughout the year, divisional CEOs provided the Board with assessments of macro-economic changes applicable to their divisional businesses and the potential strategic and operational impacts.
Continuing to prioritise stakeholder impacts and views	Following a review by Group Secretariat, new board paper and coversheet templates were rolled out across the Group during 2023; these templates now require paper authors to specifically include information on wider stakeholder impacts in their papers for the Board's consideration, including nature and climate. In addition, the Board paper pre-review process continues to focus on ensuring that papers consider stakeholder impacts and views, where relevant.

Results of effectiveness review

5

Findings

The tone of Clare's report was very positive overall and indicated that the Board, and each of its Committees, continued to be effective. The report identified a number of key strengths, including the experience and skillsets of the non-executive directors, the level of debate in meetings and the strong contributions of all Board members, as well as the supportive, positive nature of interactions between the non-executive directors and management, both inside and outside of formal meetings.
The strength of the Company's culture was also noted, built around good behaviours, positive and open stakeholder relationships and the value-adding engagement from designated board roles such as the Designated Workforce Director.

The appointment process of the Group CEO was felt to have been well-managed and it was recognised that succession planning for the longer-serving non-executive directors on the Board would be a key area of focus for the coming year, particularly in terms of ensuring that the Board's composition would effectively support the development of strategy under the Company's new executive leadership. The report commented on the strength of the Chair and the Committee Chairs, noting their extensive work outside of the boardroom, as well as the considerable roles performed by each of the Committees in supporting the Board. Clare provided a number of thoughtful recommendations in the report for the Board's consideration.

6

Action plan

The Board discussed the findings of the 2023 effectiveness review and subsequently agreed an action plan for the coming year. The key actions included (i) continuing to support the new Group CEO as he transitions into the role, (ii) continuing to develop relationships with, and appropriate governance of, the Group's principal subsidiaries, and (iii) continuing to oversee how the Consumer Duty is embedded into the organisation and how reporting on consumers could be more strategic.
Progress to implement the agreed actions is underway. Progress is monitored by the Group Company Secretary and will continue to be reported to the Board at each meeting.

Audit Committee report

Committee overview

The role of the Committee

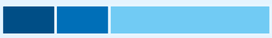
The Committee monitors the integrity of the Group's financial reporting (including climate and other ESG-related disclosures) and provides oversight of the control environment. In addition, the Committee monitors the adequacy and effectiveness of the Group's system of risk management and internal control as well as the Group's internal and external audit processes.

Members
Tushar Morzaria (Chair)
Nilufer von Bismarck
Philip Broadley
Carolyn Johnson
George Lewis

Gender

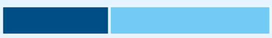
40% Women
60% Men

Tenure



20% Over 6 years
20% Between 3 – 6 years
60% Between 0 – 3 years

Ethnicity



40% South Asian
60% White

Key responsibilities

- Consider the integrity of the Group's financial reporting, formal announcements and regulatory information in relation to the Group's financial performance.
- Assess the going concern assumption and the longer-term viability statement.
- Advise the Board on whether the annual report and accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- Review the Group's accounting policies, including any proposed changes, and review the appropriateness of significant accounting policies and judgements.
- Review and make a recommendation to the Board on the adequacy and effectiveness of the Group's system of internal control over financial reporting.
- Oversee the appointment, reappointment, remuneration, independence and effectiveness of the external auditor.
- Oversee the work of Group Internal Audit including the independence and effectiveness of the function.
- Review the adequacy of the Group's whistleblowing arrangements.
- Oversee the audit committees of the Company's principal subsidiaries.

The Committee's terms of reference can be viewed on our website: group.legalandgeneral.com/committees

Chair's introduction

I am pleased to present my report for the year ended 31 December 2023. During my first full year as the Chair of the Audit Committee, the Committee continued to assist the Board in fulfilling its core responsibilities, including monitoring the integrity of the Group's financial reporting, the adequacy and effectiveness of the internal control environment and the performance and objectivity of both the internal and external audit functions.

A key area of focus for the Committee in 2023 was the final phase of implementation of the new IFRS accounting standard IFRS 17, 'Insurance Contracts'. The Group has applied IFRS 17, alongside IFRS 9, 'Financial Instruments', for the first time from 1 January 2023. These standards have brought significant changes to the accounting treatment for insurance and reinsurance contracts and financial instruments respectively and have had a material impact on the Group's financial statements in the period of initial application. It was therefore appropriate that the Committee spend a significant proportion of its time overseeing the final elements of implementation.

This included regular updates on the results of a series of 'dry runs' ahead of initial reporting under the new standards and monitoring the development and implementation of the required changes to systems, processes and operating models. In addition, the Committee paid close attention to the effectiveness of the systems of controls over the new IFRS 17 reporting systems and also reviewed, challenged and approved the material accounting judgements, methodologies, policies, assumptions and new reporting metrics.

The Committee has also received regular updates from KPMG in relation to IFRS 17 and commissioned Group Internal Audit to perform audits on various aspects of the implementation and received regular updates on the outcome of these audits.

IFRS 17 was an unusually complex accounting standard to implement. It required fundamental changes to accounting records, as well as new systems and processes for preparing financial statements in accordance with the required framework. In common with other insurers, the Group began significant implementation work in 2017, some years before the final form of the standard was known. I would like to express my gratitude to everyone that contributed to the IFRS 17 programme for their dedication and tenacity in ensuring the Group was fully prepared for the transition.

Committee meetings and membership

The Committee met 6 times during the year – this represents 1 more meeting than in an average year due to additional time spent on monitoring and reviewing the implementation of IFRS 17. The Committee comprises only independent non-executive directors and fulfils the experience and expertise criteria required by the UK Corporate Governance Code and the FCA's disclosure and transparency rules. The Board considers that the Committee, as a whole, has a balance of skills and experience to deliver its responsibilities and has competence relevant to the sector and broader financial services industry. In addition, the Board considers that I, as Chair of the Committee, have recent and relevant financial experience and am competent in accounting and auditing.

All members of the Committee are also members of the Risk Committee, which ensures that there is appropriate identification and management of any issues that are relevant to both committees. The full biographies of all Committee members can be found on pages 64 and 65. Between meetings, I meet regularly with senior management across the Group's Finance, Tax and Internal Audit functions, as well as with the lead external audit partner.

Review of financial disclosures

The Committee reviewed the half year and annual financial statements, which focused on the integrity and clarity of disclosure, application of accounting policies and judgements and compliance with legal and financial reporting standards. With the implementation of IFRS 17 and IFRS 9, and their impact across multiple reporting periods, including the transition as at 1 January 2022 and a restatement of the Group's 2022 half year and annual results, additional meetings were scheduled in advance of the Group's half year 2023 results to ensure that the Committee had sufficient opportunity to understand, review and challenge those first financial statements and disclosures under the new standards. As part of its review, the Committee received regular updates from management and the external auditor and was able to place reliance on the updates provided throughout the year on internal controls in relation to financial reporting.

During the second half of 2023, the Financial Reporting Council (FRC) undertook a thematic review of 'IFRS 17 'Insurance Contracts' Interim Disclosures in the First Year of Application'. The Group received the outcome of this review in respect of the Group's half year report to 30 June 2023. This review was conducted in accordance with the FRC's usual procedures, and accordingly was based solely on that half year report without detailed knowledge of our business or an understanding of the underlying transactions entered into. The review does not provide assurance that the half year report was correct in all material respects. The Committee was pleased to note both that, based on the review, there were no further questions or queries that the FRC wished to raise, but also that the FRC's report on their thematic review, published in November 2023, included a number of disclosures contained in the Group's half year report as examples of better practice.

As part of its review of financial disclosures, the Committee also considered whether the annual report was fair, balanced and understandable (FBU) and whether it provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy, as well as the risks facing the business including in relation to increasingly important ESG and climate considerations. The Committee reviewed the FBU assessment taking into consideration the impact of market volatility and the changing interest rate and inflationary environment and giving due attention to the use of APMs in increasing the level of information available to investors on the Company's underlying performance and the effects of one-off financial events. In conjunction with verification processes, management assurance and a report from the external auditor, the Committee recommended to the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable.

The Audit Committee, together with the Risk Committee, reviewed the key assumptions and methodologies of the risk-based capital model, Solvency II disclosures and disclosures made in relation to internal control and risk management, as well as the principal risks and uncertainties the Group faces. The Committee can confirm that the key judgements and significant issues considered in relation to the 2023 financial statements are consistent with the disclosures of key estimation uncertainties and critical judgements as detailed in Note 1 on page 151. The statement is underpinned by the Committee's belief that all important information has been disclosed and that the descriptions and reviews of the Group's business and performance as set out in the Strategic report are consistent with the financial reporting in the Group's financial statements.

Climate and other non-financial reporting

While the FRC chose not to include any revisions to the UK Corporate Governance Code in respect of wider responsibilities and considerations for boards and audit committees in relation to ESG objectives and other sustainability matters, following its consultation in 2023, the Committee provides close oversight over the Group's climate and other non-financial reporting, in light of ever-increasing stakeholder expectations. During the year, the Committee has received updates on the European Union's Corporate Sustainability Reporting Directive and the release of the inaugural standards from the International Sustainability Standards Board.

Other key areas of focus for the Committee during 2023

In addition to the implementation of IFRS 17, the Committee has also focused on:

Macroeconomic environment: the impacts of economic volatility on key accounting and actuarial areas of judgement and estimates that are sensitive to changing interest rates and inflation, as well as consideration of geopolitical events and their potential impact on balance sheet valuations and valuation uncertainty.

Internal controls: activities associated with the operation and effectiveness of the Group's framework of internal controls over financial reporting and the evaluation of any failings or weaknesses.

Non-financial reporting: the adequacy of climate-related and other non-financial disclosures, including recommending the approval of the Group's first Climate transition plan.

Internal Audit effectiveness review: reviewing the outcomes of the assessment by an independent external party.

UK audit and corporate governance reform: overseeing the Company's approach to proposed reforms, particularly in relation to internal controls, in light of a changing approach from both the Government and FRC.

In addition, the Committee has focused on improvements that can be made to the Group's climate-related disclosures in the financial statements and ensuring that there is a coherent link between those disclosures and the narrative in the front half of the Annual report and accounts. The Committee also has responsibility for reviewing and approving the Group's Climate and nature report and Social impact report and, to that end, has sought to understand the verification and assurance framework that is in place to ensure that disclosures were in line with relevant requirements, and were materially accurate, consistent, fair and balanced. The Committee remained supportive of the proposal to commission limited third-party assurance over specific climate and pay gap-related metrics.

Internal control

The Committee has the primary responsibility for the oversight of the Group's system of internal controls including controls over financial reporting and the work of the Internal Audit function. The Committee, in collaboration with the Risk Committee, seeks to ensure that the Group operates within a framework of prudent and effective controls that allow risks to be identified, assessed and managed.

Policies and manuals in relation to International Financial Reporting Standards (IFRS) and Solvency II reporting requirements and a Financial Control Framework (FCF) are in place across the Group. FCF is a first line framework that supports the Committee in enabling it to understand and assess the design and effectiveness of controls over financial reporting, covering IFRS, APMs, Solvency II and, going forward, climate and other non-financial reporting. FCF is a risk-based approach with management identification, documentation, testing, remediation (as required), reporting and certification over key financial reporting-related controls.

The Committee has completed its review and approval of the effectiveness of the Group's system of internal control policies and procedures, during the year and up to the date of this report, in accordance with the requirements of the guidance on risk management, internal control and related financial and business reporting published by the FRC. During this review, the Committee did not identify any weaknesses which were determined to be significant to the preparation of the financial statements. Where areas for improvement were identified, processes are in place to ensure that the necessary actions are taken, and progress is monitored by the Committee.

UK audit and corporate governance reform

2023 has seen a significant scaling back of proposals relating to audit and corporate governance reform in the UK, with: primary legislation required for, amongst other things, the establishment of the Audit, Reporting and Governance Authority (ARGA) now likely delayed until post the general election; the late withdrawal of proposed secondary legislation on the Audit and Assurance Policy, Resilience Statement, fraud reporting and reporting on distributable reserves; and finally the removal of a number of proposed changes to the UK Corporate Governance Code following the FRC's consultation in 2023. As a Group, Legal & General remains supportive of proposals that make the UK an attractive market for shareholders, investors and broader stakeholders through high quality and transparent audit and corporate governance activities. The Committee has been actively engaged throughout the year in overseeing the Group's readiness for the proposed reforms and, while it was disappointing to see such late changes, it will continue to keep a close focus on the changes to the UK Corporate Governance Code that remain, notably in relation to the declaration on the effectiveness of the risk management and internal control framework.

Audit quality

It remains an important aspect of the Committee's work to keep under review the independence and effectiveness of the internal and external audit process.

Internal audit

The Group Chief Internal Auditor presents a report at each Committee meeting, to update the Committee on the results of audits since the previous meeting. The report includes: details of any significant control weaknesses and positive assurance provided; themes arising from audits and management's progress in addressing actions related to audit findings; and Group Internal Audit's (GIA) evaluation of the overall control environment for each of the Group's divisions. Key areas of GIA's work reported to the Committee during the year included: financial reporting processes and controls related to IFRS 17; IT and data security; data privacy risk management; IT and operational resilience; Solvency II compliance; financial risk governance including credit, market and liquidity risk; financial crime risk management; third-party oversight including material outsourcing; readiness for the FCA's Consumer Duty regulation; climate change reporting; and major IT change programmes. GIA continues to evaluate the risk and control culture across the Group and includes specific reporting to the Committee on the results of this work. The Committee approved GIA's risk-based audit plan for the year and monitored the delivery of the plan throughout the year as well as the associated key performance metrics.

During 2022, Deloitte were engaged to perform an external quality assessment of GIA, which assessed the function's effectiveness including its independence and positioning within the organisation. Deloitte presented its report to the Committee in May 2023. The function was assessed as a mature internal audit function, generally conforming with International Internal Audit Standards and applicable professional codes for effective internal audit in financial services. The Deloitte report noted the function's clear purpose and support from management; appropriate safeguards related to independence and objectivity; mature working practices; a high quality experienced team, and a strong focus on data analytics and continuous improvement.

The Committee continued to meet with the Group Chief Internal Auditor in private throughout the year. In accordance with the Institute of Internal Auditors' Financial Services Code of Practice, the Committee conducted its annual review of the independence and objectivity of the Group Chief Internal Auditor and concluded that independence and objectivity had been maintained throughout the year. The Committee undertook its annual review of, and approved, the GIA Charter and undertook a regular review of key performance indicators, including: audit plan delivery progress; resourcing and skill levels; and progress in completing actions to implement the recommendations from Deloitte's 2022 External Quality Assessment, which were incorporated into GIA's continuous improvement plan.

Based on regular internal audit reporting, private sessions with the Group Chief Internal Auditor, and taking into consideration the externally facilitated evaluation noted above, the Committee is satisfied with the effectiveness of the GIA function and the appropriateness of its resources.

External audit

The Committee has the primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making recommendations for their appointment, reappointment, removal and approval of remuneration. The Committee reviews and approves the terms of engagement of the external auditor and monitors its compliance with the independence criteria in the UK Corporate Governance Code.

The Committee meets regularly and privately with the external auditor. These meetings allow for regular and open dialogue of any issues relevant to the Committee's work. Audit Committee members also meet regularly with management outside of formal Committee meetings to discuss the relationship with the external auditor and the efficiency of the audit process. Throughout the year, the Committee has received updates on the quality of the external audit process and has continued to work with, and challenge, management and KPMG on efficiency gains and ensuring that audit fees are fair and proportionate to the audit work required for the Group. In addition, the Committee has overseen the succession of the KPMG lead audit partner in 2023.

Non-audit services

In order to safeguard the auditor's independence and objectivity, the Group has in place a policy setting out the circumstances in which the external auditor may be engaged to provide services other than those covered by the audit. The policy applies to all Legal & General subsidiaries and other material entities over which the Group has significant influence. The core principle of the policy is that non-audit services (other than those legally required to be carried out by the Group's auditor) should be performed by the auditor only in certain controlled circumstances. The policy sets out those types of services that are permitted (permitted services) and those types of services which are not permitted. The policy pre-approves a number of the permitted services, provided the fee is below a certain threshold; all other permitted services must be specifically approved in advance by the Committee.

The policy is reviewed on an annual basis to ensure that it is fit for purpose and that it reflects applicable rules and guidelines. The policy is aligned with the FRC's requirements and includes the requirement to consider the self-review test under the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, applicable for periods beginning on or after 15 December 2022, before a proposed engagement is assigned. It is also aligned with KPMG's own internal policy on non-audit services for FTSE 350 companies, which broadly restricts non-audit work to services that are 'closely related' to the audit. Any changes to the policy are required to be approved by the Committee. This is in accordance with laws applicable in the UK and FRC guidance, pursuant to which audit committees of Public Interest Entities are required to approve non-audit services provided by their auditors to such entities; and subsidiary Public Interest Entities in the UK – such as Legal and General Assurance Society Limited (LGAS) – can rely on the approval of non-audit services by the ultimate parent's Board Audit Committee.

Appointment

The Company confirms that it has complied with requirements governing the appointment of an external auditor, notably the requirements of the Competition & Markets Authority contained in the Statutory Audit Services for Large Companies Market Investigation (Mandatory Uses of Competitive Tender Process and Audit Committee Responsibilities) Order 2014, including requirements for mandatory audit firm rotation.

Following a competitive tender carried out in 2016, KPMG was appointed as the Group's external auditor with effect from the financial year ended 31 December 2018. In May 2023, KPMG was reappointed as the Group's external auditor for the financial year ended 31 December 2023, which is their sixth year as the Group's external auditor. In accordance with the ICAEW's requirements, Salim Tharani stood down as KPMG's lead audit partner during 2023, and was replaced by Phil Smart, who had previously shadowed Mr Tharani during the 2022 audit.

The Committee considers the quality and effectiveness of the external audit and recommends to the Board, on an annual basis, whether to recommend the reappointment of the external auditor for shareholder approval. On the basis that KPMG continue to maintain their independence and objectivity, and the Committee continues to remain satisfied with their performance, there are no plans as at the date of this report to conduct a tender exercise for external audit services before the end of the current required period of 10 years. The Committee believes it would not be appropriate to tender before the end of this period as it recognises that, while it is important to ensure the audit firm remains objective and does not become overly familiar with management, there is an important balance to be struck with the investment of time required both from management and any completely new audit team for them to gain sufficient understanding of a large and complex organisation, such as Legal & General, to ensure a top-quality audit.

Audit fees

The Committee assesses the external auditor's fee structure, resources and terms of engagement annually. Total fees paid to the auditor for the year were £23.1 million (2022: £17.5 million), of which £1.9 million (2022: £1.7 million), was spent on non-audit and other assurance services. £1.6 million (2022: £1.6 million) was spent on audit-related services required by legislation, which is excluded from any calculation of the ratio of non-audit to audit fees in accordance with the UK FRC Revised Ethical Standard for Auditors (2019). Further details can be found in Note 29 to the consolidated financial statements. The non-audit fee represents 10% of the total audit fee for 2023.

Included within KPMG's fees for 2023 are additional audit fees related to the implementation of IFRS 17 and IFRS 9, and specifically work to support KPMG's audit opinion in respect of the transitional impact to the Group's balance sheet and equity position as at 1 January 2023. The Committee is satisfied that this level of fee is appropriate in respect of the audit services required for the Group and that an effective audit can be conducted for this fee. The Committee continues to work with KPMG to ensure costs remain appropriate and proportionate to the services provided.

	2023	2022	2021
Audit	19.6	14.2	9.3
Audit-related required by legislation	1.6	1.6	1.3
Other audit-related	1.0	0.9	1.2
Other assurance	0.9	0.8	0.1
Non-assurance	–	–	–
Total	23.1	17.5	11.9

Assessment of independence and effectiveness

The Committee is responsible for assessing the effectiveness, objectivity and independence of the external auditor. This assessment is on-going throughout the year and concludes with a formal, internal, effectiveness review, which was conducted in December 2023. As part of the on-going assessment, the Committee assesses the external auditor against a number of criteria, including but not limited to: provision of timely and accurate industry-specific and technical knowledge, maintaining a professional and open dialogue with the Audit Committee Chair and members at all times, delivery of an efficient and effective audit, the ability to meet objectives within the agreed time frames and the quality of judgements and audit findings, management's response and stakeholder feedback. In addition, the Committee holds private meetings with the external auditor to discuss the audit process and relationship with management.

Overall, the assessment of KPMG was positive, with a small number of areas noted for consideration in future audit cycles. Taking into account the result of all of the above, the Committee concluded that KPMG maintained its independence and objectivity and that the audit process was effective. Upon the Committee's recommendation, the Board has recommended that KPMG be reappointed as the Company's auditor, by shareholders, at the 2024 AGM.

Tushar Morzaria
Chair of the Audit Committee

Key accounting and reporting judgements

Throughout the year, the Committee was briefed at each meeting on the Group's key accounting and reporting judgements by management and KPMG. The Committee's response to each issue can be found below and the Committee is satisfied that the financial statements appropriately address the key accounting judgements and estimates in respect of both the amounts reported and disclosures made.

Issue	Committee's response
Valuation of insurance contract liabilities – retirement: The insurance liabilities for retirement products are significant in size and their estimation is inherently judgemental.	The Committee evaluated the significant judgements that have an impact on the valuation of insurance liabilities for retirement products. This included considering: Longevity assumptions – which estimate how long policyholders receiving annuity payments will live. The challenge around the setting of longevity assumptions was a particularly significant area for review as the judgements made could be expected to have a material impact on the Group's results. The Committee considered the effectiveness of the controls over the accuracy and completeness of the data used in determining the longevity assumption and the validity of independent industry data supporting those assumptions. The Committee also reviewed available data illustrating recent trends in mortality experience in the UK population and the mortality experience on different blocks of our business, taking account of the uncertainty in more recent data as a result of Covid-19. Valuation interest rates – which are used to discount the liabilities. These are sensitive to judgements made, for example, on credit default of the backing assets, as well as the investment data used to calculate the internal rate of return. The Committee focused on management's proposed changes to reserving assumptions, other modelling changes, and the determination of the credit default assumption. This included analysis of internal historical data and external market experience. Directly attributable expense assumptions – which determine the specific future expenses that are incorporated in the calculation of the IFRS insurance liabilities. The Committee considered the allocation between servicing new and existing business and the consistency of approach applied. The Committee concluded that the retirement insurance contract liabilities are appropriate for including in the financial statements, reflecting the asset risks and the available data on policyholder longevity.
Valuation of complex investments: Mark to model investments can involve significant judgement and can produce valuation challenges for investments in new classes. Mark to model valuations inherently include assumptions that lead to the existence of a range of plausible valuations for financial instruments (known as valuation uncertainty). Certain assets are subject to a higher degree of valuation uncertainty, particularly where valuations are modelled using no market inputs or the valuations are affected by other factors such as the illiquidity of the asset.	The Group balance sheet carries exposure to complex investments (typically classified as Level 3 in the fair value hierarchy), in line with the Group's strategy and risk appetite. The valuation of these investments, including property assets, lifetime mortgages and private credit, requires the use of complex models and management judgement. The Committee seeks to ensure that the valuation process for these investments is robust. These harder to value assets remain a key area of focus, partially heightened in 2023 as a result of macro-economic volatility and geo-political events. The valuation of a number of asset classes is sensitive to higher interest rates and inflation, and these have therefore been areas of enhanced challenge and review by the Committee. The Committee has continued to review the processes and controls over investment valuations, and in particular the valuation uncertainty policies and governance which include management's assessment of valuation uncertainty by asset type. While we do not currently see any material impact on the valuation of our asset portfolio arising from climate change, there is an increased consideration of climate and other ESG factors in both internal and third-party valuations. We expect this to be an increasing area of judgement (and therefore disclosure) in future years, and it will form a key area of focus in the Committee's review of this area. The Committee concluded that there are appropriate controls surrounding the valuation of complex assets and that they are valued appropriately for inclusion in the financial statements.
Valuation of insurance liabilities – protection: The insurance liabilities for protection contracts are an important driver of the profitability for this line of business and require judgements to be made regarding the assumed rates of mortality and persistency. The Company makes extensive use of reinsurance to reduce mortality risk.	The Committee has reviewed the methodology for calculating reserves including the allowance made for payments to and from reinsurance counterparties. The assumptions for the rate of future mortality and morbidity (how many customers will die or become ill during the policy term) and persistency (how many customers will discontinue cover) are based on the Company's internal experience and use judgement about how experience may vary in the future. During 2023, the Committee has spent time reviewing the findings and judgements in respect of the continuing elevated levels of mortality experience in the UK and the US, reflecting indirect impacts of Covid-19 related illness, and potentially reflecting the deferral of diagnostics and medical treatments for other conditions. The Committee reviewed the judgements underlying the directly attributable expenses included in the insurance liabilities and considered the effectiveness of controls in place over valuation models. The Committee concluded that the insurance liabilities of the Group's insurance businesses are appropriate for inclusion in the financial statements.

Issue	Committee's response
Alternative performance measures (APMs): APMs offer investors and stakeholders additional information on the Company's performance and the financial effect of 'one-off' events, and the Group uses a range of these metrics to enhance understanding of the Group's performance.	As part of its consideration of whether the annual report is fair, balanced and understandable, the Committee has paid particular attention to the use of APMs in reporting the Group's performance. The Committee has reviewed the changes to the definition of adjusted operating profit to reflect the adoption of IFRS 17 and its application. Specifically the Committee has considered the inclusion of certain items either as part of adjusted operating profit or investment variances, to ensure that they are aligned to both the Group's disclosed policies on these APMs and the underlying principles of fair and consistent reporting. Where appropriate the Committee has reviewed additional disclosures provided to enhance transparency in respect of the Group's APMs. The Committee concluded that the use and disclosure of APMs, including the clarity of labelling the prominence of APMs versus statutory measures, are appropriate for inclusion in the annual report.
IFRS 17: IFRS 17 is a new accounting standard for insurance contracts which took effect from 1 January 2023. IFRS 17 has had a significant impact on the reporting of the Group's financial performance.	As well as continuing to monitor the preparedness of the Group to implement IFRS 17, the Committee has reviewed a number of papers during both 2022 and 2023, covering various areas of policy, methodology and assumptions. In particular, the Committee reviewed the methodology and assumptions to support the transition to IFRS 17, and has reviewed and approved both the impact of that transition on the Group's balance sheet and equity position as at 1 January 2022 and the results of the comparative period ended 31 December 2022. This included a particular focus on the assumptions and judgements that have underpinned the calculation of the contractual service margin (CSM) at transition, most notably CSM for business transitioned using the fair value methodology, and the determination of the compensation required for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk as insurance contracts are fulfilled. The Committee concluded that the disclosures in respect of IFRS 17 (and IFRS 9) included in Note 1 Basis of Preparation and the comparative period results are appropriate for inclusion in the annual report.

Risk Committee report

“The Risk Committee assists the Board with strategic advice in relation to current and potential future risk exposures. The risk management framework supports informed risk taking and sets out those risks within appetite. The Committee conducts a thorough review of the risk management framework on an annual basis to ensure it remains fit for purpose.”

Committee overview

Committee meetings and membership

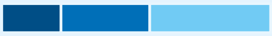
The Committee met 5 times during the year. The composition of the Committee remains in compliance with the Code, the requirements set out in its terms of reference and comprises only independent non-executive directors. Details of members' experience and skills can be found in the biographies on pages 64 and 65.

Members
George Lewis (Chair)
Henrietta Baldock
Nilufer von Bismarck
Philip Broadley
Carolyn Johnson
Lesley Knox
Ric Lewis (until 26 February 2024)
Tushar Morzaria
Laura Wade-Gery

Gender

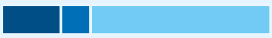
56% Women
44% Men

Tenure



22% Over 6 years
33% Between 3 – 6 years
45% Between 0 – 3 years

Ethnicity



22% South Asian
11% Black
67% White

The role of the Committee

The Committee assists the Board in its oversight of risk by assessing the effectiveness of the Group's risk management framework, risk strategy, risk appetite and tolerance for the categories of enterprise, emerging and principal risks to which the Group may be exposed and providing advice on what constitutes acceptable risk taking.

Key responsibilities

- Review the Group's risk profile and appetite for risk and assess the effectiveness of the Group's risk management framework.
- Oversee and advise the Board on the current risk exposures of the Group and oversee the management by the executive of those categories of risk.
- Oversee and advise the Board on the governance, operation and performance of the Group's internal model.
- Review, approve and oversee the performance of the Group's own risk and solvency assessment (ORSA) which is designed to measure, aggregate and monitor risks in accordance with strategy, policy and principles.
- Support the Remuneration Committee on specific risk adjustments to be applied to performance objectives and other issues as requested by the Committee.

The Committee's terms of reference can be viewed on our website: group.legalandgeneral.com/committees

I am pleased to present my report as your Chair of the Risk Committee. I joined the Committee upon appointment to the Board in 2018 and assumed the role of Chair in 2022. Since becoming Chair of the Committee, I have further developed my knowledge and understanding of the risk environment in which the Company operates and sought to ensure that the Committee continues to operate effectively. Throughout 2023, I have continued to engage with my fellow Committee members to understand their views, in particular, on any risk areas which they feel require further oversight and challenge. This has been supported by my active and regular engagement with key colleagues in the business, with particular emphasis on the support received from the Group Chief Risk Officer and his team.

Oversight of risk management

In a challenging macroeconomic and geopolitical environment, the Committee has continued to oversee, robustly challenge and provide advice to the Board, on the Group's current and future risk exposures and profile. During the year, geopolitical risks have continued to heighten with ongoing conflict and rising political tensions. Macroeconomic risks have also increased as many major economies faced slowing growth against a backdrop of high inflation, energy market shocks and rising interest rates, abating somewhat in the latter part of 2023. The Committee has continued to monitor the ongoing global economic uncertainties and, with the prospect of several important elections in the coming year, this will continue to remain an important focus for the Committee in 2024. Despite these challenging market conditions, the Company has remained resilient to a number of risk events and has largely continued to operate within risk appetite. The Committee, in conjunction with the Audit Committee, keeps under review the effectiveness of the Company's risk management and internal control systems, which monitors and reviews all material controls including financial, operational and compliance controls. In addition, we closely monitor risk appetite and tolerance levels and challenge management to ensure these are regularly stress tested to ensure they are able to withstand wider macroeconomic risk events.

2023 activity

Given the ongoing uncertain macroeconomic and geopolitical environment, the Committee has spent a significant amount of time during the year hearing directly from the business, alongside risk and compliance colleagues, about how they are managing the associated risks and what mitigating actions are being taken. In addition, the Committee receives an update from the Group Chief Risk Officer at each meeting which covers an in-depth overview of the risk profile, outlook and landscape. During the year, the Committee paid close attention to the Group's capital and liquidity position, in light of the macroeconomic and geopolitical landscape, and received in depth updates on credit, insurance, longevity and market risk. A particular area of focus for the Committee during the year centred around property risk. The UK commercial property markets continued to reflect the broader uncertainty in the economic outlook and the Committee paid close attention to the Company's exposure to commercial property, particularly the office sector, and the management action being taken to mitigate the risks.

In addition to the geopolitical and macroeconomic climate, the Committee has continued to focus on the management of the Group's non-financial risks. The Committee received regular updates, and challenged the progress made by management, on operational resilience, embedding the Consumer Duty regulations, change management, governance controls around technology and data risk and operational risks such as those related to conduct risk and ensuring appropriate mitigations are in place to prevent the facilitation of financial crime.

Alongside the Group Chief Risk Officer's report, the Committee is provided with management information on risk appetite, comparing actual positions relative to the Group's risk appetite statement and quantitative analysis of the Group's exposures to financial and operational risks, including risk-based capital requirements in relation to the core risks implicit in the Group's businesses. The Committee also receives an assessment of the overall profile of conduct risks for the Group; analysis and trends in complaints data and a suite of customer service metrics designed to enable the Committee to assess the management of the customer journey.

Risk appetite review

In July 2023, the Committee considered the risk profile of the Group's strategic plan and its alignment with the Group's risk appetite. The Committee undertook a detailed review of the operation of the Group's strategic risk appetite and the key metrics and tolerances used to determine acceptable risk taking. As part of the review, refinements were recommended to the metrics to ensure a more reliable and accurate measure of the Group's performance against risk appetite. The Committee also conducted an annual review of emerging risks and continues to encourage management to be alert to areas of emerging risk, particularly in light of the rapidly evolving macroeconomic and geopolitical climate to ensure that the Company remains well diversified and robustly protected against market shocks.

Risk-based capital model

The Group's risk-based capital model (internal model) is used to determine the capital requirements for the Group and forms the calculation engine for the Solvency II internal model. During the year, the Committee reviewed and approved the internal model development plan and validation report. As part of this review the Committee takes into consideration:

- key assumptions, methodologies and areas of expert judgement used within the model
- activities undertaken to validate the outputs of the model
- development of the model to ensure that it reflects the business lines and risk profile of the Group
- processes to ensure that changes applied in the model are undertaken in a controlled manner, and in line with model development plans.

In addition, the Committee also reviewed and approved the 2023 recovery and resolution plans as well as ORSA policy and scenarios, which are an ongoing assessment of the risks to which the Group is exposed and an assessment of the capital resources available to ensure that the Group is able to sustain its business over the plan horizon.

Climate risk

It is widely recognised that actions taken today can influence the likelihood of different climate outcomes, and impact on future risk exposures. This, alongside climate scenario analysis, informs our risk management framework. During the year, the Committee considered the Group's climate risk management approach and reviewed and approved the 2022 Climate report, prepared in line with recommendations by the Task Force on Climate-related Financial Disclosures. In addition, the Committee reviewed and approved the Group's climate goals and commitments, including our stated journey to net zero, as well as the Company's Climate transition plan, which was presented for a shareholder advisory vote at the Annual General Meeting in 2023.

Working collaboratively

The Committee continued to work closely throughout the year with the Audit Committee on risk and control matters as well as the Remuneration Committee so that risk management and risk culture are properly considered in setting the Remuneration Policy and determining remuneration outcomes. In addition, the Committee also works closely with the Data and Technology Committee to consider technology risk. An important element of this will be the emerging risk and opportunities that Artificial Intelligence presents. The Committee also reviewed and approved the Group Technology Risk Policy and Technology Risk Appetite statements during the year.

Legal & General has a strong subsidiary governance framework in place to support the Board in discharging its responsibilities for the Group. Directors of the Group's principal subsidiaries (LGAS and LGIM(H)) are members of the Risk Committee; this brings valuable insight, oversight and challenge to the Committee's discussions on specific aspects of the Group's operations. An overview of the Company's risk appetite and risk management approach, as well as our principal and emerging risks, can be found on pages 56 to 59.

2024 priorities

The Committee has an important role in supporting the Board in the oversight and management of the risk framework. During 2024, the Committee will continue to focus on:

- impacts and associated risks arising from the macroeconomic and geopolitical environment, regulatory landscape including the UK Solvency reforms, and global climate change, with a focus on consideration of emerging risks
- management of capital and liquidity risks
- oversight of the current and emerging non-financial and conduct risk exposures of the Group, including operational resilience, change management and the embedding of the Consumer Duty regulation
- review the output of the Bank of England's system-wide exploratory scenario exercise, investigating the behaviours of banks and non-bank financial institutions following a severe but plausible stress to financial markets.

George Lewis
Chair of the Risk Committee

Directors' report on remuneration

> "In 2023, we delivered a further set of good results, with adjusted operating profit of £1.7 billion and profit for the year of £443 million."

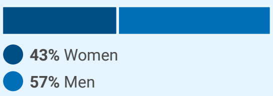
Committee overview

Committee meetings and membership

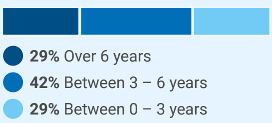
The Committee met eight times during the year. The Committee comprises only independent non-executive directors, fulfilling the requirements of the UK Corporate Governance Code. The Board is satisfied that the members of the Remuneration Committee have the relevant expertise and experience to deliver its responsibilities. The majority of members of the Committee are also members of the Risk Committee, ensuring appropriate identification and consideration of any issues that are relevant to both committees.

Members
Lesley Knox (stood down as Chair on 26 February 2024)
Laura Wade-Gery (Chair from 26 February 2024)
Henrietta Baldock
Philip Broadley
George Lewis
Ric Lewis
Tushar Morzaria

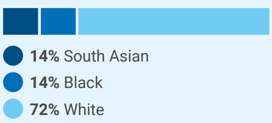
Gender



Tenure



Ethnicity



The role of the Committee

The role of the Committee is to determine the Group's framework for the remuneration of executive directors and designated senior managers.

Key responsibilities

- Determine and make a recommendation to the Board on the Group's remuneration policy.
- Determine the contractual terms and remuneration of the Chair, executive directors and designated senior managers, including base pay, policy and scope for pension arrangements, share and other incentive plans, bonus arrangements and shareholding requirements.
- Determine the framework for the remuneration policy for all other employees in the Group.
- Design of, or amendment to, any share or cash-based performance related pay plans operated by the Company.
- Exercise the powers of the employer in relation to the operation of the Group's ShareSave Plan, Employee Share Plan and share incentive plans.
- Review the ongoing appropriateness and relevance of the Group's various remuneration policies and compliance with all regulatory requirements.

The Remuneration Committee's terms of reference, which set out full details of its responsibilities, can be viewed on our website: group.legalandgeneral.com/committees

Our remuneration report is organised into the following sections

Dear Shareholder

I am pleased to present the Remuneration Committee's report for 2023. With effect from 26 February 2024, I have stepped down from my role as Chair of the Committee, and have been succeeded by fellow non-executive director, Laura Wade-Gery. The Board considered Laura an excellent successor due to her established track record as a UK-listed company Remuneration Committee Chair and her strong understanding of the Committee's current workings and priorities. Laura fulfills the Code requirement for any appointee to the Remuneration Committee Chair role to have served on a Remuneration Committee for 12 months prior to appointment. I have maintained my membership of the Committee.

Within this report, we have presented the considerations and decisions for the Committee throughout 2023.

Link between pay and performance

In 2023, we delivered a further set of good results, with adjusted operating profit of £1.7 billion and profit for the year of £443 million. Earnings per share (EPS) was 7.35 pence compared to 12.84 pence in 2022.

Annual Variable Pay (AVP)

For executive directors, 70% of the bonus opportunity is determined by the Group's financial performance, measured against pre-determined targets.

Strategic objectives determine the other 30% of bonus opportunity, including strategy, customer and culture, and risk as well as Environmental, Social and Governance (ESG) metrics, as described in more detail on page 106. These act as a moderator to the overall AVP outcome.

As in previous years, the Committee chose to exclude the beneficial impact of mortality assumption changes from the financial results when determining bonus awards, resulting in bonus outcomes of 52.7% to 53.8% of maximum for the executive directors. Targets and outcomes are summarised in the 'Quick read' section on page 99 and in further detail on page 105.

Performance Share Plan (PSP)

The long-term incentive (PSP) awards granted in 2021 were subject to EPS growth and Total Shareholder Return (TSR) growth over the three-year period ended 31 December 2023.

EPS growth is determined based on measuring the change in EPS over the three-year performance period. However, the introduction of IFRS 17 from 1 January 2023 prevents EPS from being measured on the same basis from the start of the period (on an IFRS 4 basis) to the end of the performance period (on an IFRS 17 basis). In order to fairly measure the EPS growth performance, the Committee has considered the annual change in each of the three years, as the EPS for 2022 has been reported on both an IFRS 4 and IFRS 17 basis. On this basis, EPS grew by 52.3% over the period (15.1% per annum). Further details on this are provided on page 107 of the report.

TSR grew by 23.1%, out-performing the median of the FTSE 100, but below the median for the bespoke comparator group.

This resulted in 61.1% of the 2021 PSP award vesting. In accordance with the remuneration policy, the Committee assessed the formulaic outcome, considering overall performance, risk management progress against ESG commitments, and other capital and solvency measures, and determined that the outcome was appropriate in all the circumstances, and no downward adjustment was required. Under the terms of the PSP plan for executive directors, the vested shares will be deferred for a further two years and released in 2026. The PSP performance targets and outcomes are summarised in the 'Quick read' section on page 99.

Board changes

Sir Nigel Wilson

In January 2023, we announced Sir Nigel Wilson's intention to retire as CEO of Legal & General Group. Sir Nigel agreed to continue in the role until a successor was appointed and to support a smooth transition following their appointment. In June 2023, we announced that António Simões would be appointed as the new CEO, subject to regulatory approval. Regulatory approval for the appointment was confirmed in October 2023 and António joined the Board as Group CEO on 1 January 2024.

Sir Nigel's departure was confirmed by the Company once regulatory approval for António's appointment had been received and he will remain employed for his 12 month notice period in order to ensure a smooth transition. Consistent with his service contract and the executive remuneration policy, Sir Nigel will continue to receive his current base pay and benefits until his employment ends. Sir Nigel will not receive an AVP award for performance in 2024 nor will he receive a PSP award in 2024.

Consistent with the remuneration policy and the rules of the SBP and PSP, Sir Nigel will be a good leaver and as such his outstanding share awards will be treated in line with the good leaver provisions in the respective plan rules. His deferred AVP awards for 2021, 2022 and 2023 will vest three years from the date of grant. His outstanding PSP awards will be pro-rated with reference to the proportion of the performance period that has elapsed upon leaving and will then vest based on performance to the end of the performance period and will be released, subject to performance, on the fifth anniversary of the date of grant.

Sir Nigel will retain a shareholding in Legal & General Group of at least 325% of base pay for two years post his departure from the Board in line with the Director's remuneration policy.

António Simões

Context

As reported previously, following a rigorous, global, selection process managed by Sir John Kingman, António Simões was appointed as CEO in June 2023, and took up his post formally on 1 January 2024.

When determining an appropriate remuneration package, the Committee considered our current remuneration practices and shareholder approved remuneration policy, relevant market practice and António's remuneration levels at his previous employer. As part of the Remuneration Policy renewal last year, we made a number of changes to assist the Committee in a recruitment scenario.

This policy was supported by more than 95% of shareholders and this additional flexibility was critical in allowing us to secure António's appointment.

> "The Committee has continued to be mindful of both the immediate and long-term financial wellbeing of the wider workforce, particularly in these economically uncertain and challenging times. We made a one off payment of £750 in July 2023 and approved an increase in the employer contribution to pension of 1% of base pay effective from 1 April 2024, with a view to aligning employer pension contributions with those for senior management."

The total remuneration package provided to António at his previous employer was significantly higher than both the previous package provided to Nigel Wilson and the package António is now receiving at Legal & General.

Ongoing remuneration policy

When determining the final remuneration package for António, the Committee adopted a number of principles. Firstly, in acknowledgment of the fact that António's pay would be higher than Nigel's, we sought to deliver the majority of the increase through variable pay rather than fixed pay. This ensured that a material portion of pay was linked to performance, and therefore would only be realised if stretching performance targets were met. Doing so also means we could moderate the level of fixed pay required to secure António's appointment, where we know absolute levels of fixed pay are a focus area of investors.

The second key principle the Committee adopted was to ensure that the remuneration package we offered was broadly in line with other FTSE 100 companies. This ensured that we operated within market norms and shareholders' expectations. With this in mind António's remuneration package consists of:

- a base salary of £1,175k. This is between the median and upper quartile of FTSE 100 financial services companies
- pension of 10% of salary, in line with the current rate offered to the wider workforce
- benefits in line with our remuneration policy, including relocation support to assist with António's move from Spain, which will be provided for 12 months
- a maximum bonus of 200% of salary and maximum PSP of 300% of salary. These are the maximum levels of remuneration we can offer under our remuneration policy and are also broadly in line with the median opportunities offered by other FTSE 100 financial services companies.

This resulted in a total remuneration package positioned between the median and upper quartile of other FTSE 100 financial services companies, which is appropriate in the context of Legal & General's size and complexity.

Replacement award

As is common practice in financial services, and particularly in banking, António had numerous unvested awards which he would forfeit as a result of joining Legal & General. In line with our remuneration policy, the Committee has agreed to buy out these awards with equivalent Legal & General awards, ensuring António is immediately aligned to the Legal & General share price and shareholder interests.

All awards will be bought out on a 'like for like basis', meaning that:

- deferred cash and share awards will be bought out in cash/shares respectively
- all replacement awards will have identical vesting/deferral periods to the original awards
- for all awards with performance conditions we calculated how performance was tracking against targets in order to determine a fair value for each award.

The total value of these buyout awards is significant, however the Committee is comfortable that these represent the genuine levels of awards being foregone and that the awards were critical to securing António's appointment. The majority of these awards will be granted in shares with a grant date of 20 March 2024, creating immediate alignment to Legal & General's performance and share price. Additionally, all awards will be subject to relevant deferral, malus and clawback provisions. In line with our remuneration policy all awards will be subject to forfeiture and clawback if António leaves the Company voluntarily within three years.

Implementation of Remuneration Policy for 2024

Base pay

Having reviewed pay and conditions across the Group, and considered the broader market and overall business performance, the Committee have determined to increase base pay for Jeff Davies by 4.3% with effect from 1 March 2024. For 2024, the average base pay increase for UK employees is expected to be around 4.3% but with higher increases for lower paid employees. The first review of base pay for António Simões will be in 2025 and so his base pay will remain unchanged during 2024.

Annual Bonus

The proportion of the annual bonus measures assessed against financial metrics will remain 70%, with 30% assessed against non-financial objectives. Financial metrics will cover a range of KPIs assessing profitability and growth, aligned to António's strategic review.

PSP

In order to place further emphasis on the important influence the Company has on climate, the Committee have determined to include a strategic measure with a 20% weighting based on progress against our published climate commitments. The remaining 80% will be split equally between EPS growth and relative TSR performance. Further details, including the quantitative climate targets, are shown on page 108.

Consideration of the wider workforce

The Committee has regard for the remuneration of all employees across the Group. The policies and practices applying to executive directors are the same as for the wider workforce in most instances, although quantum and participation by location and grade may vary.

The Committee has continued to be mindful of both the immediate and longer term financial wellbeing of the wider workforce, particularly in these economically uncertain and challenging times. We made a one off payment of £750 in July 2023 to lower paid employees to mitigate inflation pressures, in addition to the £1,500 payment made in 2022. The Committee also reviewed pension provisions for UK employees below senior management and approved an increase to the employer contribution to pension of 1% of base pay effective from 1 April 2024 with a view to aligning employer pension contributions with those for senior management over the next 5 years.

In addition, Legal & General continues to provide further financial support to all UK employees including SmartSaving (the employee discount scheme) and preferential borrow/save/advance finance facilities through our partner organisation, Salary Finance.

For 2024 a stratified approach to base pay increases has been adopted with higher percentage increases applied to employees in lower paid roles, reflecting their proportionally greater exposure to price inflation, with those in more junior roles receiving a base pay increase of 5%.

Most employees are eligible to be considered for a bonus payment based on group, divisional, individual and/or other specific performance metrics, with bonuses for performance during 2023 paid shortly after the year end, at the same time as bonuses for executive directors.

The Committee continues to maintain an oversight of progress on continuing work on diversity and inclusion and achieving a further narrowing of the gender pay gap. Further details on this can be found on page 49 and in our Social impact report. I hope that you will find this report a clear account of the Committee's considerations and decisions, and the remuneration outcomes for the year.

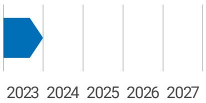
Lesley Knox
Chair of the Remuneration Committee

Quick read summary

Remuneration policy summary and 2023 implementation

Remuneration element and time horizon | **Policy summary** | **2023 implementation**

Base pay



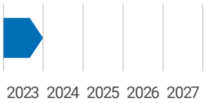
Operation
Reviewed annually, with any increases effective 1 March.

Opportunity
No maximum, but any increases will normally be in line with the range for other UK employees. In specific circumstances, the Committee may award increases above this level.

Performance
Personal performance will be taken into consideration in determining any increase.

	Effective 1 March 2023	Effective 1 March 2024	% increase
António Simões	–	£1,175,000	–
Sir Nigel Wilson	£1,074,800	£1,074,800	–
Jeff Davies	£660,400	£689,000	4.3%
Employees below the Board (average)			4.3%

Pension contributions



Operation
DC pension plan or a cash allowance in lieu. Base pay is the only element of pensionable remuneration.

Opportunity
For executive directors, appointed since 2019, pension contributions are aligned to that available to the majority of the workforce (currently 10% of base pay). Pension contributions for executive directors appointed before 2019 have been aligned with the contributions for other senior managers in the UK, but were changed to align with the majority of the UK workforce at the end of 2022.

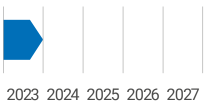
Performance
No performance conditions.

Pension contributions during 2023 (as % of base pay):

Sir Nigel Wilson	10%
Jeff Davies	10%
Majority of UK workforce	*10%*
Other senior managers in the UK	*15%*

Effective from 1 April 2024, employer pension contributions for the wider workforce have increased to 11% of base pay.

Benefits



Operation
In line with benefits provided to other employees and senior managers in the UK.

Opportunity
Maximum amount is the cost of providing benefits, subject to the limits of the benefit plans and HMRC rules.

Performance
No performance conditions.

Benefits during 2023 included:

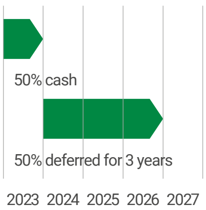
- allowance in lieu of a company car
- private medical insurance
- life insurance
- income protection
- all-employee (ShareSave and Share Purchase) plans.

Quick read summary
continued

Remuneration policy summary and 2023 implementation

Remuneration element and time horizon	Policy summary	2023 implementation

Annual Variable Pay (AVP)



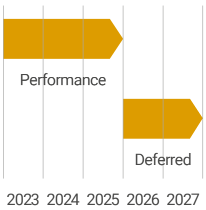
Operation
Performance assessed over a one-year period, with targets and weightings set annually. Awards are determined after the year end, taking into consideration performance against targets, individual performance and overall business performance. 50% of any AVP award is paid in cash, and 50% is deferred into shares for a further three years. Malus and clawback provisions apply.

Opportunity
Up to 150% of base pay for the Group Chief Executive and Group Chief Financial Officer. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance.

Performance
Financial performance (at least 70% weighting), plus strategic and personal performance, including ESG measures.

Bonus for 2023 (as % of base pay):	At target	At max.	Actual 2023 (as % of max.)
Sir Nigel Wilson	75%	150%	53.8%
Jeff Davies	75%	150%	52.7%

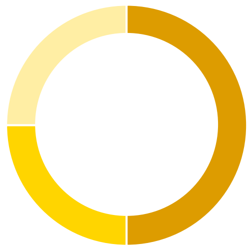
Performance Share Plan (PSP)



Operation
Conditional award of shares, subject to a performance period of no less than three years and a holding period such that no awards are released before five years from grant. Performance targets are set annually by the Committee, aligned with the delivery of shareholder returns over the longer term. The Committee may amend the vesting downwards (but not increase the level of vesting) depending on the overall performance of the Group. PSP awards are subject to malus and clawback.

Opportunity
The maximum award opportunity is 300% of base pay. 15% of the award vests for threshold performance, increasing to 100% of the award vesting for achievement of maximum performance.

Performance
An appropriate mix (normally an equal weighting) of earnings performance and shareholder return.



PSP grants in 2023 (as % of base pay):	Maximum	2023 grant	Vesting period end 2023 (% of grant)
Sir Nigel Wilson	300%	250%	61.1%
Jeff Davies	300%	250%	61.1%

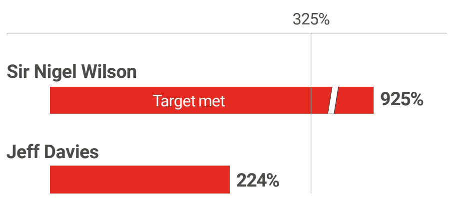
Shareholding requirements

Executive directors' share ownership

Executive directors are expected to retain any after tax vested shares until their shareholding requirements are met, and maintain that shareholding requirement (or actual shareholding if lower) for at least two years after leaving employment.

The shareholding requirement is 325% of base pay for all executive directors.

Share ownership at 31 December 2023



Alignment with strategy and 2023 performance outcomes

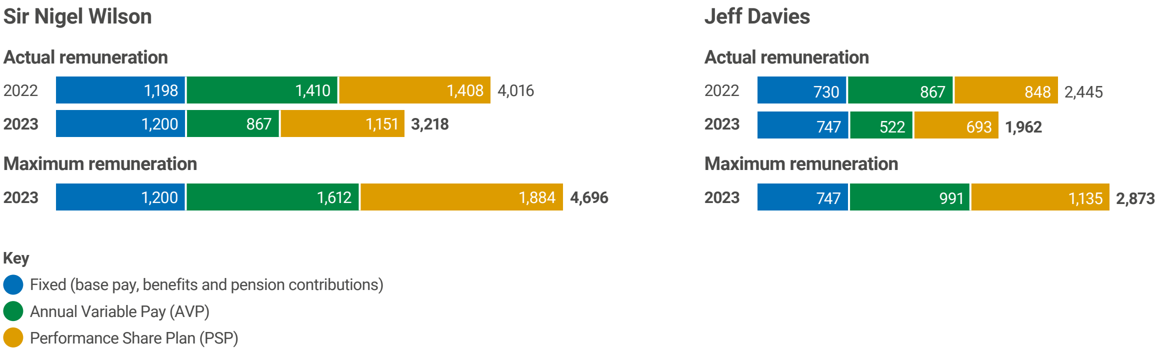
The performance measures for the incentive plans are directly aligned to the Group's key performance indicators (KPIs). The Group Board reviews the KPIs annually and adds to or changes them where appropriate. KPIs are explained in more detail on pages 24 and 25 and further details of performance measures and outcomes are provided on pages 105 to 108.

Overarching drivers of the business	Group KPIs	Incentive plans (weightings) AVP	Incentive plans (weightings) PSP	2023 performance targets and outcomes Threshold	Target	Maximum	Actual
Profitability	Adjusted operating profit	15.0%		£1,663m	£1,773m	£1,858m	£1,667m
	Earnings per share (EPS) 1 year growth[1]	10.0%		19.0p	20.9p	24.2p	11.9p
	Return on equity (ROE)[1]	10.0%		19.0%	20.8%	24.0%	15.4%
	Net movement in contractual service margin (CSM)[1]	12.5%		£480m	£545m	£639m	£666m
	Earnings per share (EPS) 3 year average annual growth[1] (see page 107)		50.0%	5%		12%	15.1%
Solvency II	Solvency II operational surplus generation	12.5%		£1,601m	£1,651m	£1,701m	£1,821m
	Solvency II new business value add (NBVA)[2]:						
	LGRI	5.0%		5.8%	6.6%	8.9%	7.4%
	Retail retirement – UK annuity business	2.5%		4.7%	5.5%	6.3%	7.0%
	Retail insurance – UK and US protection	2.5%		6.2%	6.7%	7.2%	6.7%
Shareholder value creation	TSR vs FTSE 100 (rank out of 91)		25.0%	46.0 Median		19.0 Top 20th	36.7
	TSR vs comparator group (rank out of 23)		25.0%		12.0 Median	5.0 Top 20th	16.6
Strategic priorities	(see page 106):	30.0%					
		100.0%	**100.0%**				

1. Performance measures exclude the material accounting impact of longevity assumptions and profits and gains on disposal
2. New Business Value Add (NBVA) is equivalent to the margin on Solvency II new business, and represents Solvency II new business contribution as a percentage of the present value of new business premium (PVNBP).

Total remuneration received (£'000)

The charts below provide a breakdown of the total remuneration received by the executive directors and their maximum total remuneration opportunity.



The values for the 2020 PSP, which vested in 2023, in the charts above have been adjusted to reflect the share price at vesting on 10 March 2023, which was not known at the publication date of the 2022 report. Further details can be found on page 104.

Summary of remuneration policy

The directors' remuneration policy was approved by shareholders by way of a binding vote at the 2023 AGM on 18 May 2023 and applies for three years from the 2023 AGM. The policy table below summarises key aspects of the approved policy. The full remuneration policy can be found in the 2022 annual report, and on the Company's website.

	Fixed pay			
	Base pay	**Pension contributions**	**Benefits**	**Annual Variable Pay (AVP)**
Purpose and link to strategy	Provides a fixed level of earnings, appropriate to the market and requirements of the role.	Provides a basis for savings to provide an income in retirement.	Provides benefits and allowances appropriate to the market, and to assist employees in efficiently carrying out their duties.	Incentivises and rewards the achievement of annual financial performance and delivery of strategic priorities. 50% of any AVP award is deferred into shares, reinforcing retention and alignment with shareholders by encouraging long-term focus and risk alignment.
Operation	Reviewed annually with effect from 1 March, taking into account: • the individual's skills, experience and performance • scope of the role • external market data, including other FTSE 100 companies and other financial and non-financial institutions • pay and conditions elsewhere in the Group • overall business performance. There is no obligation to increase base pay upon any such review, and any decision to increase base pay will take into account the associated impact on overall quantum.	In line with other employees in the UK, executive directors may: • participate in a DC pension plan • receive a cash allowance in lieu • receive some combination thereof. Non-UK national executives may be permitted to participate in home-country pension plans where relevant. Base pay is the only element of pensionable remuneration.	In line with other employees in the UK, benefits currently include: • private medical insurance • life insurance • income protection • all-employee (ShareSave and Share Purchase) plans. Executive directors may participate in voluntary benefits and choose to acquire Legal & General products which they fund themselves, sometimes through salary sacrifice. In line with other senior managers in the UK, executive directors receive a non-pensionable cash allowance in lieu of a company car. Where an executive director is required to relocate, or perform duties outside their home country, additional benefits may be provided, (including healthcare and assistance for housing, school fees, home travel, relocation costs and tax compliance advice) for a period not exceeding two years.	In normal circumstances: • performance is assessed over a one-year period • performance measures and weightings are set annually to ensure they are appropriately stretching, and aligned with the Group's strategic priorities • performance targets take into account internal forecasts, market expectations and prior year performance. Target normally equates to the forecast in the strategic plan, with maximum set at an appropriate stretch above plan, but still within the Company's risk appetite • AVP awards are determined after the year end, taking into consideration performance against targets, individual performance, and overall business performance • 50% of any AVP award is paid in cash, after the year end, with 50% deferred into restricted shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements) for a further three years • dividends or dividend equivalents may accrue during the deferral period and vest and are paid in shares upon vesting • malus and clawback apply to both cash awards and deferred awards.
Opportunity	There is no set maximum base pay, but any increases will normally be in line with the range of increases for other UK employees. In specific circumstances, the Committee may award increases above this level, for example where: • base pay for a recently appointed executive director has been set with a view to allowing progression in the role over time • there has been a significant increase in the size or scope of an executive director's role or responsibilities • there is a significant change in the regulatory environment.	Pension contributions for executive directors are aligned to that available to the majority of the UK workforce (currently up to 10% of base pay).	The maximum amount paid in respect of benefits will be the actual cost of providing those benefits which, particularly in the case of insured benefits, may vary from year to year, although the Committee is mindful of achieving the best value from benefit providers. The maximum opportunity for participation in the all-employee share plans is the same for all employees and takes into account prevailing HMRC rules.	The maximum opportunity in respect of any financial year is: • up to 200% of base pay for the Chief Executive Officer and any executive director appointed after the approval by shareholders of the remuneration policy • 150% of base pay for the current Chief Financial Officer. No bonus is payable for threshold performance or below, with up to 50% of maximum for target performance. • The Committee will consider the calculated outcome in the context of a range of factors (not just the specific performance measures) including risk management, behaviours, culture, capital generation, Solvency II coverage ratio and sustainable financial performance, and may apply a 'moderator' to reduce (but not increase) an AVP award if there are factors that warrant such a reduction.
Performance	Personal performance will be taken into consideration in determining any base pay increase.	There are no performance conditions.	There are no performance conditions.	A combination of: • financial performance (primary measure with at least 70% weighting) – to ensure growth and return to shareholders • strategic and personal performance – to safeguard the future, with the development of future income streams, and focus on key metrics including customers, culture and ESG.

	Performance Share Plan (PSP)	Non-executive directors' fees	Shareholding requirements
Purpose and link to strategy	Provides a direct and transparent link between executive pay and the delivery of shareholder returns over the longer term.	Compensates non-executive directors for their responsibilities and time commitment.	Provides alignment with shareholder returns and ensures the impact on directors' shareholdings moves in line with Legal & General's share price.
Operation	A conditional award of shares (or nil-cost options, or phantom equivalent, or other forms dependent upon business or regulatory requirements). In normal circumstances: • subject to a performance period of no less than three years and a further holding period of no less than two years following the end of the performance period • performance measures and targets are set annually by the Committee to ensure they are relevant and appropriately stretching, and aligned with the delivery of shareholder returns over the longer term • performance targets take into account internal forecasts, any guidance provided to the market, market expectations, prior performance, and the company's risk appetite • dividends or dividend equivalents may accrue during the performance period based on the number of shares that vest but not those that have lapsed • malus and clawback apply. Exceptionally, the Committee may adjust and amend the PSP awards in accordance with the rules, including: • lengthening the performance period and/ or the holding period for future awards • reducing (but not increasing) the level of vesting dependent upon the performance of the Group.	Fees for the Chair and non-executive directors are set at an appropriate level to reflect: • time commitment required to fulfil the role • responsibilities and duties of the positions • typical competitor practice in the FTSE 100 and other financial services institutions. Fees comprise a base fee for membership of the Board, plus (where applicable) additional fees for: • Senior Independent Director (SID) • Committee Chairship • Committee membership (not including the Nominations and Corporate Governance Committee) • Designated Workforce Director. Additional fees for membership of Committee, or Chairship or membership of subsidiary Boards, or other fixed fees may apply if justified by time or commitment. The Chair receives an inclusive fee for the role. The Chair's fee is reviewed annually by the Committee, and the non-executive directors' fees are reviewed by the executive directors. There is no obligation to increase fees upon any such review.	Executive directors are expected to retain any after-tax vested share awards until their shareholding requirements are met, and maintain that shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment with the Group. The Committee retains the discretion to withhold future PSP grants if executive directors are not making sufficient progress towards their shareholding requirement. Non-executive directors may elect to receive a proportion of their fees (normally 50%) in Legal & General shares until their shareholding requirement is met. The sale of shares prior to the shareholding requirements being met may be permitted in extenuating situations, for example, a change to personal circumstances, ill health, etc.
Opportunity or requirement	The maximum opportunity for an executive director in respect of any financial year is 300% of base pay. • 15% of the award vests for threshold performance • 100% of the award vests for achievement of maximum. The Committee assesses the formulaic vesting outcome, and may amend the vesting downwards (but not increase the level of vesting) considering a range of factors including overall performance, risk management, capital generation, Solvency II coverage ratio, and ESG.	Fees are subject to the aggregate limit in the Company's Articles of Association or any subsequent shareholder resolution. Any changes in this limit would be subject to shareholder approval. The Chair and non-executive directors are not eligible to participate in any benefit, pension or incentive plan. However, additional benefits may be provided if the Board feels this is justified, such as tax compliance advice, work permits or similar. Expenses incurred in carrying out duties (and any associated tax liability) may be reimbursed or paid directly by the Company.	Shares owned outright equivalent to: • 325% of base pay for executive directors • 100% of base fee for non-executive directors.
Performance	An appropriate mix (normally an equal weighting) of: • earnings performance – to incentivise growth in earnings • shareholder return – to deliver a competitive return for shareholders; and • strategic performance including ESG – to incentivise the delivery of broader aspects of the Company's strategy. The maximum weighting for any strategic measures will be 20%.	No performance conditions.	Not applicable. See page 102 for Remuneration policy notes

Summary of remuneration policy
continued

Recruitment Remuneration

Component	Policy and operation
Overall approach	The Committee will pay no more than it considers necessary to attract appropriate candidates, and it is not contemplated that remuneration will need to be different from the structure or exceed the limits set out in the remuneration policy table.
Maximum variable remuneration	The maximum variable remuneration will be in line with that set out in the remuneration policy table, that is 500% of base pay, excluding any compensation for awards forfeited on appointment.
Compensation for forfeited awards	As a result of regulations around the globe in the financial services sector, executives are likely to have accrued deferred remuneration which may be lost upon a change of employment. Accordingly, to aid the recruitment of a new executive director, the Committee may grant deferred cash and share awards to compensate for awards forfeited upon leaving a previous employer, taking into consideration relevant factors including: • the form of the award • any performance conditions • the vesting profile and likelihood of vesting • relevant regulatory requirements and guidance. Any awards will reflect the terms and the value of the arrangements forgone, and any such compensation will be subject to forfeiture and clawback if the executive leaves the Company voluntarily within a fixed time period determined by the Committee, being not less than three years. Where possible the Committee will use existing share-based plans. However, in the event these are not appropriate, the Committee retains the discretion to use the Listing Rules exemption (LR 9.4.2) for the purpose of making an award to compensate for amounts forfeited upon leaving a previous employer. For internal appointments, the Committee may continue to honour prior commitments made before joining the Board.
Relocation	Where a new executive director has to relocate to take up the appointment, either within the UK or from overseas, practical and/ or financial support may be provided in relation to relocation or mobility including the cost of any tax incurred for a period not exceeding two years. For appointments from overseas, certain home country benefits may continue to apply. Relocation and mobility support may also apply to the recruitment of a non-executive director.

The Committee will normally align the remuneration arrangements for new non-executive directors with those outlined within the policy table.

Termination and payments for loss of office

Component	Policy and operation
Fixed pay	Any termination payments in lieu of notice would consist solely of base pay and the cost of providing benefits for the outstanding notice period. Any statutory requirements will be observed. Our standard practice is to include within executive directors' contractual terms mitigation provisions as regards to payments in lieu of notice.
Annual Variable Pay (AVP)	Eligibility for annual variable pay, deferred annual variable pay awards and performance share awards are governed by their respective plan rules, as summarised below: • annual variable pay (AVP) – there is no automatic entitlement to an annual bonus in the year of cessation of employment. However, for a 'good leaver', the Committee may determine that an executive director will receive a bonus pro-rated for the period through to leaving based on targets and performance for the full year, and an assessment of overall business and personal performance • deferred AVP awards – in the event that a participant is a 'good leaver' any outstanding unvested deferred awards will normally be released in accordance with the ordinary timescale. Exceptionally, the Committee reserves the right to accelerate any vesting or payment, for example in the case of terminal illness.
Performance Share Plan (PSP)	Performance share plan (PSP) – unless the Committee determines otherwise, in the event that a participant is a 'good leaver' any unvested PSP awards will be pro-rated for the period through to leaving and vest based on targets and performance to the end of the performance period, with awards released at the normal times. Exceptionally, the Committee reserves the right to accelerate vesting or payment due, for example, in the case of terminal illness.
Other payments	The Committee reserves the right to make any other payments in connection with a director's cessation of office/ employment where the payments are made in good faith in the discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement of any claim arising in connection with the cessation of the director's office/ employment, or for any fees for outplacement assistance and/ or director's legal and/ or professional advice fees in connection with his/ her cessation of office/ employment.

'Good leaver' circumstances are leaving due to death, disability, ill-health or injury, redundancy, retirement with company agreement, the individual's employing company/ business ceasing to be part of the Group, or other circumstances at the Committee's discretion. For all other leavers, unvested awards lapse.

Awards will generally vest early upon a takeover of the Company, merger or other corporate reorganisation. Alternatively participants may be allowed or required to exchange their awards for new awards. If there is a demerger, delisting or special dividend or other transaction which may affect the share price, the Committee may allow awards to vest on the same basis as for a takeover.

António Simões Remuneration Disclosure

António Simões was formally appointed as Group CEO from 1 January 2024, following the announcement of his appointment in June 2023. As set out in the Chair's letter on page 62, when determining an appropriate remuneration package the Committee considered our current remuneration practices and shareholder approved Remuneration Policy, relevant market practice and António's remuneration levels at his previous employer.

Ongoing remuneration package

On appointment, the key elements of António's remuneration package will consist of:

- a base pay of £1,175k, which is between the median and upper quartile of FTSE 100 financial services companies
- pension of 10% of salary, in line with the rate offered to the wider workforce during 2023
- benefits in line with our remuneration policy, including relocation support to assist with António's move from Spain. Relocation support is provided for 12 months only
- a maximum AVP of 200% of base pay
- a maximum PSP of 300% of base pay.

These are the maximum AVP and PSP levels of remuneration we can offer under our remuneration policy and are also broadly the median opportunities of other FTSE 100 financial services companies.

Replacement award

As is common practice in Financial Services, and in particular in banking, António had numerous unvested awards which he forfeited as a result of joining Legal & General. Our policy on recruitment remuneration provides, that in these circumstance, the Committee may grant awards equivalent to the remuneration arrangements forfeited upon leaving the previous employer, taking into consideration relevant factors including but not limited to, the form of the award, any performance conditions attached to those awards, the vesting profile and likelihood of vesting and any relevant regulatory requirements and guidance in relation to awards.

All awards will be replaced on a 'like for like basis', meaning that:

- deferred cash and share awards have been bought out in cash/ shares respectively
- all buyout awards will have identical vesting/ deferral periods to the original awards
- for all awards with performance conditions we have calculated how performance was tracking against targets in order to determine a fair value for each award.

Accordingly, in accordance with our policy on recruitment remuneration, the following cash and share awards will be granted to António, subject to malus and clawback, matching as close as possible both the expected value and timescale to vesting of his forfeited Santander awards.

In recognition of the forfeit of annual bonus for 2023 from António's previous employer, a payment of £3,079,242 will be awarded of which 50% will be paid in cash at the end of March 2024 and 50% will be granted as shares in April 2024, vesting 3 years from the date of grant.

In addition, in recognition of the forfeit of other unvested awards the following cash and share awards will be made:

Cash awards

Payment date	Value
March 2024	£342,352
March 2025	£345,718
March 2026	£345,718
March 2027	£253,168
March 2028	£132,612

Share awards

Grant date	Vesting date	Award Value	No. of Shares	Effective grant price[1]
March 2024	March 2024	£410,259	172,617	£2.377
March 2024	December 2024	£405,256	170,512	£2.377
March 2024	March 2025	£513,595	216,096	£2.377
March 2024	December 2025	£202,628	85,256	£2.377
March 2024	March 2026	£513,595	216,096	£2.377
March 2024	December 2026	£202,628	85,256	£2.377
March 2024	March 2027	£407,269	171,359	£2.377
March 2024	March 2028	£267,260	112,450	£2.377

1. Effective grant price fixed at time of appointment.

Annual report on remuneration

Audited information
Content contained within a grey outline box indicates that all the information in the panel is audited.

Planned implementation for 2024
Content contained within a black outline box indicates that all the information in the panel is planned for implementation in 2024.

'Single figure' of remuneration – executive directors

The following table shows a single total figure of remuneration for each executive director in respect of qualifying services for the 2023 financial year, together with a comparative figure for 2022.

Single figure table

	Fixed				Variable				
						PSP			
Executive director	Base pay £'000	Benefits £'000	Pensions £'000	Total fixed £'000	AVP £'000	Face value £'000	Share price appreciation £'000	Total variable £'000	Total £'000
2023									
Sir Nigel Wilson	**1,067**	**26**	**107**	**1,200**	**867**	**1,496**	**(345)**	**2,018**	**3,218**
Jeff Davies	**656**	**25**	**66**	**747**	**522**	**901**	**(208)**	**1,215**	**1,962**
2022									
Sir Nigel Wilson[1]	1,020	25	153	1,198	1,410	1,281	127	2,818	4,016
Jeff Davies[1]	625	23	82	730	867	771	77	1,715	2,445

1. **Reporting of the 2020 PSP in the 2022 annual report**
The vesting date of the 2020 PSP award occurred after the 2022 results announcement. As a result, the PSP figures recognised in the 2022 annual report were based on a three-month average share price to 31 December 2022. The 2020 PSP figures reported in the 2022 single figure table above now reflect the share price at vesting on 10 March 2023, at 252p per share. The figures in the 2022 report were £1,353,539 (Sir Nigel Wilson) and £815,301 (Jeff Davies).

Base pay

Executive director	Annual base pay as at 1 January 2023	Annual base pay effective 1 March 2023	Total base pay paid in 2023	Annual base pay effective 1 March 2024	% increase
António Simões	–	–	–	**1,175,000**	**0%**
Sir Nigel Wilson	**1,028,500**	**1,074,800**	**1,067,083**	**1,074,800**	**0%**
Jeff Davies	**632,000**	**660,400**	**655,667**	**689,000**	**4.3%**

Benefits

Benefits include the elements shown in the table below.

Executive director	Car allowance, insurances and taxable expenses £'000	Dividends £'000	Discount on ShareSave, and ESP matching shares £'000	Total benefits £'000
2023				
Sir Nigel Wilson	**19**	**6**	**1**	**26**
Jeff Davies	**20**	**2**	**3**	**25**
2022				
Sir Nigel Wilson	19	5	1	25
Jeff Davies	20	1	2	23

The Employee Share Purchase Plan (ESP) matching shares and dividends relate to the all-employee share purchase plan. No dividends are payable on outstanding Share Bonus Plan (SBP) or PSP awards. ShareSave is calculated based on the value of the discount on ShareSave share options exercised in the year.

Benefits for 2024
Benefits for 2024 remain in line with policy.

Pension

Sir Nigel Wilson and Jeff Davies received a cash allowance in lieu of pension contributions equal to 10% of base pay, aligned with the employer pension contributions for the majority of the UK workforce. All cash allowances are subject to normal payroll deductions for income tax and national insurance.

Pension for 2024
For 2024 António Simões and Jeff Davies will receive a cash allowance of 10% of base pay, aligned with employer pension contributions for the majority of the UK workforce.

2023 Annual Variable Pay (AVP) awards

The 2023 AVP awards are based on performance for the year ended 31 December 2023. 70% of the bonus opportunity is determined by financial performance and 30% is based upon the achievement of strategic objectives.

The figures below represent the total 2023 AVP awards to be paid, incorporating the amount payable in cash in 2024 (50%), and the amount deferred into restricted shares for a further three years to be released in 2027 (50%) subject to continued employment with malus and clawback provisions.

	2023 performance targets and outcome								AVP award (% of maximum)	
Performance measure	**Threshold (0% max)**	**Target (50% max)**	**Maximum (100% max)**	**Actual**	**Outcome (% of max)**		**Weighting**		**Sir Nigel Wilson**	**Jeff Davies**
Adjusted operating profit	£1,663m	£1,773m	£1,858m	£1,667m	1.8%	x	15.0%	=	0.3%	0.3%
Earnings per share (EPS)	19.0p	20.9p	24.2p	11.9p	0.0%	x	10.0%	=	0.0%	0.0%
Return on equity (ROE)	19.0%	20.8%	24.0%	15.4%	0.0%	x	10.0%	=	0.0%	0.0%
Net movement in contractual service margin (CSM)	£480m	£545m	£639m	£666m	100.0%	x	12.5%	=	12.5%	12.5%
Solvency II operational surplus generation	£1,601m	£1,651m	£1,701m	£1,821m	100.0%	x	12.5%		12.5%	12.5%
Solvency II new business value add (NBVA):										
LGRI	5.8%	6.6%	8.9%	7.4%	67.0%	x	5.0%		3.3%	3.3%
Retail retirement – UK annuity business	4.7%	5.5%	6.3%	7.0%	100.0%	x	2.5%		2.5%	2.5%
Retail insurance – UK and US protection	6.2%	6.7%	7.2%	6.7%	50.0%	x	2.5%		1.3%	1.3%
Strategic – Sir Nigel Wilson					71.3%		30.0%	=	21.4%	
Strategic – Jeff Davies					67.7%					20.3%
Total (% of maximum)							100%		53.8%	52.7%
									x	x
Maximum bonus opportunity (% of base pay)									150%	150%
									x	x
Base pay									£1,074,800	£660,400
									=	=
2023 AVP award									£867,200	£522,000

Strategic objectives comprise a qualitative assessment by the Remuneration Committee of operational performance and risk management, customer and culture metrics, and other strategic objectives set by the Committee, including ESG objectives. A qualitative assessment, rather than an outcome based only on pre-determined numerical targets, is considered more appropriate for the assessment of strategic objectives, as this enables the Committee to consider performance in the context of a range of factors and changing situations during the year.

Key focus areas are identified at the beginning of each year, and strategic objectives may be set individually for each executive director or assessed as their individual contribution to joint objectives. Normally, 10% of the total bonus opportunity is allocated to each category encompassing:

- **Strategy:** focus on safeguarding the future of the company and developing future income streams.
- **Culture & Customer:** based on a range of metrics which reflect the impact of culture on employees and customers, including customer performance scores and feedback, employee engagement scores, and progress against gender and other diversity goals.
- **Risk:** supported by analysis from the Chief Risk Officer, using quantitative and qualitative metrics, including divisional and group operational performance, capital management, prudential risk, IT and cyber risk, and internal audit.
- **Environmental:** (moderator*): progress against key environmental commitments as referenced in our 2023 Climate and nature report and increase in the prominence of sustainability considerations in commercial decisions taken during the year (including operational, investment and product development decisions).
  *ESG metrics are incorporated into the existing strategic and personal performance measures, rather than a separate or additional component. AVP may be reduced if insufficient progress is made against ESG metrics.

Performance Measures	Commentary	Outcome (out of 30) CEO	CFO
Strategy (10% weighting)	• Strong delivery against business plan whilst ensuring effective transition to the new CEO with focused handover. • Strong continuity whilst managing IFRS 17 accounting standard implementation. • Sustained focus on long term environment goals.	21.4	20.3
Culture & Customer (10% weighting)	• Increase on an already strong employee satisfaction index (eSat) scores (79% in 2023 compared with 78% in 2022). • Significant focus on leadership and employee development and implementation of a new performance management framework, focusing both on what employees deliver as well as how they deliver it. • Focus on customer across all divisions measured robustly through NPS scores, quality assurance, complaints and resolutions and continued professional development for customer service teams and leaders.		
Risk management (10% of weighting) Risk management aligned with the framework set out on page 54 of this report assessed across the following areas: • risk appetite and key risk limits • non-financial risk • customer	• Took a strong and pro-active approach to prudential risk across all areas of the business, particularly in relation to PRT business and property asset deployment. • Effectively fostered an environment where 2nd and 3rd line are empowered and supported to challenge the business on all aspects of risk management, ensuring thoroughness and transparency of risk and audit analysis. • Effective management of exposures to liquidity, rates, property and FX despite significantly volatile markets.		
Environmental measures (moderator)			
Portfolio carbon emission intensity reduction	Portfolio carbon emission intensity reduced to 56 tCO_2e/ £m (2022: 62 tCO_2e/£m) in line with pathway to achieve 50% reduction by end 2030 (from a YE 2019 baseline).	Progress on or exceeding targets	
Progress in delivery of operational emissions SBT	Good progress against operational emissions SBT with operational footprint reduced to 27,722 (2022: 30,062 tCO_2e), in line with our science-based target (SBT) and net zero ambition.		
Increase prominence of sustainability considerations in commercial decisions	Group and LGIM continue to play an active role in industry climate forums, government lobbying and shaping of the regulatory framework for sustainability		

In addition, the Committee considers the Solvency II coverage ratio (2023: 224%) and sustainable financial performance, and may apply a 'moderator' to reduce (but not increase) an AVP award if there are factors that warrant such a reduction. For 2023, it was determined that no adjustment was necessary to the calculated AVP award.

Risk consideration
The Committee reviewed a comprehensive report from the Chief Risk Officer to ascertain that the executive directors' objectives had been fulfilled within the risk appetite of the Group. In addition, the Committee received feedback from the Group Regulatory Risk and Compliance function that there were no issues to consider relating to regulatory breaches or customer outcomes that would prevent payment of any AVP award or trigger a recommendation that malus should be applied. The Committee was satisfied that the AVP awards should be paid.

Deferral policy
In line with the remuneration policy, 50% of all 2023 AVP awards have been deferred for three years into restricted shares, subject to continued employment and with malus and clawback provisions.

AVP potential 2024
In line with the remuneration policy, for 2024 the target and maximum AVP opportunities for our executive directors will be:

Executive director	Target opportunity (% of base pay)	Maximum opportunity (% of base pay)
António Simões	100%	200%
Jeff Davies	75%	150%

The proportion of the AVP measures assessed against financial metrics will remain 70%, with 30% assessed against non-financial objectives. Financial metrics will cover profitability and growth, aligned to António's strategic review. Group financial targets will be disclosed in the 2024 annual report. Some strategic and personal targets are considered confidential and will not be disclosed in any future report.

In line with the remuneration policy, 50% of all 2024 AVP awards will be deferred for three years into restricted shares, subject to continued employment, with malus and clawback provisions.

Details of how the 2021 PSP award vested
The 2021 PSP award vested at 61.1% of maximum in March 2024 based on a combination of total shareholder return (TSR) out-performance (50%) and earnings per share (EPS) growth (50%) over the three-year performance period ended 31 December 2023. A summary of the outcome per measure is below, with further detail provided on page 108.

Performance measure	Weighting	Outcome (% of maximum)
TSR vs FTSE 100	25%	11.1%
TSR vs bespoke comparator group	25%	0.0%
EPS growth (% p.a.)	50%	50.0%
Total (% of maximum)	100%	61.1%

The bespoke comparator group comprises:

Abrdn, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, Gjensidige Forsikring, Hannover Rueck, Lincoln National, Mapfre, M&G, Metlife, Muenchener Ruck, NN Group, Phoenix Group, Principal Financial, Prudential, Prudential Financial, Sampo A, Swiss Re, Talanx, Zurich Insurance Group.

The Committee reviewed the company's overall performance taking into consideration an assessment of Solvency II performance and progress against long-term environmental, social and governance (ESG) objectives. The Committee was satisfied that the PSP awards should vest in accordance with the TSR and EPS growth outcomes.

Approach to calculation of EPS growth
EPS growth is determined based on measuring the change in EPS over the 3 year performance period. However, as previously indicated, the introduction of IFRS 17 prevents EPS from being measured on the same basis from the start of the performance period (where EPS was reported based on IFRS 4) to the end of the performance period (where EPS was reported based on IFRS 17). In order to fairly measure the EPS growth performance, the Committee has considered the annual change in each of the three years, as the EPS for 2022 has been reported on both an IFRS 4 and IFRS 17 basis. The basis for the calculation is illustrated in the table below:

		Year on year EPS growth			EPS growth p.a. over 3-year performance period
	Accounting Standard	2020 to 2021	2021 to 2022	2022 to 2023	
Adjusted EPS	IFRS 4	75.4%	12.0%		15.1%
	IFRS 17			(22.4)%	

Annual report on remuneration
continued

The results are shown below:

Grant date	Performance period	Comparator group	Legal & General's TSR[1]	Median rank	80th percentile rank	Legal & General's rank	Outcome (% of maximum)
13 April 2021	1 January 2021 to 31 December 2023	FTSE 100		46.0	19.0	36.7	44.4%
		Bespoke comparator group	23.1%	12.0	5.0	16.6	0.0%

Performance condition	Performance target: Threshold	Performance target: Maximum	Actual performance	Outcome (% of maximum)
EPS growth (% p.a.)	5%	12%	15.1%	100%

1. TSR is calculated in accordance with the Performance Share Plan rules using the three-month average prior to the start and end of the performance period.

The PSP award will vest on 8 March 2024. As the share price at the date of vesting was not known as of the date of this report, the value included in the 'single figure' of remuneration on page 104 has been calculated based on the number of shares vesting multiplied by the average share price over the quarter ended 31 December 2023 (226.3p). The actual share price and value at vesting will be reported in the 2024 annual report.

Executive director	Shares granted in 2021	Vesting outcome (% of maximum)	Shares vesting in March 2024	Estimated value of shares on vesting (£)
Sir Nigel Wilson	832,341	61.1%	508,560	1,150,922
Jeff Davies	501,359	61.1%	306,330	693,255

Performance Share Plan (PSP) 2024 awards: António Simões will be granted an award with a face value of 300% of base pay and Jeff Davies will be granted an award with a face value of 250% of base pay

For the 2024 award, the following performance measures will be used:

- TSR performance relative to the FTSE 100 (20% of award)
- TSR performance relative to a bespoke comparator group of companies (20% of award), noting that the bespoke comparator group will be unchanged from the 2023 PSP
- EPS growth (40% of award)
- progress against published commitments in our Climate transition plan, aligned to our three-pillar strategy of Invest, Influence, Operate (20% of award) as detailed in the table on the following page.

Vesting of the overall awards will also be subject to assessment against Solvency II objectives.

In setting targets for the 2024 PSP awards the Committee have considered:

- the business plan over the next three years, market expectations of performance
- the impact of the new IFRS 17 accounting standard on the timing of the reporting of profit
- progress against our published commitments with the Climate transition plan and projected progress over the performance period.

Based on these considerations the Committee considered it appropriate to for vesting to be based on performance as set out in the table on the following page.

	Weighting	Below Threshold	Threshold	Maximum
Vesting		0%	15%	100%
TSR performance	**40%**	Below median	Median	80th percentile
EPS growth	**40%**	< 5% p.a.	5% p.a.	14% p.a.
Progress against Climate transition plan	**20%**			
Portfolio GHG emission intensity reduction, from a YE19 baseline (aligned with the pathway to achieving 50% reduction by 2030)	5%	<37%	37%	43%
Investment portfolio temperature rating (SBTi metric) to achieve 2.1 degree portfolio alignment on listed equities and bonds	5%	>2.2 degrees	2.2 degrees	2.1 degrees
Progress on operational emissions SBT, from a YE21 baseline (aligned with the pathway to achieving a 42% reduction in our absolute scope 1 and 2 GHG emissions by 2030)	10%	<33%	33%	38%

In determining the final outcome for the Climate transition measures, the Remuneration Committee may make a downwards adjustment if they are not satisfied that positive and sufficient progress has been made against our target of 70% of eligible AUM to be managed in alignment with net zero[1].
The Remuneration Committee will also consider material market movements or business composition changes when assessing the final outcome and may make adjustments to the outcome as a result.

1. This reflects the important and significant impact that the Company has though influencing its investments whilst acknowledging the challenges in setting quantitative targets at this point in time

Other remuneration information

Total shareholder return (TSR)

The chart shows the value, as at 31 December 2023, of £100 invested in Legal & General shares on 31 December 2013, compared to £100 invested in the FTSE 100 on the same date. The FTSE 100 Index was chosen as the comparator because the Company is a member of this index.

Group Chief Executive – historical remuneration information

The table below shows the remuneration of the Group Chief Executive in place at the time over the same period.

Year	Name	Group Chief Executive single figure of total remuneration (£'000)	Annual variable element against maximum opportunity	PSP vesting rates against maximum opportunity
2023	Sir Nigel Wilson	3,218	53.8%	61.1%
2022	Sir Nigel Wilson	4,016	91.4%	52.3%
2021	Sir Nigel Wilson	4,311	94.5%	82.9%
2020	Sir Nigel Wilson	2,092	23.5%	24.2%
2019	Sir Nigel Wilson	4,592	91.1%	86.9%
2018	Sir Nigel Wilson	3,398	80.4%	48.7%
2017	Sir Nigel Wilson	3,439	85.3%	59.9%
2016	Sir Nigel Wilson	5,417	87.8%	76.6%
2015	Sir Nigel Wilson	5,497	86.3%	100%
2014	Sir Nigel Wilson	4,213	90.7%	100%

Due to the timing of the vesting of PSP awards, initially PSP figures within the single figure of remuneration are calculated based on the average share price for the three months ended 31 December in the respective year. As noted under the single figure of remuneration table on page 104, the figures are restated in the following year's report to reflect the actual share price on the vesting date. The figures in the table above have been restated to reflect the actual share price on vesting for the years 2014 – 2022.

Scheme interests awarded during the financial year

The following table sets out details of deferred annual variable pay (AVP) and performance share plan (PSP) awards made in 2023. The deferred AVP represented 50% of the total AVP award in 2023 and the PSP awards were granted over 250% of base pay.

Executive director	Reason for award	Award type	Awards granted in 2023	Grant price £	Face value at grant price £
Sir Nigel Wilson	PSP	Nil-cost option	1,128,422	2.381	2,686,998
	Deferred AVP	Restricted shares	297,929	2.366	704,999
Jeff Davies	PSP	Nil-cost options	693,347	2.381	1,650,998
	Deferred AVP	Restricted shares	183,215	2.366	433,548

Performance conditions for PSP awards granted in 2023

The PSP awards were granted on 6 April 2023. 25% of the award will vest based on TSR performance relative to the FTSE 100, 25% of the award will vest based on TSR performance relative to a bespoke peer group (comprising Abrdn, Aegon, Ageas, Allianz, Assicurazioni Generali, Aviva, AXA, CNP Assurances, Gjensidige Forsikring, Hannover Rueck, Lincoln National, M&G, Mapfre, Metlife, Muenchener Ruck, NN Group, Phoenix Group, Principal Financial, Prudential Financial, Prudential, Sampo A, Swiss Re, Talanx and Zurich Insurance Group), and 50% of the award will vest based on the EPS growth. Vesting will be based on performance as set out in the table below:

	Below threshold	Threshold	Maximum
Vesting	0%	15%	100%
TSR performance	Below median	Median	80th percentile
EPS growth	<5% p.a.	5% p.a.	14% p.a.

Performance below threshold results in a nil vesting, and performance between threshold and maximum vests on a straight line basis between 15% and 100% of maximum.

At the end of the three-year performance period commencing 1 January 2023, the Committee will assess whether the formulaic vesting outcome is justified by looking at a number of factors including: whether the result is reflective of overall performance and has been achieved within the company's risk appetite, the Solvency II coverage ratio, the quality of earnings, the nature of any changes in leverage or key assumptions and progress against long-term ESG objectives. If such considerations mean that the formulaic outcome of the vesting is not considered to be justified, the Committee can amend the vesting downwards (but not increase the level of vesting).

Statement of directors' shareholding and share interests

Total shareholding of executive directors:

						Shares sold or acquired during the period 1 January 2024 and 5 March 2024	
	Type	Owned outright/ vested shares	Subject to deferral/ holding period	Total vested and unvested shares (excludes any shares with performance conditions)	Subject to performance conditions	Owned outright/ vested shares	Subject to deferral/ holding period
Sir Nigel Wilson	Shares	3,937,380	611,669	4,549,049	–	–	–
	ESP	24,078	6,712	30,790	–	150	85
	Options	–	1,245,121	1,245,121	2,909,143	–	–
Jeff Davies	Shares	583,235	369,235	952,470	–	–	–
	ESP	5,678	993	6,671	–	150	85
	Options	–	743,594	743,594	1,777,473	–	–

Shareholding requirement – executive directors

The shareholding requirement for all executive directors is 325% of base pay.

	Actual share ownership as % of 2023 base salary: vested shares[1]	Shareholding requirement met	Shares owned at 1 January 2023	Shares owned at 31 December 2023	Shares sold or acquired during the period 1 January 2024 and 5 March 2024
Sir Nigel Wilson	925%	Yes	3,658,708	3,961,458	235
Jeff Davies	224%	No	411,246	588,913	235

1. Closing share price as at 31 December 2023: 251.1p

Notes

Shares used for the above calculation exclude those with performance conditions, any unexercised options, those shares subject to a period of deferral and any shares held in a private trust where the executive director is not a trustee. They include vested shares where the executive director has beneficial ownership, shares independently acquired in the market and those held by a spouse or civil partner or dependant child under the age of 18 years.

Although the shareholding requirement is not contractually binding, executive directors are expected to retain any after tax vested share awards until their shareholding requirements are met, and maintain that shareholding requirement (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment. The Committee retains the discretion to withhold future grants under the PSP if executives are not making sufficient progress towards their shareholding requirement. Once shareholding requirements have been met, executive directors may sell shares in excess of the shareholding requirement if they wish. The Committee has discretion to allow executive directors to sell shares prior to the shareholding requirement being met in extenuating situations, for example, a change to personal circumstances or ill health, etc.

Share options exercised during 2023

PSP awards may be granted in the form of nil-cost options with an exercise date no earlier than the normal vesting date. Executive directors may also participate in the company's ShareSave Plan. Where such share awards have been exercised during 2023 they are shown below:

Executive director	Date of grant	Shares exercised	Exercise date	Share price at date of exercise £	Gain £
Sir Nigel Wilson	16/04/2018	240,105	19/04/2023	2.533	608,186
Jeff Davies	16/04/2018	132,097	17/04/2023	2.490	328,922
Jeff Davies	03/04/2020	4,522	01/06/2023	2.288	1,348

Sir Nigel Wilson payments for loss of office

Sir Nigel's retirement was confirmed by the Company once regulatory approval for António's appointment had been received and he will serve his full 12 month notice period in order to ensure a smooth transition. Consistent with his service contract and the executive remuneration policy, Sir Nigel will continue to receive his current base pay, pension and benefits until his retirement. Sir Nigel will not receive an AVP award for performance in 2024 nor will he receive a PSP award in 2024.

Consistent with the remuneration policy and the rules of the SBP and PSP, Sir Nigel will be a good leaver and as such his outstanding share awards will be treated in line with the good leaver provisions in the respective plan rules.

Unvested deferred share awards

Sir Nigel's deferred AVP, awarded as restricted shares, for 2021, 2022 and 2023 will vest in accordance with the ordinary timescale, three years from the date of grant, as set out in the table below.

AVP award	Grant Date	Vesting Date	Value of award	No. of shares granted	Grant price
2020	13/04/2021	13/04/2024	£172,850	58,520	£2.954
2021	19/04/2022	19/04/2025	£694,200	255,220	£2.720
2022	06/04/2023	06/04/2026	£705,000	297,929	£2.366

In addition, as set out on page 107, 50% of Sir Nigel's FY23 AVP will be deferred and awarded as restricted shares vesting in April 2027.

Unvested PSP awards

In accordance with the rules of the PSP, upon retirement, a participant remains eligible to receive a proportion of their PSP awards already granted, pro-rated for the period through to leaving, and subject to the normal performance conditions over the full performance period, and released in accordance with the normal timescale.

Details of Sir Nigel's unvested PSP awards and the maximum number of shares which may vest after pro-rating are shown in the table below.

Start date	End date	Date exercisable	No. of shares granted	Pro-rating	Maximum no. of shares vesting
01/01/2022	31/12/2024	19/04/2027	948,380	94%	894,731
01/01/2023	31/12/2025	06/04/2028	1,128,422	61%	687,761

Sir Nigel will retain a shareholding in Legal & General Group of at least 325% of base pay for two years post-retirement in line with the executive remuneration policy post-cessation shareholding requirements.

Non-executive directors' remuneration – 2023

Non-executive directors' fees

The fees for the Chair and non-executive directors were reviewed during 2023 and with effect from 1 August 2023 the fee for the Chair was increased from £577,500 to £603,500. From 1 August 2023 the committee membership fee for the Audit, Risk and Remuneration Committees was increased from £15,750 to £16,500. The fee for the Chair of the Data and Technology Committee was aligned with these committees, an increase from £31,500 to £42,000 and a membership fee of £16,500 was introduced for the Data and Technology Committee, in line with the fee for membership of the Audit, Risk and Remuneration Committees.

All other non-executive director fees remained unchanged from 1 August 2022. The table below sets out the current fees.

Annual fees	Current fee £
Chair	603,500
Base fee	78,750
Additional fees:	
Senior Independent Director	31,500
Designated Workforce Director	31,500
Committee Chair fee (Audit, Remuneration, Risk and Data and Technology Committees)	42,000
Committee membership fee (Audit, Remuneration, Risk and Data and Technology Committees)	16,500

The current limit for base fees for non-executive directors is an aggregate of £3,000,000. This limit was approved by shareholders at the 2023 Annual General Meeting.

The table below shows the actual fees paid to our non-executive directors in 2023 and 2022.

Non-executive director		Fees for 2023	Benefits for 2023[4]	Total remuneration for 2023	Fees for 2022	Benefits for 2022	Total remuneration for 2022
Sir John Kingman	Chair N	**588,333**	**–**	**588,333**	561,458	–	561,458
Henrietta Baldock[1]	N R Ri	**245,042**	**130**	**245,172**	207,625	–	207,625
Nilufer von Bismarck	A D N Ri	**149,250**	**–**	**149,250**	162,313	292	162,605
Philip Broadley	A D N R Ri	**157,437**	**1,777**	**159,214**	163,542	1,615	165,157
Carolyn Johnson	A D N	**110,875**	**28,051**	**138,926**	58,665	–	58,665
Lesley Knox[2]	N R Ri	**251,122**	**3,170**	**254,292**	232,583	3,471	236,054
George Lewis[3]	A N R Ri	**218,686**	**54,844**	**273,530**	174,830	12,870	187,700
Ric Lewis	N R Ri	**110,875**	**–**	**110,875**	107,188	–	107,188
Tushar Morzaria	A N R Ri	**152,875**	**–**	**152,875**	89,252	–	89,252
Laura Wade-Gery	N D R Ri	**146,750**	**–**	**146,750**	97,562	348	97,910

Key:
NED Committee membership: A = Audit D = Data and Technology N = Nominations and Corporate Governance R = Remuneration Ri = Risk

1. Henrietta Baldock is also Chair of the Legal and General Assurance Society Board for which she receives a separate fee to that paid to her as a non-executive director of the Company. The actual fees in the table above include her total fees for both roles.
2. Lesley Knox is also a NED of the Legal & General Investment Management (Holdings) Limited Board and was Chair until 22 September 2023, for which she receives a separate fee to that paid to her as a non-executive director of the Company. The actual fees in the table above include her fees for both roles.
3. George Lewis is also Chair of the Legal and General Assurance (Pensions Management) Limited Board for which he receives a separate fee to that paid to him as a non-executive director of the Company. The actual fees in the table above include his fees for both roles.
4. The Chair and non-executive directors are not eligible to participate in any benefits, pension or incentive plan. The amounts disclosed in the benefits section above relate to taxable travel and accommodation expenses incurred while undertaking their roles as non-executive directors of the Company.

Shareholding requirements – non-executive directors

Non-executive directors are required to build up a shareholding equivalent to 100% of base fee, typically within three years of appointment. Non-executive directors may elect to receive a proportion of their fees (normally 50%) in shares until their shareholding requirement is met. The table below shows their shareholding as at 2 January 2024, taking into account share purchases in relation to December 2023 fees.

Name	Shareholding as at 2 January 2024	Shareholding as a % of base fee	Guideline met	Shares purchased from 3 January 2024 to 5 March 2024
Sir John Kingman	355,720	148%	Met	1,969
Henrietta Baldock	60,784	194%	Met	2,907
Nilufer von Bismarck	45,691	146%	Met	–
Philip Broadley	92,260	294%	Met	–
Carolyn Johnson[1]	6,500	104%	Met	–
Lesley Knox	77,600	247%	Met	–
George Lewis	58,905	188%	Met	–
Ric Lewis	51,239	163%	Met	4,054
Tushar Morzaria	60,000	191%	Met	–
Laura Wade-Gery[2]	23,996	77%	On target	2,188

1. Carolyn Johnson holds 6,500 Legal & General Group American Depositary Receipts.
2. Laura Wade-Gery is on track to meet the shareholding requirement within three years based on the value of her shareholding as a proportion of her fee.

Non-executive directors' terms of employment

	Initial appointment date	Current letter of appointment end date
Sir John Kingman	24 October 2016	24 October 2025
Henrietta Baldock	04 October 2018	04 October 2024
Nilufer von Bismarck	01 May 2021	01 May 2024
Philip Broadley	08 July 2016	08 July 2025
Carolyn Johnson	17 June 2022	17 June 2025
Lesley Knox	01 June 2016	01 June 2025
George Lewis	01 November 2018	01 November 2024
Ric Lewis	18 June 2020	18 June 2026
Tushar Morzaria	27 May 2022	27 May 2025
Laura Wade-Gery	03 January 2022	03 January 2025

The standard term for non-executive directors is three years and for the Chair is five years. All non-executive directors are subject to annual re-election by shareholders.

Remuneration for employees below Board

General remuneration policy

The Group's remuneration policy is designed to reward, motivate and retain high performers in line with the risk appetite of the Group. Remuneration is considered within the overall context of the Group's sector and the markets in which it operates. The policy for the majority of employees is to pay around the relevant mid-market range with a competitive package designed to align the interests of employees with those of shareholders, and with an appropriate proportion of total remuneration dependent upon performance.

We define core remuneration as base pay, annual bonus and other benefits such as pension. Key employees are also eligible to participate in a long-term incentive plan, typically either the Share Bonus Plan (SBP) for the majority of employees or the Performance Share Plan (PSP) for the most senior management.

Summary of the remuneration structure for employees below the Board

Element	Policy
Fixed	
Base pay	We aim to attract and retain key employees by paying base pay which delivers competitive total remuneration. Factors taken into account when determining salaries include: • the individual's skills, experience and performance • scope of the role • external market data • pay and conditions elsewhere in the Group • overall business performance. As a member of the Living Wage Foundation, base pay is also set with reference to the Foundation's UK and London living wage levels. During 2023 the average increase was around 5.8% but with increases applied on a stratified basis with the lowest paid employees (less than £25,000) receiving, on average, the highest increases (generally 7.5%). For 2024 the average increase was 4.3%, applied again on a stratified basis with more junior employees receiving increases, on average, of 5%.
Benefits	All UK employees have access to private medical insurance, life insurance, and a range of family-friendly policies (maternity, paternity, adoption and shared parental leave). In addition there are several wellbeing support packages including Unmind (a mental health app), childcare and elderly care support. Employees of non-UK business are provided with benefits in line with the local market.
Pension	All employees are given the opportunity to participate in a group pension scheme. The pension opportunity offered to the majority of the UK workforce in 2023 was 10% of base pay. With effect from 1 April 2024 the pension opportunity for the majority of the UK workforce was increased to 11%, with further increases planned over the next 5 years to align the pension opportunity with that for senior managers. Employees of non-UK business are provided with pension provision in line with the local market practice and legislative requirements.
Variable	
Annual bonus	The majority of employees participate in a discretionary bonus plan, unless an alternative plan applies based on role. An employee will be considered for a discretionary bonus award based on achievement against objectives, conduct and behaviours, the role performed during that year and internal relativities. The Group operates bespoke bonus plans where business appropriate. However, the Remuneration Committee has ultimate discretion over all bonus plans. Bonuses above a certain threshold are subject to deferral. Deferred awards are normally held in shares for three years and are subject to malus and clawback. The company reserves the right to adjust deferral levels for Material Risk Takers and Code staff as deemed necessary to comply with regulatory requirements.
Share bonus plan (SBP)	Key employees, including senior managers, high performing and high-potential individuals and those with critical skills may receive SBP awards, typically in the form of restricted shares vesting three years from the grant date. SBP is also used as the vehicle for deferral of annual bonuses in the majority of cases.
Performance share plan (PSP)	Participation in the PSP is offered to a small number of senior management each year in recognition of the strategic and influential role that they hold in terms of driving company performance, as well as their individual contribution. Participation in the plan for one year does not guarantee participation in future years. PSP awards were made to around 18 employees during 2023. Where appropriate, grants under the PSP may also be made for new employees who join the company during the year in key roles.
Other	
Employee share plans	All employees are given the opportunity to participate in a ShareSave plan and an Employee Share Purchase plan. These are both HMRC-approved plans which offer all employees the opportunity to share in the success of the business.

Annual equal pay review

The Group seeks to ensure that our pay policies and practices are free from unfair bias. Part of the pay review process is an annual equal pay review that reviews pay and bonus decisions by gender, ethnicity, age and full-time versus part-time working. In addition, it considers the application of the pay policy more widely, in particular looking at decisions made in the annual pay review across grades, functions and divisions.

Gender pay reporting

The Group has published a new Social impact report, which contains the statutory disclosure of our gender pay gap for 2023.

Pay ratio in relation to the Group Chief Executive Officer

Since 2016 we have voluntarily disclosed details of the pay ratio in relation to the Group Chief Executive Officer and the wider UK employee population. From 2018 we made some amendments to how we report the information in order to align with the reporting requirements set out by the Department for Business, Energy and Industrial Strategy (BEIS), which came into effect for financial years starting 1 January 2019.

The tables below provide the ratio between the base pay and single figure total remuneration of the Group Chief Executive Officer and the base pay and total remuneration of UK employees at the upper quartile (75th percentile), median (50th percentile) and lower quartile (25th percentile).

Total remuneration

		Pay ratio			All UK employees £		
Year	Method	75th percentile	Median	25th percentile	75th percentile	Median	25th percentile
2023	**B**	**33**	**54**	**95**	**97,774**	**59,094**	**33,950**
2022	A	46	77	135	87,152	51,834	29,804
2021	A	52	88	146	82,475	49,226	29,531
2020	A	26	48	81	78,989	43,726	25,839
2019	A	61	105	167	70,892	40,982	25,814
2018	A	49	83	132	69,923	40,814	25,730
2017	A	52	89	137	66,572	38,802	25,023

Base pay

		Pay ratio			All UK employees £		
Year	Method	75th percentile	Median	25th percentile	75th percentile	Median	25th percentile
2023	**B**	**13**	**22**	**36**	**79,125**	**48,069**	**30,000**
2022	A	14	23	38	72,530	44,549	26,875
2021	A	14	23	38	68,675	42,444	26,000
2020	A	15	26	42	65,101	37,677	23,232
2019	A	16	27	42	60,000	35,000	22,550
2018	A	16	27	41	57,853	34,475	22,781
2017	A	16	27	42	58,020	33,649	22,148

Pay ratio commentary

Between 2022 and 2023 the ratio of total remuneration for the Group CEO compared to UK employees has decreased. The decrease is principally the result of the lower value of variable remuneration for the Group CEO in 2023, in particular the lower AVP award, which has contributed to around a 20% reduction in the single figure total remuneration when compared with 2022. Variable remuneration makes up a greater proportion of remuneration for Executive Directors and senior managers compared to the wider workforce and is more directly linked to financial performance.

Methodology

The Companies (Miscellaneous Reporting) Regulations 2018 permit different options for calculating the pay ratio. We have chosen option B as our method for calculating the pay ratio for 2023, consistent with the methodology for gender pay reporting. The total remuneration figures for the UK employees are based on salaries at 1 December 2023. Bonus amounts for 2023 are not able to be determined for some eligible employees until after publication of this report, and therefore it is not possible to determine the exact 2023 total remuneration for all UK employees as is required for option A within this timescale. For completeness and transparency, we have included the pay ratios based on the option A method for previous years and we will also retrospectively disclose the pay ratio for 2023 based on the option A method in the 2024 report. We do not believe that this will result in pay ratio figures that are materially different to the 2023 figures disclosed above.

Social impact report
Our 2023 Social impact report is available on our Group website.
See: group.legalandgeneral.com/reports

Percentage change in directors' 2023 remuneration compared with all UK employees

As required by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the analysis covers all executive directors and non-executive directors.

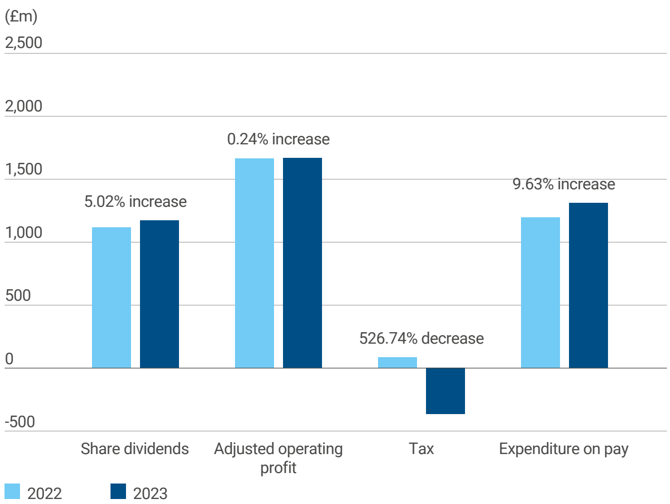
	Year ended 31 December 2023			Year ended 31 December 2022			Year ended 31 December 2021			Year ended 31 December 2020		
	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)	Base pay/ fees (% change)	Benefits (% change)	AVP (% change)
Executive directors												
Sir Nigel Wilson	**4.6%**	**(25.4)%**	**(38.5)%**	4.2%	4.1%	1.6%	0.0%	3.3%	301.6%	3.4%	3.4%	(73.2)%
Jeff Davies	**4.9%**	**(13.7)%**	**(39.8)%**	5.9%	4.0%	6.3%	0.0%	0.7%	282.2%	6.6%	6.3%	(72.1)%
Chair and Non Executive Directors[1]												
Sir John Kingman	**4.8%**	**n/a**	**n/a**	5.1%	n/a	n/a	4.2%	n/a	n/a	3.3%	n/a	n/a
Henrietta Baldock	**18.0%**	**n/a**	**n/a**	3.4%	n/a	n/a	0.8%	n/a	n/a	4.5%	n/a	n/a
Nilufer von Bismarck	**(8.0)%**	**n/a**	**n/a**	59.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Philip Broadley	**(3.7)%**	**n/a**	**n/a**	5.0%	n/a	n/a	28.7%	n/a	n/a	3.6%	n/a	n/a
Carolyn Johnson[2]	**2.0%**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lesley Knox	**8.0%**	**n/a**	**n/a**	3.5%	n/a	n/a	2.8%	n/a	n/a	1.9%	n/a	n/a
George Lewis	**25.1%**	**n/a**	**n/a**	69.9%	n/a	n/a	11.0%	n/a	n/a	4.9%	n/a	n/a
Ric Lewis	**3.4%**	**n/a**	**n/a**	8.1%	n/a	n/a	7.8%	n/a	n/a	n/a	n/a	n/a
Tushar Morzaria[2]	**2.3%**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Laura Wade-Gery[3]	**50.4%**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average for UK employees	**5.7%**	**5.7%**	**5.2%**	**4.7%**	**4.7%**	**(0.3)%**	**2.4%**	**2.4%**	**19.6%**	**3.5%**	**3.5%**	**2.7%**

1. The increase in fees for non-executive directors of the company reflects the increases in committee membership fees as well as changes in the membership of the committees.
2. Tushar Morzaria and Carolyn Johnson were appointed to the Board on 22 May 2022 and 17 June 2022 respectively, and the percentage increases for these non-executive directors are based on the change in annualised fees for 2022 compared with 2023.
3. The increase in fees for Laura Wade-Gery reflects her increased committee memberships and the increase in fee for her role as the Chair of the Data and Technology Committee.

As with prior years, the whole UK employee population has been selected as the comparator group. This group was chosen because it includes a wider cross section of the Group's employees. The increase in benefits for the employee comparator group relates to the impact of base pay increases.

Relative importance of spend on pay

The chart opposite shows the relative importance of expenditure on pay compared to share dividends, adjusted operating profit and tax for the year. Adjusted operating profit has been shown because it is a key performance indicator of the business. Further information on tax is on pages 233 to 237. No share buybacks were made in 2022 or 2023.



Remuneration Committee

The table below shows the members and attendees of the Remuneration Committee during 2023.

Committee members, attendees and advice

Meetings in 2023

During 2023, the Committee met eight times and in addition had ongoing dialogue via email and other telecommunications. An outline of the Committee undertakings in each quarter during 2023 is shown in the table below. During 2023, the Remuneration Committee comprised the following non-executive directors:

Non-executive director	Number of Remuneration Committee meetings attended during 2023 Scheduled	Ad-hoc
Lesley Knox	5/5	3/3
Henrietta Baldock	5/5	3/3
Philip Broadley	5/5	3/3
George Lewis	5/5	2/3
Ric Lewis	5/5	3/3
Tushar Morzaria	5/5	3/3
Laura Wade-Gery	5/5	3/3

Committee undertakings

Quarter	Governance	Performance	Remuneration policy	Regulatory
First	• Reviewed the 2022 gender pay gap report. • Reviewed findings of board effectiveness evaluation.	• Reviewed findings of the CRO report, 2023 Climate report and group-wide culture review. • Approved the 2022/23 annual pay review and executive pay awards. • Approved vesting of the 2020 PSP.	• Approved the 2023 AVP performance measures. • Approved 2023 PSP and SBP awards. • Approved the 2023 ShareSave invitation.	
Second			• Reviewed proposals for the introduction of a divisional long term incentive plan.	
Third	• Reviewed outcomes of AGM. • Reviewed 2023 gender pay gap figures.	• Financial update and indicative variable pay update for executive teams. • Reviewed PSP vesting forecasts and debated potential windfall gains in relation to 2021 PSP awards.	• Reviewed and approved proposals for alignment of senior management and wider workforce employer pension contributions. • Reviewed proposals for senior management grading review.	
Fourth	• Reviewed and approved the Committee's terms of reference. • Reviewed report on the activities of the Group Reward Steering Committee in 2023.	• Consideration of AVP out-turns in respect of 2023.	• Reviewed remuneration policy for the wider workforce. • Reviewed AVP and PSP performance measures and targets for 2024.	• Reviewed Code staff lists. • Approved remuneration policy statements for FCA and PRA. • Approved the 2024 maximum fixed to variable pay ratio for IFPR regulated firms.

At the invitation of the Remuneration Committee, the Group Chair attends Committee meetings. Where appropriate, the Group Chief Executive, the Group HR Director, Group Reward Director, Head of Executive Compensation, Director of Group Finance, Group Chief Risk Officer and Group Climate Director also attend meetings. No person is present during any discussion relating to that person's own remuneration.

At the invitation of the Remuneration Committee, a representative from PricewaterhouseCoopers (PwC) also attends Committee meetings. During 2023, PwC principally advised the Committee on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. PwC were appointed by the Committee. The Committee reflects on the quality of advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received from the PwC engagement team is objective and independent. PwC are signatories to the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The total fees paid to PwC in relation to Remuneration Committee work during 2023 were £198,600 (excluding VAT). While fee estimates are required for bespoke pieces of work, fees are generally charged based on time with hourly rates in line with the level of expertise and seniority of the advisor concerned. During the year, PwC also provided the company with HR consulting services including advice to management on regulatory aspects of reward, as well as other professional services including tax, consulting, accounting, regulatory compliance, and other advice to the Group.

Considering risk

The Reward Steering Committee (RSC) and the Group Regulatory Risk and Compliance Function make a key contribution to the process of designing reward structures and evaluating whether achievement of objectives and any payment from plans have taken into account the overall risk profile of the Group.

Reward Steering Committee (RSC)

Reporting to the Remuneration Committee, the RSC helps set the framework within which incentive arrangements are normally reviewed and implemented, with a view to supporting business strategy, whilst acting within the Group's risk appetite. The members of the RSC include the Group Chief Risk Officer, Non-financial Risk Director, Regulatory Risk Director, LGIM Chief Compliance Officer, the Director of Group Finance, the Group Reward Director and the Head of Executive Compensation.

Where a business unit tables a proposal for consideration, the relevant business manager is required to attend the RSC meeting to explain the background and to answer any questions from the RSC.

Group Regulatory Risk and Compliance Function

The Remuneration Committee also works closely with the Group Regulatory Risk and Compliance Function with respect to remuneration proposals.

In particular, the function reports to the Committee on an annual basis on whether any risks have been taken outside of pre-agreed parameters, whether there have been regulatory breaches, or whether they are aware of any other considerations that may lead the Committee to consider whether it should impact payments to employees (including in particular the executive directors and Code staff).

The Group Chief Risk Officer also specifically looks at the overall risk profile of the Group and whether executive directors have achieved objectives within the Group's accepted risk appetite, and also reviews the executive directors' objectives for the forthcoming year to ensure they are in line with the risk parameters.

Since the implementation of a new Solvency II remuneration policy in 2016, the scope of the Group Chief Risk Officer's report has been extended to consider whether there are any risk considerations which may warrant adjustments to the overall level of corporate annual variable pay awards.

Engagement with key stakeholders

The Committee seeks to maintain an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance and any changes to the Group's executive pay arrangements. During 2022, we reviewed our approach to remuneration in the context of future business strategy, updated investor guidelines and evolving best practice, and sought feedback from shareholders and representative bodies. The responses that we received helped shape our thinking with respect to the new remuneration policy which was approved by shareholders at the 2023 AGM in May 2023.

During 2024 the Committee will continue to closely examine our remuneration principles and policies to ensure they remain appropriate in the context of future business strategy, updated investor guidelines and evolving best practice and will consult with the Group's largest shareholders on any proposed changes.

We engaged regularly with our workforce throughout 2023, including via our workforce representative bodies Unite (the trade union) and our Management Consultative Forum on a number of topics, including pay, and propose to continue this dialogue in 2024, including in relation to our new remuneration policy.

Statement of voting at the Annual General Meeting (AGM) 2023

The table below shows the voting outcomes on the directors' remuneration policy and the directors' remuneration report at the last AGM in May 2023.

Item	For	Against	Abstain number
Remuneration policy	95.46%	4.54%	
	3,646,065,245	173,407,374	1,515,264
Remuneration report	95.71%	4.29%	
	3,655,778,819	163,680,654	1,524,911

Dilution limits

The Company's share plans operate within the Investment Association's dilution limit of 5% of issued capital in 10 years for executive schemes, and all its plans will operate within the limit of 10% of issued capital in 10 years for all schemes.

As at 31 December 2023, the Company had 4.93% of share capital available under the 5% in 10 years limit and 9.56% of share capital under the 10% in 10 years limit.

As at 31 December 2023, 59,773,855 shares were held by the Employee Benefit Trust in respect of outstanding awards of 78,896,736 shares for the PSP and SBP.

Other information relating to directors' remuneration

External appointments

During 2023, Sir Nigel Wilson held no external appointments. Jeff Davies was a non-executive director for Ethniki Hellenic General Insurance Company S.A.

External appointments are subject to annual agreement by the Board and must not be with competing companies. Fees may be retained by the individual subject to the Board's agreement.

Financial statements

Our networks

We dressed our London office for Pride in London 2023. Our L&GBT+Allies network arranged participation in the London, Cardiff, and Brighton & Hove marches. L&GBT+Allies is just one of our award winning employee resource groups, which work to foster a culture of diversity and inclusion across the Group.

Our networks:
- Culture Club
- Ability Network
- Family & Carers Exchange ("FACE")
- Women's Network
- Health & Wellbeing
- L&GBT+Allies Network
- Neurodiversity Network
- Social-Economic Mobility ("SEM")
- The Military Network

Group consolidated financial statements

Consolidated financial statements

The **Group consolidated financial statements** are divided into three sections:

- The **Primary statements and performance** section, which includes the Group primary statements and other notes which we believe are integral to understanding our financial performance.
- The **Balance sheet management** section, which provides further details on our financial position and approach to risk management.
- The **Additional financial information** section, which includes disclosures required to be compliant with accounting standards or the Companies Act. We view this information as important, but less significant in understanding our business and performance.

Contents

Independent auditor's report to the members of Legal & General Group Plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Legal & General Group Plc give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and parent company financial statements of Legal & General Group Plc (the Company) for the year ended 31 December 2023 (2023) included in the Annual report and accounts, which comprise:

Legal & General Group Plc and its subsidiaries	Parent company (Legal & General Group Plc)
Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows	Company Balance Sheet and Company Statement of Changes in Equity
Notes 1 to 41 to the Group financial statements, including the accounting policies in Note 1.	Notes 1 to 13 to the parent company financial statements, including the accounting policies in Note 1.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

Following our 2022 audit, and considering developments affecting the Group since then, we have updated our audit risk assessment for Key Audit Matters (KAMs) previously identified.

The risk associated with the valuation of UK annuity policyholder liabilities KAM (4.1) is predominantly driven by the inherent subjectivity associated with the longevity, expense and credit risk assumptions for UK annuity policyholder liabilities. We continue to consider the impact of external factors such as the current uncertain economic conditions including high inflation and higher market interest rates affecting the credit risk of assets backing annuity liabilities and the result of excess deaths on longevity assumptions. The risk in the current year has been further elevated due to the first time adoption of IFRS 17 Insurance contracts requiring certain methodologies and assumptions to be determined for the first time and applied retrospectively.

The risk associated with the valuation of hard to value (Level 3) investments KAM (4.2) is predominantly driven by the significant estimation uncertainty associated with valuing Level 3 investments, specifically UK lifetime mortgages, private credit portfolios, and investment property.

We have removed the pre-transition IFRS 17 insurance contract disclosure KAM from our 2022 report and included the relevant risks within the valuation of UK annuity policyholder liabilities KAM (4.1).

The continuing financial significance of the parent company's investment in subsidiaries drives the identification of recoverability of the parent company's investment in subsidiaries as a key area of focus for the parent company's audit (4.3).

Key audit matters	vs 2022	Item
Valuation of UK annuity policyholder liabilities	▲	4.1
Valuation of hard to value (Level 3) investments	◀ ▶	4.2
Parent company risk: Recoverability of parent company's investments in subsidiaries	◀ ▶	4.3

Audit Committee interaction

During the year, the Audit Committee met 6 times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit Committee in Section 4, including matters that required particular judgement.

The matters included in the Audit Committee report on page 86 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during 2023 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the directors for the year ended 31 December 2018. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2023.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Philip Smart, he will be required to rotate off after the 2027 audit.

The average tenure of partners responsible for component audits as set out in Section 7 below is 3 years, with the shortest being 1 and the longest being 5.

Total audit fee	£19.6m
Audit related fees (including interim review)	£2.6m
Other services	£0.9m
Non-audit fee as a % of total audit and audit related fees	4.1%
Date first appointed	17 May 2018
Uninterrupted audit tenure	6 years
Next financial period which requires a tender	2028
Tenure of Group engagement partner	1 year
Average tenure of component signing partners	3 years

Materiality (Item 6 below)
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

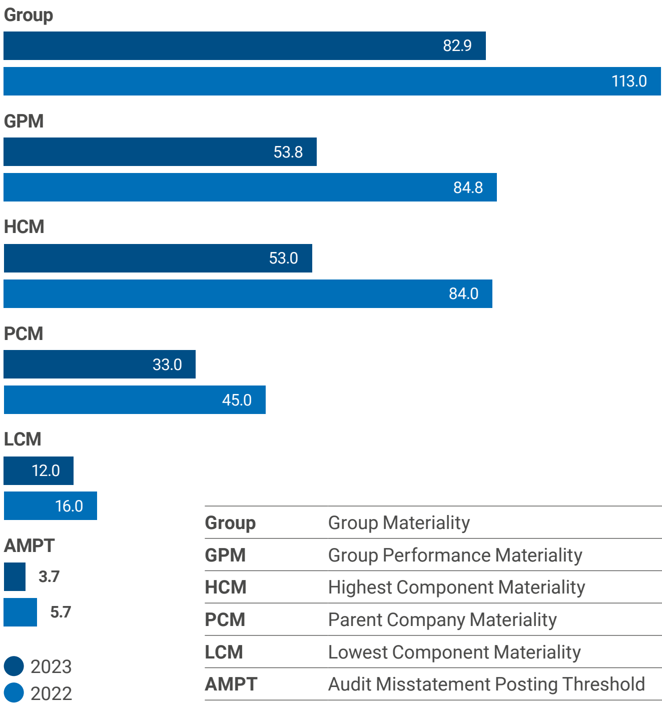
We have determined overall materiality for the Group financial statements as a whole at £82.9m (2022: £113.0m) and for the parent company financial statements as a whole at £33.0m (2022: £45.0m).

Consistent with 2022, we determined that profit before tax from continuing operations (PBTCO) normalised to exclude this year's investment and other variances and losses attributable to non-controlling interests remains the benchmark for the Group due to its importance to users of the financial statements because the share price is more sensitive to changes in the PBTCO than other metrics. As such, we based our Group materiality on the normalised PBTCO of which it represents 4.87% (2022: 4.71% with reference to a benchmark under IFRS 4).

In addition, we applied materiality of £3.3bn (2022: £3.3bn) to the unit linked assets and liabilities in the Consolidated Balance Sheet, Consolidated Income Statement and related notes, of which it represents 0.9% (2022: 0.9%) of unit linked assets and liabilities, in accordance with FRC Practice Note 20 The Audit of Insurers in the United Kingdom.

Materiality for the parent company financial statements as a whole was set at £33.0m (2022: £45.0m), which is the component materiality for the parent company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to parent company net assets (2022: total assets), of which it represents 0.47% (2022: 0.36%). We selected net assets as the benchmark in the current period due to the users of the financial statements focus on the parent entity's capital and distributions.

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PCM	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group scope (Item 7 below)
We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

We have performed audit procedures centrally across the Group, set out in more detail in Section 7.

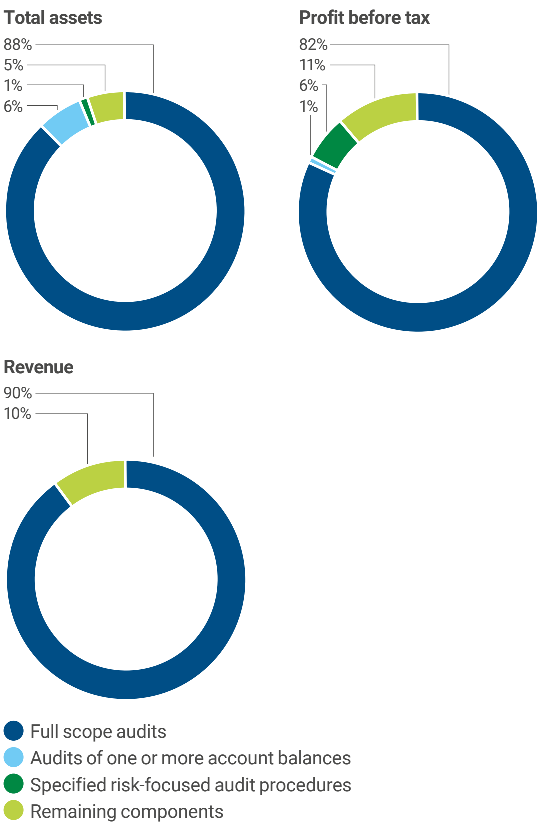
Of the Group's 16 (2022: 12) in-scope reporting components, we subjected 7 (2022: 7) to full scope audits for Group purposes, 3 (2022: 1) to audit of account balance and 6 (2022: 4) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed. We have increased our in-scope reporting components in 2023 as a result of the reduction in insurance profits under IFRS 17 as a portion of the Group's profit before tax to ensure we have sufficient coverage over profit metrics. The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components, set out in more detail in Section 7. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team visited component locations in London, Edinburgh, and Baltimore, USA to assess the audit risk and strategy and the component team responses and findings to the identified risks. Video and telephone conference meetings were also held with those component auditors that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. Further details are set out in Section 7.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements



KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

The impact of climate change on our audit
In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

Climate change, and the associated initiatives and commitments, impact the Group in a variety of ways including the potential financial risks which could arise from the associated physical and transition risks and the greater narrative and disclosure of the impact of climate change risk that is incorporated into the Annual report and accounts. The Group's exposure to climate change is primarily through climate related transition risks which potentially impact the carrying amount of investments and potential reputational risk associated with the Group's delivery of its climate related commitments. The Group has set out its commitments under the Paris objective to achieve net zero carbon emissions by 2050 in its Strategic Report on page 45.

As a part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements, including how climate is considered as part of the investment making and monitoring processes, and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. This included evaluating the impact of management's stress test scenarios and holding discussions with our own climate change professionals to challenge our risk assessment.

On the basis of the risk assessment procedures performed above and taking into account the nature of the Group's assets and basis of the related valuations, we concluded that, while climate change may pose a risk to the determination of asset values, the risk was not significant in the current year. As a result, there was no significant impact from climate change on our KAMs.

We have also read the disclosures of climate related information in the Strategic Report as set out on pages 41 to 45 and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent company or to cease their operations, and as they have concluded that the Group's and the parent company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group and parent company, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the Group and parent company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Group's and parent company's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment including, but not limited to, wider credit spreads and defaults which affect regulatory capital solvency coverage ratios, liquidity ratios, the valuations of the Group's hard to value (Level 3) investments that require judgement and valuation of insurance contract liabilities; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as the failure of counterparties who have transactions with the Group (such as banks and reinsurers), which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources by the Group's financial forecasts.

We considered whether the going concern disclosure in Note 1 (ii) to the financial statements gives an accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of preparation without any material uncertainty for the Group and parent company to be appropriate. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent company will continue in operation.

Our conclusions
- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in Note 1 (ii) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent company's use of that basis for the going concern period, and we found the going concern disclosure in Note 1 (ii) to be acceptable; and
- The related statement under the Listing Rules set out on page 267 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability	
Our responsibility We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. Based on those procedures, we have nothing material to add or draw attention to in relation to: • the directors' confirmation within the viability statement on page 56 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; • the risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and • the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to review the viability statement set out on page 55 under the Listing Rules. Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent company's longer-term viability.	**Our reporting** We have nothing material to add or draw attention to in relation to these disclosures. We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean
KAMs are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: • the overall audit strategy; • the allocation of resources in the audit; and • directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

4.1 Valuation of UK annuity policyholder liabilities (Group)

Financial statement elements				Our assessment of risk vs 2022		Our results
UK annuity policyholder liabilities included within insurance contract liabilities	**2023 £86.706bn**	2022 £73.729bn	Transition £93.627bn	▲	We have identified increased risk in 2023 compared to 2022 driven by the first year of implementation of IFRS 17.	**2023: Acceptable** 2022: Acceptable Transition: Acceptable

Description of the key audit matter

The implementation of IFRS 17 has resulted in the entity applying the transitional rules in the standard which have a consequential effect on the transition date balance sheet, subsequent balance sheets and the period profit and loss accounts. The insurance contract liabilities balance now primarily consists of the present value of future cash flows, risk adjustment for non-financial risk and contractual service margin (CSM) components.

Subjective valuation:
The valuation of insurance contract liabilities is an inherently subjective area, requiring management judgement in the setting of key assumptions. The longevity, credit risk, and expense assumptions involve the greatest level of subjectivity. A small change in these assumptions can have a significant impact on the estimates of future cash flows. We consider the risk to remain heightened in the current year due to the higher degree of estimation uncertainty resulting from changes in demographic trends, including those triggered by the Coronavirus pandemic (Covid-19) and ongoing economic uncertainties as a result of high inflation and higher market interest rates.

The risk in the current year has been further elevated due to the first-time adoption of IFRS 17 Insurance Contracts requiring certain methodologies and assumptions to be determined for the first time.

Longevity assumptions
Longevity assumptions have two main components: mortality base assumptions and the rate of mortality improvements. The changing trends in longevity and emerging medical trends mean there is a high level of uncertainty in the assumptions. This uncertainty continues to be heightened in the current year due to the potential medium and long-term impacts of a variety of factors that are driving excess deaths. There is also a high degree of reliance on Continuous Mortality Investigations (CMI) models. Hence, there is a risk that other mortality and health data sources are not appropriately considered under the assumption setting methodology.

Credit assumptions
The Group's current discount rates are derived by adjusting a reference asset portfolio for risks not present in the related insurance liabilities, in particular credit risk, such that the discount rate includes a yield above the risk-free rate that appropriately reflects the risks in the liabilities, in particular their illiquid nature. The credit risk deduction methodology is judgmental and small changes in this can have a significant impact on the present value of future cash flows.

The assumptions surrounding this deduction require significant judgement and there is a risk that current actual default experience and anticipated trends are not appropriately reflected. This is particularly significant during the current uncertain economic conditions of high inflation and higher market interest rates.

IFRS 4 did not require entities to discount insurance liabilities in the same way that IFRS 17 does and therefore the Group has had to determine the discount rates to be applied both in the current and preceding years.

Expense assumptions
Judgement is required in setting the maintenance expense assumption which is based on management's long-term view of the expected future costs of administering the underlying policies, and is also informed by the allocation between cost centres and determination of costs that are directly attributable to the maintenance of annuity insurance contracts.

Like discount rates above, IFRS 4 did not require entities to identify and allocate expense assumptions in the same way that IFRS 17 does and therefore the Group has had to determine the expense assumptions to be applied both in the current and preceding years.

Our response to the risk

We used our own actuarial specialists in order to assist us in performing procedures over methodology choice and assumptions in this area. Our procedures to address the risk included:

- **Control design and re-performance:** testing reconciliation controls designed to ensure completeness of data flows from policy administration systems to the actuarial models. With the assistance of our IT audit specialists, testing controls over the accuracy of data flows and data conversions from policy administration systems to the actuarial valuation models.
- **Test of detail:** testing the completeness of data used in the valuation of annuity liabilities by reconciling the data from the policy administration system to the data used in the actuarial models.
- **Test of detail:** by utilising data and analytics procedures, testing the accuracy of historical data input into the actuarial model by comparing the data used for reporting as at 31 December 2023 to the data used for reporting as at 31 December 2022 in relation to policies that were in force at that time.
- **Test of detail:** tracing a sample of new business policyholder data inputs into the actuarial valuation model to the underlying policy documents.
- **Test of detail:** reconciling the completeness and accuracy of the assets used in the calculation of the current discount rate to the assets in the reference portfolio.
- **Test of detail:** for a sample of assets, validating the accuracy of the asset data used to project the cash flows used to derive the yield used in the calculation of the current discount rate and, with the assistance of our valuation specialists, re-projecting these cash flows.
- **Historical comparisons:** evaluating whether the expense assumptions reflect the expected future costs of administering the underlying policies by considering the historical accuracy of management's forecast expenses and analysing the allocations of the forecast 2024 costs to directly attributable maintenance expenses with reference to the historical allocations.
- **Methodology choice:** assessing the appropriateness of the methodology for selecting assumptions by applying our understanding of developments in the business and expectations derived from market experience, including consideration of the effects of uncertain economic conditions on policyholder mortality and credit risk. For longevity assumptions, this includes consideration of the cause of death modelling performed by management and other non-CMI sources alongside the CMI modelling used across the industry.
- **Accounting analysis:** assessing whether the Group's proposed methodology for determining the discount rate credit deduction and reference portfolios is consistent with the requirements of IFRS 17.
- **Benchmarking assumptions:** assessing mortality improvement assumptions against industry data on expected future mortality rate improvements and industry historic mortality improvement rates and assessing the appropriateness of the credit risk assumptions by comparing to industry practice and our expectations derived from market experience.
- **Historical comparisons:** evaluating the mortality base assumptions used in the valuation of the annuity liabilities by comparing to the Group's historic mortality experience.

UK deferred annuity coverage units
- **Accounting analysis:** assessing whether management's proposed UK deferred annuity coverage unit methodology is consistent with IFRS 17 and related guidance.
- **Our sector experience:** evaluating whether management's proposed UK deferred annuity coverage unit methodology is consistent with our understanding of the services delivered to the policyholder over the duration of the annuity contract.
- **Scenario analysis:** assessing whether under management's methodology, the calculation of coverage units, and their associated weightings, produces impacts on the profile of profit recognition that were consistent with our expectations based on our understanding of the services delivered to the policyholder over the duration of the annuity contract considering the impact of possible scenarios.

4.1 Valuation of UK annuity policyholder liabilities (Group)	
Description of the key audit matter	**Our response to the risk**
UK deferred annuity coverage units The CSM recognised at the inception of an insurance contract should be released to profit over the duration of the contract to reflect the insurance services provided to the policyholder in each period. Under IFRS 17, 'coverage units' represent those insurance contract services. The amount of the CSM recognised as insurance revenue in a period is determined by allocating the CSM at the end of a period over the current and future periods by reference to the coverage units expected to be provided in those periods. The determination of coverage units for UK deferred annuities in the deferral phase, and in particular the relative weighting of different services, is highly subjective given the mix of services delivered in the different phases of the contract. The concept of coverage units did not exist under IFRS 4 and therefore the Group has had to determine the coverage units to be applied both in the current and preceding years. **Transition fair value approach and expected internal rate of return** The Group has estimated the transition CSM as at 1 January 2022 for annuity liabilities written pre-2016 on the basis of the 'fair value approach'. The determination of the fair value of this portfolio of business is inherently subjective, particularly in the setting of key assumptions, and small changes in certain assumptions could have a material impact on the estimated transition CSM within insurance contract liabilities. The fair value approach is determined by discounting the expected future capital releases emerging from the pre-2016 annuity business at the expected internal rate of return (IRR). Under IFRS 13, Fair Value Measurement, this should be the return that another market participant would demand to assume the liabilities. In determining this IRR, the Group assumes that the primary constraint is the Solvency II capital requirement. Whilst the UK bulk annuity market is relatively active, there are no previous transactions of this size, and as such significant judgement is applied in setting the IRR assumption. **Data capture** There is a risk that incomplete and inaccurate data is used in the calculation of liabilities resulting from error in input of data into the policy administration systems or inaccurate transfer or conversion of aggregate data from the policy administration systems into model point files used to value the liabilities in the actuarial models. In addition, there is a risk that inaccurate asset data is used to calculate the discount rates. **Estimation uncertainty:** The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contract liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements disclose the sensitivities (Note 19) estimated by the Group.	**Transition fair value approach and expected internal rate of return** • **Our sector experience:** evaluating management's approach to the fair value calculation and in particular the assertion that the methodology the Group applies in pricing bulk annuity transactions, including the application of a pricing IRR, is appropriate to be used in the valuation of the pre-2016 UK annuity portfolio given the Group's participation in the bulk annuity market. • **Benchmarking assumptions:** evaluating and challenging the proposed IRR by comparing to the rate implied by recent bulk annuity transactions as at the transition balance sheet date. • **Benchmarking assumptions:** validating that the Group's assumption that the primary constraint is Solvency II capital requirements is consistent with the market through benchmarking against other annuity writers. • **Evaluating external valuations:** the Group engaged an external expert to report on the valuation of the pre-2016 annuity liabilities; we evaluated this report including assessing the expert's competence and objectivity, and comparing the Group's valuation, resulting from the application of the IRR, to the valuation range determined by an external expert. • **Assessing transparency:** considering whether the disclosures in relation to the assumptions used in the calculation of the valuation of insurance contract liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Communications with Legal & General Group Plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of UK annuity policyholder liabilities included within insurance contract liabilities including fair value transition approach, the approach to determining the discount rate, the determination of coverage units, details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of the Group's methodology for setting assumptions and calculating policyholder liabilities and accounting policies.
- Our conclusions on the appropriateness of the longevity, credit, and expense assumptions, including challenge of the assumptions using our sector experience and market knowledge.
- The adequacy and appropriateness of the disclosures, particularly as it relates to new required disclosures under IFRS 17 including the sensitivity of insurance contract liabilities to key assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- The appropriateness of the assumptions including longevity, credit, and expense assumptions.
- The significance of the inputs into the actuarial models and the consequent impact on the valuation of policyholder liabilities.
- The approach to determining the fair value of the pre-2016 UK annuity business. This is based on the premise that there is an active market for bulk annuities in the UK and although the recent transactions were not as large as the LGRI pre-2016 business, recent transactions are relevant inputs to the calibration of the IRR.
- The approach and methods applied to determine the discount rates, including the credit default deduction.
- The appropriate coverage units to apply in calculating the release of CSM on UK deferred annuities. This requires significant judgement in the absence of specific guidance from the accounting setters and a lack of consensus amongst other annuity writers at the time this approach was being developed.

Our results
We found the resulting estimate of the valuation of UK annuity policyholder liabilities within insurance contract liabilities to be acceptable (2022 result: acceptable).

Further information in the Annual report and accounts: See the Audit Committee Report on page 90 for details on how the Audit Committee considered the valuation of UK annuity policyholder liabilities within insurance contract liabilities as an area of significant attention, page 152 for the accounting policy on insurance contract liabilities and Notes 17, 18, 19 and 20 for the financial disclosures.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

4.2 Valuation of hard to value (Level 3) investments (Group)

Financial statement elements			Our assessment of risk vs 2022	Our results
	2023	2022		
UK lifetime mortgages	**£5.324bn**	£4.801bn	◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to valuation of hard to value (Level 3) investments compared to 2022.	**2023: Acceptable** 2022: Acceptable
Private credit portfolios	**£12.258bn**	£9.178bn		
Investment property	**£8.893bn**	£9.372bn		

Description of the key audit matter

Subjective valuation:

6.7% of the investment portfolio as at 31 December 2023 (2022: 6.3%) was classified as Level 3 assets, of which we consider the valuation of lifetime mortgages, private credit and investment property involve the greatest level of subjectivity. The subjectivity of the asset valuations remains heightened due to the current economic conditions caused by the ongoing uncertainties as a result of high inflation and higher market interest rates.

For these positions a reliable third-party price from a recent market transaction is not readily available and therefore the application of expert judgement from management in the valuations adopted is required.

The key assumptions underlying the valuations are:

- **UK lifetime mortgages:** property price at the valuation date, property price inflation, property price inflation volatility, voluntary redemption rate and the illiquidity premium added to the risk-free rate.
- **Private credit and US private placements:** credit ratings derived from credit rating models.
- **Investment property:** estimated rental value and yield of the property.

Estimation uncertainty:
The effect of these matters is that, as part of our risk assessment, we determined that the valuation of hard to value (Level 3) investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response to the risk

Our procedures to address the risk included:

- **Control design and implementation:** testing of the design and implementation of key controls over the valuation process for UK lifetime mortgages, private credit and investment property investments.
- **Our valuation expertise:**
  - Using our own valuation specialists to assess the suitability of the valuation and credit rating methodologies used by the Group, to independently revalue a sample of the private credit investments; and
  - Using our own actuarial specialists to evaluate the appropriateness of the assumptions used in the valuation of UK lifetime mortgages with reference to market data and industry benchmarks.
- **Assessing valuers' credentials:** assessing the objectivity, professional qualifications and competence of external valuers of private credit, and investment property investments and reconciling the valuations provided by them to the valuations recorded in the financial statements.
- **Methodology choice:** assessing the appropriateness of the credit rating methodologies for private credit and investment property investments with reference to relevant accounting standards and the Group's own valuation guidelines as well as industry practice.
- **Benchmarking assumptions:** evaluating and challenging the key assumptions upon which the valuations of lifetime mortgages, private credit and investment property investments were based, including consideration of the impacts of economic uncertainties, by making a comparison to our own understanding of the market, comparable evidence relied on by the valuers used by the Group and to industry benchmarks.
- **Assessing transparency:** assessing whether the disclosures in relation to the valuation of hard to value (Level 3) investments are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuation to alternative assumptions.

Communications with Legal & General Group Plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the valuation of the UK lifetime mortgages, private credit portfolios, investment property hard to value (Level 3) investments, including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of the methodology adopted by the Group to the valuation of UK lifetime mortgages, private credit portfolios, investment property hard to value (Level 3) investments.
- The adequacy of the disclosures, particularly as they relate to the sensitivity of Level 3 investments to key assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- Determination of the valuation methodology where external pricing sources are not readily available or unreliable.
- The appropriateness of the credit ratings and valuation of internally rated investments.
- The appropriateness of the assumptions including UK lifetime mortgage property price at valuation date, property price inflation, property price volatility and voluntary redemptions.

Our results
We found the resulting estimate of the valuation of hard to value (Level 3) investments to be acceptable (2022 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 90 for details on how the Audit Committee considered the valuation of hard to value (Level 3) investments as an area of significant attention, page 152 for the accounting policy for Level 3 investments, and Note 11 for the financial disclosures.

4.3 Recoverability of parent company's investment in subsidiaries (Parent)					
Financial statement elements			**Our assessment of risk vs 2022**		**Our results**
Parent company risk: Recoverability of the parent company's investments in subsidiaries	**2023** **£10.982bn**	2022 £10.740bn	◀ ▶	We have not identified any significant changes to our assessment of the level of risk relating to Recoverability of the parent company's investment in subsidiaries compared to 2022.	**2023: Acceptable** 2022: Acceptable

Description of the key audit matter	**Our response to the risk**
Low risk, high value: The carrying amount of the parent company's investments in subsidiaries represents 89.2% (2022: 85.4%) of the parent company's total assets. Their carrying amount is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	We performed the tests below rather than seeking to rely on any of the parent company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Test of details:** comparing the carrying amount of the parent company's investments, with the subsidiaries' financial information to identify whether their net assets, being an approximation of their minimum recoverable amount, are in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Comparing valuations:** for the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business.

Communications with Legal & General Group Plc's Audit Committee	**Our results**
Our discussions with and reporting to the Audit Committee included: • Our approach to the audit of the recoverability of the parent company's investment in subsidiaries. • Our conclusions on the appropriateness of the valuation of the parent company's investment in subsidiaries.	We found the balance of the parent company's investments in subsidiaries and the related impairment charge to be acceptable (2022: acceptable).

Further information in the Annual report and accounts: See page 258 for the accounting policy on investments in subsidiaries and Note 6 for the Company financial disclosures.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the Audit Committee, internal audit, Group Financial Crime Director as to whether they have knowledge of any actual, suspected or alleged fraud and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing";
- reading Board, Audit Committee and Risk Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management;
- using our own professionals with forensic knowledge to assist us in identifying fraud risks based on discussion of the circumstances of the Group;
- using analytical procedures to identify any unusual or unexpected relationships;
- inspecting correspondence with regulators to identify instances or suspected instances of fraud;
- reviewing the audit misstatements from prior period to identify fraud risk factors; and
- reading broker reports and other public information to identify third-party expectations and concerns.

Risk communications
We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

Fraud risks
As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting estimates and judgements. Accordingly, we identified fraud risks related to the valuation of insurance contract liabilities and valuation of hard to value (Level 3 assets) that require management judgement (private credit and lifetime mortgages) given the impact on the Group's profit, the opportunity for management to manipulate assumptions due to the subjectivity involved and given the long-term nature of these assumptions which are more difficult to corroborate.

We have identified a fraud risk over revenue recognition for UK deferred annuities, as the release of profits requires management to exercise significant judgment with respect to the determination of coverage units, which ultimately determines how revenue is released and recorded each period.

We do not believe there is a fraud risk related to any other Group revenue because there is limited management judgement involved in the recognition of and measurement of the transaction price for all material revenue streams.

Link to KAMs
We identified fraud risks related to the valuation of UK annuity policyholder liabilities, and valuation of hard to value (Level 3) investments in response to possible pressures to meet profit targets.

Further detail in respect of the valuation of UK annuity policyholder liabilities, and valuation of hard to value (Level 3) investments is set out in the two KAM disclosures in Section 4 of this report.

Procedures to address fraud risks
We performed procedures including:

- instructing full scope components and components completing audit of account balances to identify journal entries to test based on high-risk criteria sent to them and comparing the entries to supporting documentation. These included, but were not limited to, journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedures;
- evaluating the business purpose of significant unusual transactions; and
- assessing whether the judgements made making accounting estimates are indicative of a potential bias.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the Group's procedures for complying with regulatory requirements.

Risk communications
We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

Direct laws context and link to audit
The potential effect of laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Most significant indirect law/regulation areas
The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate.

We identified the following areas as those most likely to have such effect:

- Specific aspects of regulatory capital and liquidity;
- Market abuse regulations;
- Financial crime and customer conduct regulations;
- The Consumer Duty; and
- Certain aspects of company legislation, recognising the financial and regulated nature of the Group's activities and certain regulated subsidiaries.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

KPMG

Independent auditor's report to the members of Legal & General Group Plc continued

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

Materiality for the Group financial statements as a whole

£82.9m
(2022: £113.0m)

What we mean
A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied
Materiality for the Group financial statements as a whole was set at £82.9m (2022: £113.0m). This was determined with reference to a benchmark of profit before tax from continuing operations (PBTCO) normalised to exclude this year's investment and other variances and losses attributable to non-controlling interests disclosed in Note 2 of the financial statements that do not represent normal continuing operations of the business.

Consistent with 2022, normalised PBTCO remains the main benchmark for the Group because it is the metric in the primary statements which best reflects the focus of the financial statements' users.

Our Group materiality of £82.9m (2022: £113.0m) was determined by applying a percentage to the normalised PBTCO. When using a benchmark of normalised PBTCO to determine overall materiality, KPMG's approach for listed entities considers a guideline range 3% - 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.87% (2022: 4.71% with reference to a benchmark under IFRS 4) to the final year end benchmark.

In addition, we applied materiality of £3.3bn (2022: £3.3bn) to the unit linked assets and liabilities in the Consolidated Balance Sheet, Consolidated Income Statement and related notes, which represents 0.9% (2022: 0.9%) of the total unit linked asset balance. This materiality was applied in accordance with FRC Practice Note 20 The Audit of Insurers in the United Kingdom.

Materiality for the parent company financial statements as a whole was set at £33.0m (2022: £45.0m), which is the component materiality for the parent company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to parent company net assets (2022: total assets), of which it represents 0.47% (2022: 0.36%). We selected net assets as the benchmark in the current period due to the users of the financial statements focus on the parent entity's capital and distributions.

Performance materiality

£53.9m
(2022: £84.8m)

What we mean
Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied
We have considered performance materiality at a level of 65% (2022: 75%) of materiality for both the Group financial statements and the parent company financial statements as a whole to be appropriate.

We applied this percentage in our determination of performance materiality based on the additional risk associated with the first-year implementation of IFRS 17.

Audit misstatement posting threshold

£3.7m
(2022: £5.7m)

What we mean
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to the Group's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied
We set our audit misstatement posting threshold at 4.5% (2022: 5.0%) of our materiality for both the Group financial statements and parent company. The decrease is a result of our assessment of increased aggregation risk, consistent with performance materiality above. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £82.9m (2022: £113.0m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Total Group profit before tax		Total Group assets	
	2023	2022*	2023	2022*	2023	2022*
Group materiality as % of caption	**0.68%**	0.13%	**4.87%**	4.14%	**0.02%**	0.02%

* With reference to a benchmark under IFRS 4.

7. The scope of our audit

Group scope
What we mean
How the Group audit team determined the procedures to be performed across the Group.

The Group has 16 (2022: 12) in-scope reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.

We determined individually financially significant components as those contributing at least 5% (2022: 5%) of total Group revenue and Group profit before tax, and 10% (2022: 10%) of total Group assets. We selected total Group revenue, total Group profit before tax and total Group assets because these are the most representative of the relative size of the components. We identified 5 (2022: 6) components as individually financially significant components and performed full scope audits on these components.

In addition to the individually financially significant components, we identified 3 (2022: 4) components as significant, owing to significant risks of material misstatement affecting the Group financial statements. Of the 3 (2022: 4) components identified as significant due to risk, we performed audits of account balances for investment property, cash and cash equivalents and receivables and other assets on 1 component (2022: 1) and performed specific risk-focused audit procedures over financial investments, investment property, cash and cash equivalents, receivables and other assets and investment in associates and joint ventures accounted for using the equity method on 2 components (2022: 3).

In addition, to enable us to obtain sufficient appropriate audit evidence for the Group financial statements as a whole, we selected 8 (2022: 2) components on which to perform procedures. Of these components, we performed full scope audits for 2 components (2022: 1), performed audits of account balances for financial investments, cash and cash equivalents, receivables and other assets, provisions, payables, core borrowings, and other financial liabilities on 2 components (2022: 0) and performed specific risk-focused procedures over provisions, cash and cash equivalents, investment return and other expenses on 4 components (2022: 1).

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives calculated with reference to amounts under IFRS 4 indicated in brackets:

Scope	Number of components	Range of materiality applied	Group revenue	Group PBT	Group total assets
Full scope audit	**7** (7)	**£20m – £53m** (£16m – £85m)	**90%** (96%)	**82%** (81%)	**88%** (83%)
Audits of one or more account balances	**3** (1)	**£16m – £20m** (£39m)	**0%** (1%)	**1%** (9%)	**6%** (2%)
Specific risk-focused audit procedures	**6** (4)	**£12m – £49m** (£22m – £67m)	**0%** (1%)	**6%** (1%)	**1%** (12%)
Total	**16** (12)		**90%** (98%)	**89%** (91%)	**95%** (97%)

The remaining 10% (2022: 2%) of total Group revenue, 12% (2022: 9%) of Group profit before tax and 7% (2022: 3%) of total Group assets is represented by 68 (2022: 78) reporting components, none of which individually represented more than 1% (2022: 1%) of any of total Group revenue, 3% of Group profit before tax (2022: 4%) or 1% of total Group assets (2022: 1%). For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 12 of the 16 components (2022: 11 of the 12 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. For those items excluded from normalised Group PBTCO, the component teams performed procedures on items relating to their components. The Group team performed procedures on the remaining excluded items.

The Group audit team has also performed audit procedures on the following areas on behalf of the components:

- Entity level controls;
- General expenses (including accounts payable, payroll, intangible capitalisation and year-end accruals);
- Intercompany balances;
- Directors' emoluments;
- Foreign exchange rates; and
- Related parties.

These items were audited by the Group team as they are all centralised processes across the Group. The Group team communicated the results of these procedures to the component teams.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Independent auditor's report to the members of Legal & General Group Plc continued

Group audit team oversight
What we mean
The extent of the Group audit team's involvement in component audits.

In working with component auditors, we:
- Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components, including the key audit matters in respect of KAM 4.1, KAM 4.2 and KAM 4.3.
- Issued Group audit instructions to component auditors on the scope of their work, including specifying the minimum procedures to perform in their audit, setting out the significant areas to be covered including the relevant key audit matters and information to be reported back to the Group audit team.
- Held risk assessment update discussions with all component audit teams before the commencement of the final phase of the audit led by the Group engagement partner and engagement quality control partner.
- Of the audits not performed by the Group Team, we visited 9 of 12 (2022: 9 of 11) components in-person, including London, Edinburgh, and Baltimore, USA, as the audit progressed to understand and challenge the audit approach and organised fortnightly video conferences with the partners and directors of the Group and component audit teams. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams.
- Inspected component audit teams' key work papers in-person and using remote technology capabilities to evaluate the quality of execution of the audits of the components with a particular focus on work related to key audit matters and significant risks over the valuation of insurance contract liabilities and valuation of hard to value (Level 3) investments.

8. Other information in the Annual report and accounts

The directors are responsible for the other information presented in the Annual report and accounts together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting
Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting
Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' report on remuneration

Our responsibility
We are required to form an opinion as to whether the part of the Directors' report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting
In our opinion the part of the Directors' report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the Annual report and accounts and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual report and accounts describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual report and accounts that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting
Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

Our responsibility
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

Our reporting
We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' report on remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting
We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 267, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Group is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Smart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

5 March 2024

Primary statements and performance

Consolidated Income Statement

For the year ended 31 December 2023	Notes	2023 £m	Restated[1] 2022 £m
Insurance revenue	2(vi), 20	**9,624**	8,683
Insurance service expenses	3, 20	**(8,373)**	(7,497)
Insurance service result before reinsurance contracts held		**1,251**	1,186
Net expense from reinsurance contracts held	20	**(137)**	(145)
Insurance service result	20	**1,114**	1,041
Investment return	27	**32,973**	(98,352)
Finance (expense)/income from insurance contracts	27	**(5,830)**	19,114
Finance income from reinsurance contracts	27	**584**	6
Change in investment contract liabilities	21	**(27,116)**	79,889
Insurance and investment result		**1,725**	1,698
Other operational income		**1,571**	1,646
Fees from fund management and investment contracts	2(vi)	**825**	899
Acquisition costs		**(149)**	(103)
Other finance costs	22	**(347)**	(290)
Other expenses	3	**(3,430)**	(2,911)
Total other income and expenses		**(1,530)**	(759)
Profit before tax		**195**	939
Tax expense attributable to policyholder returns	28	**(119)**	(71)
Profit before tax attributable to equity holders	2(vi)	**76**	868
Total tax credit/(expense)	28	**248**	(157)
Tax expense attributable to policyholder returns	28	**119**	71
Tax credit/(expense) attributable to equity holders	28	**367**	(86)
Profit for the year		**443**	782
Attributable to:			
Non-controlling interests		**(14)**	(1)
Equity holders		**457**	783
Dividend distributions to equity holders during the year	4	**1,172**	1,116
Dividend distributions to equity holders proposed after the year end	4	**871**	829
		p	p
Total basic earnings per share[2]	5	**7.35**	12.84
Total diluted earnings per share[2]	5	**7.28**	12.47

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the Group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1. These corrections have been applied consistently to all affected disclosure notes in the consolidated financial statements.
2. All earnings per share calculations are based on profit attributable to equity holders of the Company.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023	2023 £m	Restated[1] 2022 £m
Profit for the year	**443**	782
Items that will not be reclassified subsequently to profit or loss		
Actuarial remeasurements on defined benefit pension schemes	**(29)**	26
Tax on actuarial remeasurements on defined benefit pension schemes	**8**	(6)
Total items that will not be reclassified subsequently to profit or loss	**(21)**	20
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas operations	**(6)**	(21)
Movement in cross-currency hedge	**(37)**	40
Tax on movement in cross-currency hedge	**9**	(10)
Movement in financial investments measured at FVOCI	**75**	(132)
Tax on movement in financial investments measured at FVOCI	**(18)**	28
Insurance finance (expense)/income for insurance contracts applying the OCI option	**(73)**	1,753
Reinsurance finance income/(expense) for reinsurance contracts applying the OCI option	**43**	(1,030)
Tax on movement in finance income/(expense) for insurance and reinsurance contracts	**6**	(169)
Total items that may be reclassified subsequently to profit or loss	**(1)**	459
Other comprehensive (expense)/income after tax	**(22)**	479
Total comprehensive income for the year	**421**	1,261
Total comprehensive income/(expense) for the year attributable to:		
Non-controlling interests	**(14)**	(1)
Equity holders	**435**	1,262

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the Group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1. These corrections have been applied consistently to all affected disclosure notes in the consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2023	Notes	2023 £m	Restated[1] 2022 £m	Restated[1] 2021 £m
Assets				
Goodwill		**73**	71	68
Intangible assets	9	**477**	441	365
Investment in associates and joint ventures accounted for using the equity method		**616**	554	375
Property, plant and equipment	10	**433**	326	316
Investment property	11	**8,893**	9,372	10,150
Financial investments	11	**471,405**	446,558	537,629
Reinsurance contract assets	20	**7,306**	4,713	4,652
Deferred tax assets	28	**1,714**	1,440	1,167
Current tax assets	28	**885**	802	670
Receivables and other assets	13	**9,780**	13,209	8,543
Cash and cash equivalents	14	**20,513**	35,784	16,487
Total assets		**522,095**	513,270	580,422
Equity				
Share capital	32	**149**	149	149
Share premium	32	**1,030**	1,018	1,012
Employee scheme treasury shares	32	**(147)**	(144)	(99)
Capital redemption and other reserves		**326**	337	(135)
Retained earnings		**2,973**	3,707	4,033
Attributable to owners of the parent		**4,331**	5,067	4,960
Restricted Tier 1 convertible notes	33	**495**	495	495
Non-controlling interests	34	**(42)**	(29)	(38)
Total equity		**4,784**	5,533	5,417
Liabilities				
Insurance contract liabilities	20	**91,446**	78,214	93,627
Reinsurance contract liabilities	20	**220**	52	2
Investment contract liabilities	21	**316,872**	286,830	372,954
Core borrowings	22	**4,280**	4,338	4,256
Operational borrowings	22	**1,840**	1,219	932
Provisions	23	**258**	890	1,238
Deferred tax liabilities	28	**107**	206	60
Current tax liabilities	28	**77**	69	84
Payables and other financial liabilities	24	**78,439**	93,905	73,858
Other liabilities	35	**680**	763	1,028
Net asset value attributable to unit holders		**23,092**	41,251	26,966
Total liabilities		**517,311**	507,737	575,005
Total equity and liabilities		**522,095**	513,270	580,422

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the Group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1. These corrections have been applied consistently to all affected disclosure notes in the consolidated financial statements.

The notes on pages 144 to 255 form an integral part of these financial statements.

The financial statements on pages 138 to 255 were approved by the Board of directors on 5 March 2024 and were signed on their behalf by:

Sir John Kingman
Chairman

António Simões
Group Chief Executive Officer

Stuart Jeffrey Davies
Group Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2023	**149**	**1,018**	**(144)**	**337**	**3,707**	**5,067**	**495**	**(29)**	**5,533**
Profit/(loss) for the year	–	–	–	–	457	457	–	(14)	443
Exchange differences on translation of overseas operations	–	–	–	(6)	–	(6)	–	–	(6)
Net movement in cross-currency hedge	–	–	–	(28)	–	(28)	–	–	(28)
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	(21)	(21)	–	–	(21)
Net movement in financial investments measured at FVOCI	–	–	–	57	–	57	–	–	57
Net insurance finance expense	–	–	–	(24)	–	(24)	–	–	(24)
Total comprehensive (expense)/income for the year	–	–	–	(1)	436	435	–	(14)	421
Options exercised under share option schemes	–	12	–	–	–	12	–	–	12
Shares purchased	–	–	(18)	–	–	(18)	–	–	(18)
Shares vested	–	–	15	(69)	–	(54)	–	–	(54)
Employee scheme treasury shares: – Value of employee services	–	–	–	59	–	59	–	–	59
Share scheme transfers to retained earnings	–	–	–	–	24	24	–	–	24
Dividends	–	–	–	–	(1,172)	(1,172)	–	–	(1,172)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(22)	(22)	–	–	(22)
Movement in third party interests	–	–	–	–	–	–	–	1	1
As at 31 December 2023	**149**	**1,030**	**(147)**	**326**	**2,973**	**4,331**	**495**	**(42)**	**4,784**

1. Capital redemption and other reserves as at 31 December 2023 include share-based payments £89m, foreign exchange £41m, capital redemption £17m, hedging £46m, insurance and reinsurance finance for contracts applying the OCI option £176m and financial assets at FVOCI £(43)m.

Consolidated Statement of Changes in Equity continued

For the year ended 31 December 2022	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2022 (as previously reported)	149	1,012	(99)	196	9,228	10,486	495	(38)	10,943
Impact of initial application of IFRS 17	–	–	–	(334)	(4,654)	(4,988)	–	–	(4,988)
Impact of initial application of IFRS 9	–	–	–	3	(541)	(538)	–	–	(538)
As at 1 January 2022 (Restated)[2]	149	1,012	(99)	(135)	4,033	4,960	495	(38)	5,417
Profit/(loss) for the year	–	–	–	–	783	783	–	(1)	782
Exchange differences on translation of overseas operations	–	–	–	(21)	–	(21)	–	–	(21)
Net movement in cross-currency hedge	–	–	–	30	–	30	–	–	30
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	20	20	–	–	20
Net movement in financial investments measured at FVOCI	–	–	–	(104)	–	(104)	–	–	(104)
Net insurance finance income	–	–	–	554	–	554	–	–	554
Total comprehensive income/(expense) for the year	–	–	–	459	803	1,262	–	(1)	1,261
Options exercised under share option schemes	–	6	–	–	–	6	–	–	6
Shares purchased	–	–	(59)	–	–	(59)	–	–	(59)
Shares vested	–	–	14	(41)	–	(27)	–	–	(27)
Employee scheme treasury shares: – Value of employee services	–	–	–	54	–	54	–	–	54
Share scheme transfers to retained earnings	–	–	–	–	10	10	–	–	10
Dividends	–	–	–	–	(1,116)	(1,116)	–	–	(1,116)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(23)	(23)	–	–	(23)
Movement in third party interests	–	–	–	–	–	–	–	10	10
As at 31 December 2022 (Restated)[2]	149	1,018	(144)	337	3,707	5,067	495	(29)	5,533

1. Capital redemption and other reserves as at 31 December 2022 include share-based payments £99m, foreign exchange £43m, capital redemption £17m, hedging £78m, insurance and reinsurance finance for contracts applying the OCI option £205m and financial assets at FVOCI £(105)m.
2. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the Group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1. These corrections have been applied consistently to all affected disclosure notes in the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023	Notes	2023 £m	Restated[1] 2022 £m
Cash flows from operating activities			
Profit for the year		**443**	782
Adjustments for non-cash movements in net profit for the year			
Net (gains)/losses on financial investments and investment property		**(21,567)**	107,469
Investment income		**(11,406)**	(9,117)
Interest expense		**347**	290
Tax (credit)/expense	28	**(248)**	157
Other adjustments		**112**	113
Net (increase)/decrease in operational assets			
Investments mandatorily measured at FVTPL		**(7,478)**	22,052
Investments measured at FVOCI		**(1,344)**	(1,025)
Investments measured at amortised cost		**(126)**	(93)
Other assets		**3,218**	(5,215)
Net increase/(decrease) in operational liabilities			
Insurance contracts and reinsurance contracts held		**11,153**	(15,625)
Investment contracts		**30,045**	(86,132)
Other liabilities		**(26,682)**	(952)
Cash (utilised in)/generated from operations		**(23,533)**	12,704
Interest paid		**(469)**	(290)
Interest received[2]		**5,210**	3,525
Rent received		**437**	404
Tax paid[3]		**(186)**	(570)
Dividends received		**4,297**	4,691
Net cash flows from operations		**(14,244)**	20,464
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangibles and other assets		**(237)**	(187)
Acquisition of operations, net of cash acquired		**(9)**	(2)
Investment in joint ventures and associates		**(184)**	(101)
Disposal of joint ventures and associates		**8**	64
Net cash flows utilised in investing activities		**(422)**	(226)
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	4	**(1,172)**	(1,116)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	33	**(28)**	(28)
Options exercised under share option schemes	32	**12**	6
Treasury shares purchased for employee share schemes		**(18)**	(59)
Payment of lease liabilities		**(32)**	(44)
Proceeds from borrowings		**1,226**	945
Repayment of borrowings		**(544)**	(737)
Net cash flows utilised in financing activities		**(556)**	(1,033)
Net (decrease)/increase in cash and cash equivalents		**(15,222)**	19,205
Exchange (losses)/gains on cash and cash equivalents		**(49)**	92
Cash and cash equivalents at 1 January		**35,784**	16,487
Total cash and cash equivalents at 31 December	14	**20,513**	35,784

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the Group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1. These corrections have been applied consistently to all affected disclosure notes in the consolidated financial statements.
2. Interest received comprises of net interest received from financial instruments at fair value through profit or loss and other financial instruments.
3. Tax paid comprises UK corporation tax of £nil (2022: £358m), withholding tax of £179m (2022: £204m) and overseas corporate tax of £7m (2022: £8m).

1 Basis of preparation and accounting policies

Legal & General Group Plc, a public limited company incorporated and domiciled in England and Wales, operates across four broad business areas of retirement, investment management, capital investment and insurance through its subsidiaries and associates in the United Kingdom (UK), the United States (US) and other countries throughout the world.

(i) Basis of preparation

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards, comprising International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and related interpretations issued by the IFRS Interpretations Committee. Endorsement is granted by the UK Endorsement Board (UKEB). The Group financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income, and certain assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group has selected accounting policies which state fairly its financial position, financial performance and cash flows for a reporting period. The accounting policies have been consistently applied to all years presented unless otherwise stated.

Financial assets and financial liabilities are disclosed gross in the Consolidated Balance Sheet unless a legally enforceable right of offset exists and there is an intention to settle recognised amounts on a net basis. Income and expenses are not offset in the Consolidated Income Statement unless required or permitted by any accounting standard or International Financial Reporting Interpretations Committee (IFRIC) interpretation, as detailed in the applicable accounting policies of the Group.

(ii) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position in the current economic environment are set out in this Annual report & accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these consolidated financial statements. Principal risks and uncertainties are detailed on pages 56 to 59.

The directors have made an assessment of the Group's going concern, considering both the current performance and the outlook for a period of at least, but not limited to, 12 months from the date of approval of these consolidated financial statements, using the information available up to the date of issue of this Annual report & accounts.

The Group manages and monitors its capital and liquidity, and applies various stresses, including adverse inflation and interest rate scenarios, to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses are disclosed in section 5.01 of the Full year results in the 2023 Preliminary Management Report[1]. These stresses do not give rise to any material uncertainties over the ability of the Group to continue as a going concern. Based upon the available information, the directors consider that the Group has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of the current economic environment, as detailed on pages 56 to 59, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

(iii) New standards, interpretations and amendments to published standards that have been adopted by the Group

The Group has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2023.

IFRS 17 – Insurance Contracts and IFRS 9 – Financial Instruments

The Group has applied IFRS 17, 'Insurance Contracts' and IFRS 9, 'Financial Instruments' for the first time from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments respectively, and have had a material impact on the Group's financial statements in the period of initial application.

IFRS 17, 'Insurance Contracts' was originally issued in May 2017 by the IASB, and subsequent amendments were issued in June 2020. Endorsement for use in the UK was granted in May 2022. The standard replaced IFRS 4, 'Insurance Contracts', and has been applied retrospectively, in line with the transitional options provided for in the standard. IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure.

IFRS 9, 'Financial Instruments' was issued in July 2014 by the IASB, effective for annual periods beginning on or after 1 January 2018. The IASB subsequently issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which allowed entities that met certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17, 'Insurance Contracts' or 1 January 2021, whichever is the earlier. In June 2020, the IASB agreed to extend the temporary exemption in IFRS 4 from applying IFRS 9 to annual reporting periods beginning on or after 1 January 2023. The Group qualified for, and made use of this deferral option, and has therefore applied IFRS 9 for the first time on 1 January 2023. The standard replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. It includes new principles around classification and measurement of financial instruments, introduces an impairment model based on expected credit losses (replacing the previous model based on incurred losses) and new requirements on hedge accounting. IFRS 9 has been applied retrospectively.

Section (vii) includes the new accounting policies adopted by the Group for IFRS 17 and IFRS 9.

1. Section 5.01 of the Full year results in the 2023 Preliminary Management Report is unaudited.

IFRS 17 and IFRS 9 have been applied retrospectively and prior period comparative information has been restated, with all restatements clearly labelled as such throughout this report.

Prior period comparative information reflecting the implementation of IFRS 17 and IFRS 9 was initially provided in the Group's interim financial statements for the period ending 30 June 2023. This information was unaudited. Since that time, and in particular as a result of the detailed work and review undertaken to finalise the numbers included in this report, which has now been audited, certain adjustments have been identified which have now been reflected in the prior period comparatives. This includes a £154m reclassification between Change in investment contract liabilities and Other expenses in the Consolidated Income Statement, with no impact on profit. In total, the impact of these adjustments on equity attributable to owners of the parent was an increase of £19m as at 1 January 2022, and a decrease of £45m as at 31 December 2022.

As at the transition date of 1 January 2022, the impacts on the key line items in the Group's Consolidated Balance Sheet are set out below.

Balance sheet item	31 December 2021 (as reported) £m	Reclassification due to adoption of IFRS 9 and IFRS 17 £m	Impact of the adoption of IFRS 9 £m	Impact of the adoption of IFRS 17 £m	1 January 2022 (restated) £m
Financial investments	**538,374**	**(29)**	**(716)**	**–**	**537,629**
Net insurance contract liabilities[1]	**(82,645)**	**(199)**	**–**	**(6,133)**	**(88,977)**
Net deferred tax (liabilities)/assets	**(249)**	**–**	**178**	**1,178**	**1,107**
Other	**(444,994)**	**228**	**–**	**(33)**	**(444,799)**
Equity attributable to owners of the parent	**10,486**	**–**	**(538)**	**(4,988)**	**4,960**

1. Net insurance contract liabilities reflect insurance contract assets and liabilities, net of reinsurance contracts.

The adoption of the new accounting standards does not change the total profit recognised over the life of the Group's insurance contracts, nor the underlying economics or cash generation of the Group's businesses. It does not change the Group's strategy, solvency position nor dividend paying capacity or appetite.

Transition to IFRS 17

On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable. The full retrospective approach requires the Group to:

- identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always applied;
- derecognise any existing balances that would not exist had IFRS 17 always applied; and
- recognise any resulting net difference in equity.

If it was impracticable to apply a full retrospective approach to a group of contracts then the Group has chosen between the modified retrospective approach and the fair value approach. If the Group could not obtain reasonable and supportable information necessary to apply the modified retrospective approach, then the fair value approach has been chosen.

The Group has applied the following transition approaches to its material insurance contract portfolios on transition to IFRS 17, by year of issue:

Transition approach	Annuities	UK Protection	US Protection
Full retrospective	2021	2021	2021
Modified retrospective	2016-2020	2012-2020	2011-2020
Fair value	Pre-2016	Pre-2012	Pre-2011

Full retrospective approach

For insurance and reinsurance contracts where the full retrospective approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been recognised and measured using the accounting policies set out in section (vii) from the inception date of the contracts to the date of transition.

The full retrospective approach has been determined to be impracticable where: the effects of retrospective application are not determinable because information required has not been collected (or not with sufficient granularity); application would require the application of hindsight; or information is unavailable because of system migrations, data retention requirements or other reasons. Specific examples include:

- historic calibration of IFRS 17 specific judgements, such as the scale of the risk adjustment;
- expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
- information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and their subsequent changes on a retrospective basis;
- information required to allocate fixed and variable overheads to groups of contracts, because the Group's current accounting policies do not require such information; and
- information about certain changes in assumptions and estimates because they were not documented on an ongoing basis.

1 Basis of preparation and accounting policies continued

(iii) New standards, interpretations and amendments to published standards that have been adopted by the Group continued

IFRS 17 – Insurance Contracts and IFRS 9 – Financial Instruments continued

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort.

For insurance and reinsurance contracts where the full retrospective approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been recognised and measured using the accounting policies set out in section (vii) except for the application of a permitted transition modification that, for some groups of contracts issued before 1 January 2021, the risk adjustment for non-financial risk on initial recognition has been determined by adjusting the amount at 1 January 2022 for the expected release of risk before that date. The expected release has been determined with reference to the release of risk of similar contracts that the Group issued in 2022. This modification has been used to avoid the application of hindsight to the calibration of the risk adjustment in prior periods.

Fair value approach

For insurance and reinsurance contracts where the fair value approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been determined as at 1 January 2022. The Group has determined the Contractual Service Margin (CSM) of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group has applied the requirements of IFRS 13, 'Fair Value Measurement', except for the demand deposit floor requirement. The fair value attributed to the in-scope business is calculated with reference to a price generated using the Group's pricing models and pricing assumptions at the transition date. The pricing models discount the future capital releases emerging at the internal rate of return (IRR). The assessment of the valuation includes consideration of:

- the most appropriate assumptions for use by a third party market participant;
- the contractual terms and expected cash flows of the contracts;
- the capital requirements over the contract duration; and
- the required internal rate of return.

The fair value calculations at 1 January 2022 used economic assumptions at that date. The most significant judgements for each portfolio were:

- the most relevant market participants for the business being valued; and
- the IRR and level of required regulatory capital applied in the calculations, which were together calibrated with reference to relevant market transactions where available.

The net of reinsurance CSM calculated using the fair value approach at transition was £4.1bn, comprising £3.9bn for annuities and £0.2bn for protection. A reasonably possible alternative valuation for the net of reinsurance annuity fair value CSM derived by reducing the required IRR by 1% would reduce the transition CSM by £0.3bn.

The Group has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition, applying the permitted transition simplification. The Group did not have reasonable and supportable information to disaggregate groups into those including only contracts issued within one year.

For portfolios of protection contracts, the Group has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income. For these portfolios, transitioned under the fair value approach, the cumulative amount of insurance finance income or expense recognised in other comprehensive income at the transition date has been reset to zero in line with the transitional provisions of the standard.

Transition assumptions

The Group's material insurance and reinsurance contract fulfilment cash flow assumptions at the date of transition are set out below.

(i) Mortality and morbidity

Mortality and morbidity assumptions for the UK businesses are set with reference to standard tables drawn up by the Continuous Mortality Investigation Bureau (CMI), a subsidiary of the Institute and Faculty of Actuaries, and/or UK death registrations. US assumptions are set with reference to standard tables drawn up by the American Academy of Actuaries. Tables are based on industry-wide mortality and morbidity experience for insured lives.

Mortality tables	1 January 2022
Non-linked individual assurance business	
UK term assurances[1]	**90% – 92% TM08/TF08 Sel 5**
UK term assurances with terminal illness[1]	**58% – 86% TM08/TF08 Sel 5**
UK term assurances with critical illness[2]	**89% – 132% ACL08 Sel 2**
US term assurances[3]	**Adjusted SOA 2014 VBT**
Whole of Life Protection Plan[4]	**Bespoke tables based on TM08/TF08 and UK death registrations**
Whole of Life over 50[4]	**Bespoke tables based on ELT15 and Whole of Life Protection Plan assumptions**
Annuity business	
UK Annuities in deferment[5]	**76.2% – 86.3% PNMA00/PNFA00**
UK Vested annuities[6]	
Pension risk transfer	**76.2% – 86.3% PCMA00/PCFA00**
Other annuities	**65.9% – 109.3% PCMA00/PCFA00**
US annuities[7]	**Bespoke tables based on RP-2014 Healthy Annuitant Total table**

1. Improvement assumptions applied of 1.0% p.a. for males and females.
2. Morbidity rates are assumed to deteriorate at a rate of 0.5% p.a. for males and 0.75% p.a. for females.
3. Adjustments are made for gender, select period, smoker status, policy size, policy duration and year, issue year and age.
4. Mortality rates are assumed to reduce based on CMI 2020 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females.
5. Table created by blending PCXA00 with PNXA00 tables. The base table to be used for bulk purchase annuity policies in deferment is PNMA00 up to and including age 55 and PCMA00 for age 65 and above for males. The identical method is applied to females using PNFA00 and PCFA00.
6. Mortality rates are assumed to reduce according to an adjusted version of the mortality improvement model CMI 2019 with the following parameters: Males: Long-term Rate of 1.5% p.a. up to age 85 tapering to 0% at 110.
   Females: Long-term Rate of 1.0% p.a. up to age 85 tapering to 0% at 110.
   Smoothing is applied to derive initial rates using a smoothing parameter (Sk) value of 7.5 applied to Legal & General bespoke population data up to 2019. The resulting initial rates are then adjusted to reflect socio economic class.
   For individual annuities distributed through retail channels, a further allowance is made for the effect of initial selection.
   The basis above is applicable up to age 90. After age 90 the basis is blended towards a bespoke table from age 105 onwards.
7. Improvement table is MP2018 for Females and MP2019 for Males.

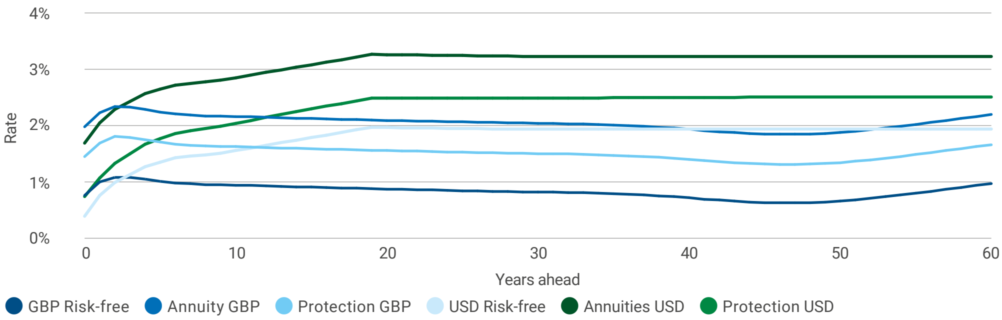
(ii) Valuation rates of interest and discount rates
The interest rates used to discount the cash flows for the purpose of valuing insurance contract liabilities should reflect the timing and liquidity characteristics of those insurance liability cash flows and current market conditions. The valuation interest rate assumptions are derived as interest rate curves with full term structure.

In deriving the discount rate assumptions for annuity business, an explicit allowance for risk is deducted from the yield on the assets backing annuity liabilities. The allowance for risk comprises long-term assumptions about defaults and the market risk premiums for taking credit risk. In the case of lifetime mortgage assets a best estimate expectation of losses arising from the no negative equity guarantee, and the market risk premiums for this risk, are deducted from the yield. For the UK annuity business, the deduction for risk of default for corporate bonds and direct investments equated to 43bps. For lifetime mortgages the deductions equated to £0.6bn.

For US and UK protection business, the yield is calculated based on notional asset portfolios of AA rated corporate bonds and cash, which reflect the characteristics of the liability cash flows. An explicit allowance for risk is deducted from the yield, to reflect the default risk associated with the notional portfolio assets.

The discount rate curves used for the material product lines are shown below. The discount rate curves are used to discount the cash flows on the underlying contracts and the reinsurance cash flows on those contracts.

1 January 2022 Discount Rates



1 Basis of preparation and accounting policies continued
(iii) New standards, interpretations and amendments to published standards that have been adopted by the Group continued
IFRS 17 – Insurance Contracts and IFRS 9 – Financial Instruments continued
(iii) Persistency

Lapse Rates	1 January 2022
UK Level term	2.0% – 28.7%
UK Decreasing term	4.4% – 15.0%
UK Accelerated critical illness cover	3.2% – 31.5%
Whole of Life (conventional non profit)	0.7% – 8.7%
US term – 10 year guarantee period	7.1% – 8.1%
US term – 15 year guarantee period	4.2% – 5.8%
US term – 20 year guarantee period	3.0% – 6.1%
US term – 30 year guarantee period	2.1% – 6.5%
US Universal Life	2.7%

(iv) Risk Adjustment
The Group calculates its risk adjustment using a Provision for Adverse Deviations (PADs) approach, where adjustments are applied to best estimate non-financial risk assumptions to calculate the risk adjustment required over and above the best estimate liability. These adjustments (which vary by risk) are calibrated such that the total Group risk adjustment calculated aligns to the Group's view of compensation for non-financial risks and the risk adjustment at contract level is representative of the compensation required for that contract. For the majority of risks, the Group's view on the compensation required for non-financial risks is determined with reference to an 85th percentile confidence level, calculated using a one-year Value-at-Risk (VaR) measure. This VaR measure reflects the Group's view on how non-financial risks behave (risk distributions), diversification of risks across the Group (risk correlations), and the costs and benefits from reinsurance in place (risk mitigation). This is consistent with how risks are priced for and managed across the Group. We have estimated the equivalent confidence level for the entire Group on a multi-year basis, using a weighted average of the key risks. Overall, the Group risk adjustment as at 1 January 2022 is aligned to a c75th percentile multi-year confidence level over the full runoff of the portfolio.

Financial impact of transition
The increase in insurance liabilities on adoption of IFRS 17 at 1 January 2022 can be attributed to the following:

	Impact on net insurance contract liabilities on transition to IFRS 17 £m
Remeasurement of liabilities: the IFRS 17 cash flows are best estimate and exclude all prudent margins included in the IFRS 4 liabilities. Removal of these margins coupled with other changes to the insurance contract measurement, including discount rates and the exclusion of non-attributable expenses, results in a lower best estimate liability	7,484
Creation of a risk adjustment: IFRS 17 incorporates a specific risk adjustment for non-financial risk	(2,501)
Creation of a CSM: determined using the transition approaches described above and reflecting the unearned profit of these contracts	(11,116)
Total	**(6,133)**

Transition to IFRS 9
On transition, changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

In line with IFRS 17 the Group has chosen to restate comparative periods under IFRS 9. While the standard does not apply to financial assets already derecognised by 1 January 2023, the Group has applied a 'classification overlay' as allowed by the standard. When applying IFRS 9 and IFRS 17 at the same time, the classification overlay permits presentation of comparative information as if the classification, measurement and impairment requirements of IFRS 9 had been applied to such assets, irrespective of derecognition date.

For the purpose of classification and measurement, financial assets' business models have been assessed as at the date of initial application and have been applied consistently in all periods presented. If an asset was in scope of the classification overlay described above, the Group aligned the classification and measurement of each financial asset in the comparative periods with what it expected it would have been on 1 January 2023. Such assessment was performed based on reasonable and supportable information available at 1 January 2022, the transition date. Any difference between the IAS 39 carrying amount of a financial asset and the carrying amount at the transition date that results from applying IFRS 9 or the classification overlay was recognised in opening retained earnings.

For the purpose of impairment, the Group assessed whether as at 1 January 2023 there had been a significant increase in credit risk as compared to the date that a financial instrument was initially recognised, and applied a 12-month or lifetime ECL accordingly. The Group chose to apply the impairment requirements of IFRS 9 consistently to all of the applicable financial instruments on its books during the comparative periods. To the extent the classification overlay applied and therefore an asset was derecognised by 1 January 2023, any expected credit losses recognised in the comparative periods were reversed upon disposal. On transition, the Group made use of a practical expedient available in IFRS 9 whereby it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. investment grade as determined by the Group's asset managers).

On transition to IFRS 9, any additional provision recognised when compared to IAS 39 was recognised in opening retained earnings. However, if this related to a financial asset at FVOCI, an equal and opposite movement was reflected in the OCI reserve.

Changes to hedge accounting policies have been applied prospectively from 1 January 2023. All hedging relationships designated under IAS 39 at 31 December 2022 met the criteria for hedge accounting under IFRS 9 at 1 January 2023 and were therefore regarded as continuing hedging relationships.

Classification and measurement
The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2023, including the reasons for any reclassifications out of the FVTPL category. No changes to classification and measurement of financial liabilities have resulted from the implementation of IFRS 9.

	31 December 2022 IAS 39 measurement		Reclassification (before remeasurement)	Remeasurement		1 January 2023 IFRS 9 measurement	
	Category	Amount £m	£m	ECL £m	Other £m	Category	Amount £m
Financial investments at FVTPL							
Equity securities	**FVTPL[1]**	**167,335**				**FVTPL[2]**	**167,335**
Debt securities	**FVTPL[1]**	**217,613**	**(6,425)**			**FVTPL[2]**	**211,188**
– To debt securities at amortised cost			(5,946)				
– To debt securities at FVOCI			(479)				
Loans	**FVTPL[1]**	**14,283**				**FVTPL[2]**	**14,283**
Derivative assets – held for trading	**FVTPL[1]**	**45,427**				**FVTPL[2]**	**45,427**
Total financial investments at FVTPL		**444,658**	**(6,425)**				**438,233**
Financial investments – available for sale							
Debt securities	**AFS[3]**	**789**	**(789)**				
– To debt securities at amortised cost			(789)				
Total financial investments AFS		**789**	**(789)**				
Financial investments at FVOCI							
Debt securities			**479**			**FVOCI**	**479**
– From debt securities at FVTPL			479				
Total financial investments at FVOCI			**479**				**479**
Total financial investments at fair value		**445,447**	**(6,735)**				**438,712**
Financial investments at amortised cost							
Loans	**L&R[4]**	**28**			**(27)[5]**	**AC**	**1**
Debt securities			**6,735**	**(35)**	**1,145**	**AC**	**7,845**
– From debt securities AFS			789				
– From debt securities at FVTPL			5,946				
Total financial investments at amortised cost		**28**	**6,735**	**(35)**	**1,118**		**7,846**
Other financial assets							
Reinsurance receivables	**L&R[4]**	**291**			**(291)[5]**	**N/A**	
Insurance and intermediaries receivables	**L&R[4]**	**76**			**(76)[5]**	**N/A**	
Other receivables	**L&R[4]**	**9,632**			**(9)[5]**	**AC**	**9,623**
Cash and cash equivalents	**L&R[4]**	**35,784**				**AC**	**35,784**
Total other financial assets		**45,783**			**(376)**		**45,407**
Total financial assets		**491,258**		**(35)**	**742**		**491,965**

1. Designated at fair value through profit or loss under IAS 39.
2. Mandatorily measured at fair value through profit or loss under IFRS 9.
3. Available-for-sale. Under IAS 39, financial assets classified as available-for-sale were measured at fair value with unrealised gains and losses recognised in a separate reserve within equity.
4. Loans and receivables. Under IAS 39, loans and receivables were non-derivative financial assets with fixed or determinable payments not quoted in an active market. These excluded assets held for trading and those designated as available for sale or fair value through profit or loss.
5. Derecognition of balances that do not exist under IFRS 17 as they are now included in the insurance contract liability on an IFRS 17 basis.

1 Basis of preparation and accounting policies continued

(iii) New standards, interpretations and amendments to published standards that have been adopted by the Group continued

IFRS 17 – Insurance Contracts and IFRS 9 – Financial Instruments continued

Remeasurement from FVTPL to amortised cost

As part of the implementation of IFRS 9, the Group has reassessed the classification and measurement of certain financial assets backing annuity liabilities, in order to better match interest rate and inflation sensitivities to IFRS 17 liabilities, and reclassified a portion of its portfolio of debt securities previously held at FVTPL. This is because, while the best estimate liability and risk adjustment under IFRS 17 for annuities are measured with current financial assumptions, the CSM is measured with locked-in discount rates. Therefore, a sub-portfolio of long dated debt instruments amounting to £5,603m (including accrued interest, as at 1 January 2023) backing annuity contracts but in surplus to the IFRS 17 best estimate liability and risk adjustment, and passing the SPPI test, was separately identified. Starting 1 January 2023 these assets have been used to manage interest and inflation rate exposure. They are held to maturity in a 'held to collect' business model and accounted for at amortised cost. Other assets reclassified in the Group's Insurance business, notably private placements and commercial mortgage loans in the US business, were previously accounted for at FVTPL in order to eliminate or reduce an accounting mismatch. Following the implementation of IFRS 17 this is no longer required as finance income and expense on the insurance liabilities that these assets are held to back are presented in OCI. The assets pass the SPPI test and are held in a 'held to collect' business model, and are therefore accounted for at amortised cost.

Had such assets remained at FVTPL after 1 January 2023, the Group would have recorded fair value losses in the Consolidated Income Statement of £322m during the year. Interest income recognised in the Consolidated Income Statement in the year was £209m, and the effective interest rate as at 1 January 2023 was 3.59%. The fair value of these assets as at 31 December 2023 is £6,839m.

Remeasurement from FVTPL to FVOCI

Under IAS 39, bonds (including US Treasury bonds) backing certain protection liabilities were held at FVTPL in order to eliminate or reduce an accounting mismatch. Following the implementation of IFRS 17 this is no longer required, as finance income and expense on the insurance liabilities that these assets are held to back, are presented in OCI. The assets pass the SPPI test and are held in a 'held to collect and sell' business model, and are therefore accounted for at FVOCI.

Had such assets remained at FVTPL after 1 January 2023, the Group would have recorded fair value gains in the Consolidated Income Statement of £15m during the year. Interest income recognised in the Consolidated Income Statement in the year was £8m, and the effective interest rate as at 1 January 2023 was 2.75%. The fair value of these assets as at 31 December 2023 is £356m.

Impairment

The following table reconciles the closing impairment allowance under IAS 39 as at 31 December 2022 with the opening loss allowance under IFRS 9 as at 1 January 2023 for financial assets subject to the impairment requirements of IFRS 9.

	31 December 2022 IAS 39 £m	Remeasurement £m	1 January 2023 IFRS 9 £m
Debt securities at FVOCI			
From debt securities at FVTPL	–	3	3
Debt securities at amortised cost			
From debt securities at FVTPL	–	34	34
From debt securities AFS	–	1	1
Other receivables	4	–	4
Total	4	38	42

Tax impacts from adoption of IFRS 17 and IFRS 9

The implementation of IFRS 17 and IFRS 9 has resulted in a reduction of the Group's equity of £6,882m before tax as at 1 January 2022. A deferred tax credit of £1,356m was recognised in respect of this, resulting in a net impact on adoption of IFRS 17 and IFRS 9 of £5,526m.

Of the deferred tax credit of £1,356m, £1,302m relates to the UK and £54m relates to the US.

The introduction of this new accounting standard impacts the tax the Group pays in the UK, as the UK tax regime is based on the IFRS results of the Group's UK businesses. HMRC consulted widely on how the introduction of IFRS 17 should be treated for tax purposes. The UK tax regime requires the reduction in equity on transition to IFRS 17 for UK companies to be treated as a tax loss, which is spread over 10 years and will reduce the cash tax payments over this period. This tax loss has been recognised as a deferred tax asset on the Group's balance sheet, valued at £1.2bn at 1 January 2022.

The Group's US businesses' tax position is based on their regulatory filings rather than on the IFRS result, and therefore the implementation of IFRS 17 and IFRS 9 does not impact their local tax position. The Group recognises deferred tax on the difference between the profits and losses on which the local tax position is based on, and the IFRS results.

Amendments to IAS 12 – Income Taxes: 'International Tax Reform — Pillar Two Model Rules'

These amendments, issued in May 2023, were introduced in response to the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules, and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

Note 28 includes disclosure of the Group's application of these amendments.

Other standards
The Group has also applied the following standards and amendments for the first time in the year commencing 1 January 2023, which did not give rise to a material impact on the Group's consolidated financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2).

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(iv) Standards, interpretations and amendments to published standards which are not yet effective

Amendments to IAS 1 – Presentation of Financial Statements: 'Classification of Liabilities as Current or Non-Current'
These amendments, issued in January 2020, clarify the existing requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 1 – Presentation of Financial Statements: 'Non-current Liabilities with Covenants'
These amendments, issued in October 2022, clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IFRS 16 – Leases: 'Lease Liability in a Sale and Leaseback'
These amendments, issued in September 2022, specify requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures: 'Supplier Finance Arrangements'
These amendments, issued in May 2023, address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

(v) Critical accounting judgements and the use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet and Consolidated Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, material adjustments could be made to the carrying amounts of assets and liabilities within the next financial year. The Audit Committee reviews the reasonableness of judgements associated with and the application of material accounting policies. The significant accounting matters considered by the Audit Committee in respect of the year ended 31 December 2023 are included within the Audit Committee Report on page 86.

The major areas of critical accounting judgement on policy application are considered below:

Insurance and investment contract liabilities (Notes 20 and 21): Product classification and the assessment of the significance of insurance risk transferred to the Group in determining whether a contract should be accounted for as an insurance or investment contract
Contracts which transfer significant insurance risk to the Group are classified as insurance contracts. Contracts that transfer financial risk (e.g. change in interest rate or security price) to the Group but not significant insurance risk are classified as investment contracts.

Judgement is required in order to assess the significance of the transfer of insurance risk within a contract. This assessment is based on whether the occurrence of an insured event could cause the Group to make significant additional payments, i.e. if the occurrence of the event causes significantly higher cash out flows for the Group than its non-occurrence.

Certain contracts, which are both insurance and investment, can contain discretionary features representing the contractual right to receive additional benefits as a supplement to guaranteed benefits under certain conditions, being:

- that the additional benefits are a significant portion of the total contractual benefits;
- the timing and amount of the additional benefits is at the discretion of the Group; and
- that the additional benefits are contractually dependent upon the performance of an entity, fund or specified pool of assets.

Insurance contracts and investment contracts with such discretionary participation features are accounted for under IFRS 17, while investment contracts without discretionary participation features are accounted for as financial instruments under IFRS 9.

Judgement is therefore required in order to establish whether any additional benefits in an insurance or investment contract meet the above requirements for being considered discretionary participation features.

Consolidation (Notes 39 to 41): Assessment of whether the Group controls underlying entities and should therefore consolidate them
The assessment takes account of various criteria, including decision making ability, equity holding and the rights to a variable return from the entity.

Control arises when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

1 Basis of preparation and accounting policies continued

(v) Critical accounting judgements and the use of estimates continued

Consolidation (Notes 39-41): Assessment of whether the Group controls underlying entities and should therefore consolidate them continued
For operating entities this generally accompanies a shareholding of 50% or more in the entity. Subsidiaries that are consolidated where the Group owns less than 50% of the ordinary share capital (structured entities), are consolidated based on an assessment of control normally arising from special rights attaching to the class of share owned, other contractual arrangements and factors such as the purpose of the investee, the nature of its relevant activities, voting rights (including potential voting rights) and substantive and protective rights.

The Group invests in various fund and unit trust entities where it also acts as the asset manager to those entities. In these instances, in determining whether the Group controls the entities, the assessment focuses on the aggregate economic interests of the Group (direct interest and expected management fees) and on whether the Group acts as a principal or agent. This includes an assessment of the removal rights of other investors (their practical ability to allow the Group not to control the fund). Additionally, holdings in such investments can fluctuate on a daily basis according to the participation of the Group and other investors in them. As a result, in determining control, we look at an assessment of these factors over a longer period to mitigate the impact of daily fluctuations which do not reflect the wider facts and circumstances of the Group's involvement. This is performed in line with the following principles:

- where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity exceeds 50%, the Group is judged to have control over the entity;
- where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is between 30% and 50%, the facts and circumstances of the Group's involvement in the entity are considered, including the rights to any fees earned by the asset manager from the entity, in forming a judgement as to whether the Group has control over the entity; and
- where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is less than 30%, the Group is judged to not have control over the entity, but again the facts and circumstances of the Group's involvement in the entity are considered.

The following sets out information about the critical accounting assumptions made by the Group about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of insurance contract liabilities (Notes 18-20)
The key judgements around the valuation of insurance contract liabilities relate to the following assumptions:

- Determination of the longevity, mortality and morbidity assumptions used in the calculation of the insurance contract liabilities; the assumptions for the rate of future longevity, mortality and morbidity are based on the Group's internal experience and judgements about how experience may vary in the future. This assessment takes into account market benchmarking, internal experience studies and independent industry data. The long-term assumptions are adjusted to reflect the Group's view on the effects of the Covid-19 pandemic on claims experience in the medium to long-term, informed by emerging experience and industry studies.
- Determination of the directly attributable expense assumptions used in the calculation of the insurance liabilities. These represent the expected future costs that relate directly to the fulfilment of the underlying insurance policies, and are based on management's best estimate of these future costs, and on an appropriate allocation between servicing new and existing business.
- Determination of valuation interest rates used to discount the liabilities, which are sensitive to the assumptions made, for example, on credit default of the backing assets. These assumptions take into account consideration of market experience and historic internal data. The valuation interest rate is also sensitive to the selection of the reference portfolio of assets chosen to back the liabilities.
- Determination of the compensation required for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risks as insurance contracts are fulfilled, in the calculation of the risk adjustment.
- Determination of the weighting of the coverage units, used to calculate the CSM amortisation in the year, between the payment phase and the deferral phase for deferred annuities. Judgement is required to combine the different coverage units so that they fairly reflect the services provided.
- Determination of the transition date contractual service margin under IFRS 17 incorporated judgement. In particular, the transition date CSM for business transitioned using the fair value methodology persists into the closing valuation of the CSM until those portfolios expire. These judgements are discussed in detail in the Basis of Preparation.

Note 19 includes a sensitivity analysis on post-tax Group profit and Group equity to reasonable alternative assumptions.

Valuation of unquoted illiquid assets and investment property (Note 11)
Determination of fair value of unquoted and illiquid assets, and investment property involves judgements in model valuations, through the incorporation of both observable and unobservable market inputs, which include assumptions that lead to the existence of a range of plausible valuations for financial assets.

In assessing asset valuation, in line with applicable standards and guidance, the Group has both projected the short-term impact on earnings and cash flows of the current market volatility, while continuing to review the assets' ability to deliver longer term returns aligned to their investment cases.

Note 11 includes a sensitivity analysis on the fair value of unquoted illiquid assets and investment property to reasonable alternative assumptions.

(vi) Consideration of climate change

The Group recognises emerging risks from both climate change and the crisis with nature, and the interrelationship between our climate and the natural world. Climate change is the Group's most material sustainability issue, but the Group continues to develop its understanding of its impacts and dependencies on nature, concurrently with its consideration of the impacts from climate change.

The Group is exposed to climate change through two broad categories: transition risks from the move to a low-carbon economy and the impact this has on asset valuation and the economy; and physical risks from the impact on asset holdings as a result of severe weather events and longer-term shifts in climate.

The Group has integrated climate risk management into its governance framework and has carried out a detailed assessment of how we could expect climate risk to emerge across our business model. The Group risk mitigation strategy includes setting portfolio carbon intensity targets, integrating carbon controls into the investment processes through stock exclusions and high carbon escalation, corporate engagement and implementing high energy efficiency standards into the Group's directly owned commercial property and housing businesses.

The Group is committed to net zero, targeting a 1.5°C 'Paris' outcome. In order to meet its environmental goals, the Group has set for itself a number of metrics and targets, clearly linked with its business strategy and risk management controls. These are based on a three-pillar climate strategy encompassing 'Invest, Influence and Operate'. Metrics and targets have been defined around the Group's operational carbon footprint, investment portfolio economic carbon intensity, and implied portfolio temperature alignment. These are being targeted through the decarbonisation of the Group's balance sheet, investments in clean energy and start-ups, development of climate friendly investment products, and focus on own operations. The Group also continues to use its influence as a large investor to promote the transition.

Scenario analysis is performed to help understand the strategic implications of possible climate pathways, including the key features of a transition to a net zero economy. Plausible scenarios have been developed based on estimations of how the energy system may evolve over the next 30 years, using the most recent carbon budgets from the Intergovernmental Panel on Climate Change's Sixth Assessment Report (AR6) and incorporated latest data on technology costs. These include two different pathways to 'below 2°C', and a scenario assuming achievement of net zero. Given the Group's long-term climate risk relates to transition risk, a fourth scenario assuming global failure to act on climate change and emissions growth at historical rates has been modelled, but the impacts have not been applied to our portfolio. Such impacts are driven by physical risks which tend to be highly localised and manifest further into the future and are therefore more uncertain.

In preparing the consolidated financial statements, the Group has considered the impact of climate change, and in particular the transition to a lower carbon economy, on the valuation of the Group's assets and liabilities. In the Strategic report, with additional information in the Group's Climate and nature report, we have set out in detail the various risks and opportunities that are created by this transition, and how they may impact the Group across various time horizons. In line with the recommendations of the Task Force on Climate-related Financial Disclosures, we have further described the resilience of the Group's strategy, taking into consideration different climate-related scenarios, as described above. There is no one single scenario that underpins the financial statements. The scenarios help challenge the Group's perspectives on the future business and economic environment as a result of the transition to a lower carbon economy, including consideration of events that may be only remotely possible. As a result, the scenarios covered are not intended to be predictions of likely future events or outcomes and are not the basis on which the Group's consolidated financial statements have been prepared.

At the current time, the Group does not consider climate risk to represent a significant area of judgement or of estimation uncertainty. As at 31 December 2023, no material impacts on the Group's financial position, nor on the valuation of assets or liabilities on the Group's Consolidated Balance Sheet as a result of climate change risk have been identified. In arriving at this determination, the Group has in particular taken into account the following areas of judgement, which we consider to be those most exposed to the potential impact of climate change in the preparation of the financial statements:

Going concern and viability
In preparing the consolidated financial statements, the directors are required to assess the Group's ability to continue as a going concern, by taking into account all available information related to at least 12 months from the date of their approval. Additionally, the preparation of the viability statement takes into consideration the Group's overall business model and strategy, forecast financial strength and resilience, and the liquidity profile over the planning horizon. Climate-related matters have been considered as part of these assessments and have not been deemed to create material uncertainties as to their conclusions or to require specific disclosure.

Valuation of Level 3 financial investments and investment property
The valuation of unquoted illiquid assets and investment property has been separately identified as an area of significant estimation uncertainty. The assumptions used in the models underpinning these assets' valuations, such as cash flows forecasts, discount rates, and multiples, are often unobservable. Due to the need to apply significant judgements, these assumptions can be impacted by transition risk, with climate-related inputs gaining more traction (e.g. construction methods and materials, EPC ratings, ESG credentials and climate resilience). This is particularly relevant for the Group's direct investments portfolio, including alternative assets. Where possible, the Group's assets are valued using standard market pricing sources or appropriately qualified external valuers, and therefore reflect current market sentiments around climate risk. In this respect, market and investor expectations have also been evolving, with greater demand towards net zero-aligned assets, and away from traditional carbon-intensive methods, impacting expected investor returns and therefore discount rates and multiples. Exposure to the risks of climate change is minimised through rigorous assessment of potential investments and active monitoring of the carbon intensity of the current portfolio. Additionally, investment properties are being reviewed by independent third parties, where applicable, with regards to potential retrofitting, to help reduce carbon emissions and make them more efficient and sustainable for the future.

Asset impairment and residual economic life
The carrying value of goodwill, intangible and certain tangible assets on the Consolidated Balance Sheet which are subject to impairment testing could be affected by climate change risk. For example, inventory may become obsolete or restricted, causing selling prices to decline or their costs of completion to increase. If, as a result, the cost of inventories is not recoverable, they would need to be written down to their net realisable value.

1 Basis of preparation and accounting policies continued

(vi) Consideration of climate change continued

Asset impairment and residual economic life continued

Property, plant and equipment, right-of-use assets, goodwill and intangible assets may see their recoverable amount decrease in light of climate change, and significant changes in the environment (including for example changes in regulation) in which the Group operates, where adverse effects can represent an indication of impairment. The estimation of recoverable amount as 'value in use' requires an assessment of future expected cash flows based on assumptions potentially affected by climate-related matters, particularly for goodwill and intangible assets, which are subject to a higher degree of judgement. Where assets are subject to amortisation or depreciation, consideration needs to be given to whether climate risk suggests that the residual economic life is shorter than anticipated, which would give rise to increased charges in the income statement. Due to the nature of the Group's assets, we do not anticipate any material additional impairments or increased amortisation and depreciation charges to arise from climate change. Risks will continue to be monitored against judgements and estimates used in the assessment of impairment.

Insurance contract liabilities

The Group's insurance contracts are valued using discount rates derived from the backing asset portfolios with deductions made to remove risks that are present in the assets but are not relevant to the insurance liability. Climate-related risks could impact on the Group's exposure to future credit losses which would impact on the appropriate yield deductions in the discount rate calculation and therefore the insurance contract valuations.

Provisions and contingent liabilities

The recognition, measurement and disclosure of provisions and contingent liabilities is subject to setting assumptions around future events and the probability of their occurrence. Climate-related matters could affect these elements, for example by requiring recognition or disclosure of a legal obligation (e.g. levies imposed for failing climate-related targets) or of a constructive obligation (e.g. requirements to remediate environmental damage caused by the Group's operations and investment portfolios).

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits, to the extent it is probable that future taxable profit will be available, against which those amounts can be utilised. Climate-related matters could affect the Group's estimate of future taxable profits, and therefore it may be required to derecognise deferred tax assets previously on the balance sheet.

Share-based payments

The Group's performance share plans provide a direct and transparent link between executive pay and the delivery of shareholder returns over the longer-term. They are a conditional award of shares subject to a performance period of at least three years. Performance metrics for the Group's share plans are now clearly linked to ESG metrics. As such, the effects of climate change could have an impact on amount and timing, recognition and measurement of amounts in the Group's income statement and statement of comprehensive income.

Financial instruments

Expected credit losses are required to be recognised on receivables and certain financial investments, representing the counterparty's probability of default over a certain time horizon. Climate-related matters may affect the Group's exposure to these losses, for example by negatively affecting the borrower's ability to meet their obligations, or by affecting assumptions used in the models adopted to estimate expected credit losses.

(vii) Material accounting policies

Consolidation principles

Subsidiary undertakings

The consolidated financial statements incorporate the assets, liabilities, equity, income, expenses and cash flows of the Company and of its subsidiary undertakings drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are those entities (including special purpose entities, mutual funds and unit trusts) over which the Group directly or indirectly has control (i.e. when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee) (Note 40).

Business combinations are accounted for by applying the acquisition method of accounting, which requires the Group to record the identifiable assets and liabilities of the acquired business at fair value on the date of acquisition. The excess of the fair value of acquisition consideration over the recorded value of the assets and liabilities of the acquired entity is recorded in the Consolidated Balance Sheet as goodwill. Profits or losses of subsidiary undertakings sold or acquired during the year are included in the consolidated results up to the date of disposal or from the date of gaining control.

Puttable instruments held by external parties in consolidated investment vehicles, such as unit trusts, are classified as liabilities and appear as 'Net asset value attributable to unit holders' in the Consolidated Balance Sheet.

Associates and joint ventures

Associates are entities over which the Group has significant influence but which it does not control. It is presumed that the Group has significant influence where it has between 20% and 50% of the voting rights in the investee unless indicated otherwise. Joint ventures are entities where the Group and other parties have joint control over their activities.

The Group has interests in associates and joint ventures (Note 40) which form part of an investment portfolio held through private equity vehicles, mutual funds, unit trusts and similar entities. In accordance with the choice permitted by IAS 28, 'Investments in associates', these interests have been classified as fair value through profit or loss and measured at fair value within financial investments, with changes in fair value recognised in the Consolidated Income Statement.

Associates and joint ventures which do not form part of an investment portfolio are initially recognised in the Consolidated Balance Sheet at cost. Goodwill arising on the acquisition of these associates or joint ventures is included within the carrying value of those investments. Their carrying amount is increased or decreased to reflect the Group's share of total comprehensive income after the date of the acquisition. Where the carrying amount of an associate or joint venture is greater than its estimated recoverable amount, which is the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount, with an impairment loss recognised in the Consolidated Income Statement.

Insurance contracts

Long term insurance contracts – initial measurement

Insurance contracts are contracts which transfer significant insurance risk to the insurer at the inception of the contract. This is the case if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, other than a scenario which lacks commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components, i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

Recognition and level of aggregation

An insurance contract is recognised at the earliest of the following:

(a) the beginning of the coverage period;
(b) the date when the first payment from a policyholder becomes due; and
(c) for onerous contracts, when the contract becomes onerous.

The level of aggregation determines the unit of account at which IFRS 17 calculations are performed. This is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of subsequently becoming onerous, and the remainder. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

All of the Group's in scope insurance contracts are accounted for under the general measurement model which measures a group of insurance contracts as the total of:

- fulfilment cash flows; and
- a contractual service margin (CSM) representing the unearned profit the Group will recognise as it provides services under the insurance contract.

Fulfilment cash flows

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The Group's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

1 Basis of preparation and accounting policies continued
(vii) Material accounting policies continued
Insurance contracts continued

Long term insurance contracts – initial measurement continued

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary. The cash flows include:

- premiums and related cash flows;
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- investment management costs incurred in the provision of an investment return service or to enhance the benefits of an insurance contract;
- payments to policyholders resulting from embedded surrender value options;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling costs;
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries for future services;
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- transaction-based taxes.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders;
- other information about the known or estimated characteristics of the insurance contracts;
- historical data about the Group's own experience, supplemented when necessary, with data from other sources (historical data is adjusted to reflect current conditions); and
- current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract.

Pre-recognition, insurance acquisition cash flow assets are recognised on the balance sheet prior to allocation to new insurance contracts and are considered for impairment at each reporting date.

Risk adjustment

The risk adjustment for non-financial risk for a group of insurance contracts reflects the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk after diversification. The Group's risk adjustment is calibrated using a Value at Risk (VAR) methodology. In some cases, the compensation for risk on reinsured business is linked directly to the price paid for reinsurance.

Discounting

The insurance contract fulfilment cash flows are discounted at rates that reflect the characteristics of the insurance contract liabilities. These are determined by starting from an appropriate asset portfolio with deductions to remove risks in the assets that are not present in the insurance liabilities.

Contractual service margin (CSM)

The Group's CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. The Group measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- initial recognition of the fulfilment cash flows;
- any cash flows arising from the contracts in the Group at that date;
- the derecognition at the date of initial recognition of:
  - any asset for insurance acquisition cash flows; and
  - any other asset or liability previously recognised related to the group of insurance contracts.

Onerous contracts

For groups of contracts assessed as onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the Group being equal to the fulfilment cash flows and the CSM of the Group being zero. A loss component is established by the Group for the liability for remaining coverage for an onerous group, which represents the losses recognised.

Reinsurance contracts – initial measurement
The initial measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- reinsurance contracts are recognised from the earlier of the following:
  - the beginning of the coverage period; and
  - the date the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.
- measurement of the cash flows includes an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes;
- the Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer;
- both day one gains and day one losses are not recognised at initial recognition in the Consolidated Balance Sheet but are deferred into the CSM and released to profit or loss as the reinsurer renders services, except for any portion of a day one loss that relates to events before initial recognition; and
- if the reinsurance contract is recognised prior to a loss-making underlying contract, the reinsurance CSM can be adjusted to offset a portion of the inception loss (the loss recovery component). This offsets a portion of the loss recognised on inception of the underlying onerous contract.

Long term insurance contracts – subsequent measurement
The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of:

(i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the Group at that date and the CSM of the Group at that date; and
(ii) the liability for incurred claims for the Group reflecting the fulfilment cash flows related to past service allocated to the Group at that date.

Contractual service margin – measurement
The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of that group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted for:

- the effect of any new contracts added;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- changes in fulfilment cash flows relating to future service, except to the extent that:
  - such increases in the fulfilment cash flows exceed the current carrying amount of the CSM, giving rise to a loss; or
  - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage;
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by allocation of the contractual service margin at the end of the period over the current and remaining coverage period; and
- the effect of any currency exchange differences on the CSM.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- experience adjustments that arise from the difference between the premium receipts (net of refunds) and any related cash flows such as insurance acquisition cash flows and insurance premium taxes and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) in respect of current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted in the CSM;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (which are instead recognised in the profit or loss or in other comprehensive income);
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (i.e. the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period).

Onerous contracts
Groups of contracts that were not onerous at initial recognition can subsequently become onerous if assumptions and experience extinguish the CSM. In this case, the Group establishes a loss component for the future losses recognised. The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have materialised in the form of incurred claims). The loss component ensures that over the duration of the contract, the correct amounts are recognised as insurance revenue and insurance service expenses.

1 Basis of preparation and accounting policies continued

(vii) Material accounting policies continued

Insurance contracts continued

Contractual service margin – recognition

The amount of contractual service margin recognised in the income statement for a group of insurance contracts reflects the insurance contract services provided. The proportion of the CSM earned is calculated as the amount of coverage units provided in the period divided by the sum of all the future and current period coverage units. The Group has elected to discount the future coverage units in this calculation. The table below indicates the main insurance contracts services provided under the Group's insurance contracts and selected coverage unit(s) used to measure those services.

Insurance contract	Insurance service	Coverage unit(s)
Immediate annuity	Payment of insurance claims	Expected annual claims payments
Deferred annuity	• Payment of insurance claims (payment phase) • Investment return service (deferral phase) • Lump sum death benefits (deferral phase)	• Expected annual claims payments • Expected investment return on backing assets • Sum assured
Longevity swaps	Payment of floating leg of swap	Expected annual floating leg payments
Retail Protection	Potential mortality or morbidity claims	Sum assured
Group Protection	Potential mortality or morbidity claims	Sum assured

Where a specific unit of account contains a mixture of services, and therefore coverage units, it is necessary to weight the coverage units so that the resulting profile of CSM release reflects the overall package of benefits provided. This is particularly pertinent to units of account incorporating a combination of immediate and deferred annuities. Under IFRS 17, deferred annuities usually provide multiple services, split between the two phases of benefit provision (the deferral phase and the payment phase). Judgement is therefore required to combine the different coverage units so that they fairly reflect the services provided. The weighting between the deferral phase and the payment phase coverage units is calculated so that the services provided in the deferral phase reflect the investment return provided and the probability weighted delivery of any lump sum death benefits, both adjusted so that all of the CSM is earned in the deferral phase for all contracts which do not enter the payment phase either through transfer out, withdrawal of funds or death.

Investment components

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. Investment components are not included in insurance revenue and insurance service expenses.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in profit or loss, or whether to disaggregate the income or expense that relates to changes in financial assumptions into other comprehensive income. Finance income and expense has been included in profit or loss for all insurance products except for the Group's protection business where it has been disaggregated between profit and loss and other comprehensive income. Where insurance finance income and expense has been disaggregated the amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts, using the discount rates determined on initial recognition.

Changes in the risk adjustment for non-financial risk have been disaggregated between insurance service result and insurance finance income and expenses.

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued except that changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts are recognised in profit or loss.

Derecognition and contract modification of insurance contracts

The Group derecognises a contract when it is extinguished, i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Financial instruments

Recognition and derecognition

Initial recognition of financial assets and liabilities is on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- when the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss; and
- in all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the Group transfers substantially all the risks and rewards of ownership to another entity. This is the case for cash collateral pledged, where the counterparty has contractual rights to receive the cash flows generated, and which is derecognised from the Consolidated Balance Sheet and a corresponding receivable recognised for its return.

The Group enters into transactions whereby it transfers assets recognised in its Consolidated Balance Sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Examples of such transactions are repurchase agreements and non-cash collateral pledged, unless the Group defaults on its obligations under the relevant agreement.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial asset or financial liability, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Modification

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Classification and measurement of financial assets

The Group classifies its financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification and measurement of financial assets depends on their contractual cash flow characteristics and how they are managed (the entity's business model). The contractual cash flow characteristics test aims to identify those assets with cash flows consistent with a basic lending arrangement, i.e. which are 'solely payments of principal and interest' (SPPI). The business model test refers to how an entity manages its financial assets with the objectives of generating cash flows. These factors determine whether the financial assets are measured at amortised cost, FVOCI or FVTPL. Assets are therefore typically characterised as follows:

- amortised cost: financial assets with contractual terms that give rise solely to interest and principal cash flows, and which are held in a business model whose objective is to hold the assets to collect their cash flows. They are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss;
- FVOCI: financial assets with contractual terms that give rise solely to interest and principal cash flows, and which are held in a business model whose objective is achieved by holding the assets to collect their cash flows and selling them. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss; and
- FVTPL: all other financial assets. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in cash flow or net investment hedges.

Notwithstanding the above, on initial recognition the Group may irrevocably designate to FVTPL a financial asset that would otherwise be measured at amortised cost or FVOCI if doing so eliminates or greatly reduces an accounting mismatch.

In making the SPPI assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (that is, interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). This includes evaluating whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. Examples of such contractual terms to be considered are contingent events that would change the amount or timing of cash flows, leverage features, prepayment and extension features, non-recourse asset arrangements and features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

The business model reflects how the Group manages assets in order to generate cash flows, i.e. it reflects whether the Group's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (for example, financial assets are held for trading purposes), the business model is 'other' and the financial asset is measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

1 Basis of preparation and accounting policies continued

(vii) Material accounting policies continued

Financial instruments continued

Modification continued

The objective of the Group's business model for certain debt instruments, in particular those instruments backing annuity or investment contract liabilities, including surplus assets, is to fund its liabilities. Consistent with the Group's investment strategy their performance is evaluated on a total return basis, as significant buying and selling activity is undertaken on a regular basis to rebalance its portfolio and to ensure that contractual cash flows from those assets are sufficient to settle the underlying liabilities. These investments do not follow a 'held to collect' or 'held to collect and sell' business model, and are therefore accounted for at FVTPL. This business model is also applicable to reverse repurchase agreements and to derivatives. Equity instruments are accounted for at FVTPL.

Certain debt securities are held in separate portfolios for longer-term yield. These include long dated debt instruments backing annuities liabilities, but in surplus to the IFRS 17 best estimate liability and risk adjustment, used to manage interest and inflation rate exposure, as well as assets backing protection liabilities. These assets represent instruments consistent with the SPPI principles, and are accounted for at amortised cost or FVOCI depending on the expected level of trading.

Receivables are accounted for at amortised cost.

Classification and measurement of financial liabilities

The Group classifies and subsequently measures financial liabilities at amortised cost or FVTPL.

Investment contract liabilities

Investment contract liabilities are measured at FVTPL. This is because these liabilities, as well as the related assets, are managed and their performance evaluated on a fair value basis. For unit linked liabilities, fair value is determined by reference to the value of the underlying net asset values of the Group's unitised investment funds at the balance sheet date.

Core and operational borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

Other financial liabilities

Other financial liabilities include derivative liabilities, repurchase agreements and trail commission, which are measured at FVTPL, while other payable balances are measured at amortised cost.

Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into. The Group's derivatives, other than those designated as hedging instruments in cash flow or net investment hedges, are instruments held for trading and, are therefore accounted for at FVTPL.

Derivatives may be embedded in another contractual arrangement. If such a hybrid contract contains a host that is a financial asset, the Group assesses the entire contract for classification and measurement purposes. Otherwise, the Group accounts for an embedded derivative separately from the host contract when:

- its economic characteristics and risks are not closely related to those of the host contract;
- the terms of the embedded derivative would have met the definition of a derivative if they were contained in a separate contract; and
- the hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at FVTPL, unless the Group chooses to designate the entire hybrid contract at FVTPL.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

Collateral

Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the Consolidated Balance Sheet with a corresponding liability for the repayment in Payables and other financial liabilities. However, where the Group has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net.

Non-cash collateral received is not recognised in the Consolidated Balance Sheet unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Group either: (a) sells or repledges these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash, which is legally segregated from the Group, is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Group defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the Consolidated Balance Sheet within Financial investments.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its financial assets measured at amortised cost and FVOCI, and recognises a loss allowance for such losses at each reporting date. Expected credit losses are defined as the present value of the difference between all contractual cash flows that are due and all cash flows that the entity expects to receive (i.e. the cash shortfall), weighted based on their probability of occurrence. The loss allowance recognised under the new standard can be equal to an amount corresponding to a 12-month ECL or a lifetime ECL. A lifetime ECL is the ECL resulting from all possible default events over the expected life of the financial asset; a 12-month ECL is the portion of lifetime ECL resulting from default events on a financial asset that are possible within the 12 months after the reporting date. For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

The Group defines default on a financial asset as the inability to meet in full and on time an original promise of expected cash flows, the amount and timing of which are defined with certainty. Any breach of this promise, by any amount or time (in excess of any potential planned grace period), constitutes a default. This is consistent with the definition of default used for internal credit risk management purposes.

The ECL model is run from the date of initial recognition of a financial asset, and its output updated at every reporting period, even if no actual loss events have taken place. The impact of updating the inputs of the ECL model in the reporting period is recognised in profit or loss directly where it affects the carrying value of financial assets at amortised cost, while for assets at FVOCI an equal and opposite movement is recorded in other comprehensive income.

In order to determine whether the Group measures ECLs at an amount equal to 12-month ECL or lifetime ECL, at each reporting period the Group is required to assess which 'stage' a financial asset falls into. Stages reflect the general pattern of deterioration in credit risk of a financial instrument that ultimately defaults, as follows:

- Stage 1 includes financially healthy financial assets that are expected to perform in line with their contractual terms, and which have no signs of increased credit risk;
- Stage 2 includes financial assets for which a significant increase in credit risk has occurred since initial recognition, but which are not credit-impaired; and
- Stage 3 applies to credit-impaired financial instruments.

When financial assets are under Stage 1, 12-month ECLs are recognised. When financial assets are under Stage 2 or 3, lifetime ECLs are recognised. An instrument moves down (or up) the stages when a significant increase in credit risk (SICR) has happened (or has reversed).

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information, both qualitative and quantitative, that is relevant and is available without undue cost or effort, including forward-looking information at its disposal. Key indicators used in order to determine whether a SICR has occurred (either in isolation or in combination) are:

- deterioration in rating grade between origination date and reporting date. The level of deterioration required by an individual asset is determined using a relative rating matrix;
- exposure is identified on the investment managers' 'watchlist';
- exposure is identified on internal 'credit watchlists'; and
- a manual shift of an exposure to Stage 2 on an exceptional basis (where required, using management judgement).

The provisions of IFRS 9 include a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, which is taken into account for this assessment.

The Group makes use of a practical expedient available in IFRS 9 whereby it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. investment grade as determined by the Group's asset managers). This allows recognition of 12-month ECLs as opposed to, potentially, lifetime ECLs. This is deemed to be the case where assets that have been downgraded remain of good credit quality (i.e. investment grade as determined by the Group's asset managers) as at the reporting date, to the extent that, where relevant, the Group's internal credit risk ratings are considered to be consistent with a globally understood definition of 'low credit risk'.

The Group estimates ECLs on its financial investments at amortised cost and debt instruments at FVOCI which are not credit impaired by using the probability of default approach. Based on this method, the ECLs are a probability-weighted estimate of the present value of estimated cash shortfalls, i.e. the weighted average of credit losses, with the respective risks of a default occurring used as the weightings. For this purpose, the key elements to be calculated are the Probability of Default (PD), i.e. the estimate of the likelihood of default over a given time horizon (either 12 months or lifetime); the respective Loss Given Default (LGD); and the Exposure at Default (EAD).

In order to determine 12-month or lifetime PDs the Group's models utilise historical data obtained from S&P and Moody's in order to evaluate transitions (i.e. the probability that a security changes rating in a given year) and defaults, plus scenario-specific annual scaling factors which adjust the PDs for forward-looking information. The final PDs produced by the model are unconditional, i.e. they incorporate both the probability of not defaulting until the start of the period, and the subsequent probability of default in that period, conditional on the position not having defaulted to that point. This allows them to be summed over 12 months to provide 12-month PD estimates, or over all remaining months to produce lifetime PD estimates.

1 Basis of preparation and accounting policies continued
(vii) Material accounting policies continued
Financial instruments continued
Impairment of financial assets continued
LGD is the magnitude of the likely loss if there is a default, based on the history of recovery rates of claims against defaulted counterparties, and taking into account collateral values where applicable.

EAD represents the expected exposure in the event of a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties. Appropriate haircuts are applied to baseline unsecured LGDs and used in conjunction with forecast collateral values to estimate LGD for assets secured by collateral.

The Group has adopted a simplified approach for trade receivables, contract assets and finance and operating lease receivables. This allows measurement of lifetime ECLs only, thereby removing the need to identify SICRs. For these balances, the Group makes use of provision matrices in order to calculate such lifetime ECLs. This is a practical expedient allowed by IFRS 9 whereby historical credit loss experience and fixed loss rates are applied to the balances outstanding. Historical loss rates are adjusted to allow for forward looking information.

Hedge accounting
The Group uses hedge accounting, provided the prescribed criteria are met, to recognise the offsetting effects of changes in the fair value or cash flow of the derivative instrument and the hedged item. Hedge accounting can be applied in order to:

- hedge the exposure to fair value movements of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect the Consolidated Income Statement;
- hedge the exposure to variability in cash flows attributable to a particular risk associated with all, or a component of, a recognised asset or liability, or a highly probable forecast transaction, that could affect the Consolidated Income Statement; and
- hedge the exposure to the currency risk associated with a net investment in a foreign operation.

The relationship between the hedging instrument and the hedged item, together with the risk management objective and strategy for undertaking the hedge transaction, are documented formally at the inception of the transaction. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Currently, the Group hedges foreign exchange translation and interest rate risks on its fixed rate USD denominated borrowings (the hedged items), using cross currency interest rate swaps (the hedging items). It recognises the effective portion of the gain or loss on the hedging items in the Consolidated Statement of Comprehensive Income and in a separate reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's view of market assumptions in the absence of observable market information. The Group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. In certain circumstances, the fair value at initial recognition differs from the transaction price. If the fair value is evidenced by comparison to a quoted price in an active market for an identical instrument, or is based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the Consolidated Income Statement. In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred and recognised in the Consolidated Income Statement over the life of the instrument to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the instrument.

Revenue
Insurance revenue
The Group's insurance revenue depicts the provision of services arising from a group of insurance contracts, reflecting the consideration the Group expects to be entitled to in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts (i.e. the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding any investment components).

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- the release of the CSM;
- changes in the risk adjustment for non-financial risk relating to current service;
- claims and other insurance service expenses expected at the beginning of the period;
- experience adjustments arising from premiums received in the period other than those that relate to future service;
- insurance acquisition cost recovery determined by allocating the portion of premiums related to the recovery of those costs on the basis of insurance coverage provided; and
- other amounts, including any other pre-recognition cash flow assets derecognised at the date of initial recognition.

Fees from fund management and investment contracts
The Group generates revenue from acting as the investment manager for clients. Fees charged on investment management services are based on the contractual fee arrangements applied to assets under management and recognised as revenue as the services are provided.

The Group's income from investment contracts is primarily derived from fees for administration and managing of funds in pension plans. Revenue generated on investment contracts is recognised as services are provided. No significant judgements are applied on the timing or transaction price. In the instances of performance fees where revenue is subject to meeting a certain performance threshold, such revenue is not recognised until the condition has been met, and it is highly probable that no significant reversal of amounts would occur. Variable costs directly related to securing new contracts are capitalised and amortised over the estimated period over which the revenue is earned.

Transaction fees are charged to implement trades for clients. Such fees are charged at the time the transaction takes place and are based on the size of the underlying contract.

Other operational income from contracts with customers
House building
House building revenue arises from the sale of residential properties and land and is recognised net of discounts and sales incentives. It also includes sale proceeds of part exchange properties. Sales of private houses are recognised on legal completion. Sales of social housing, where multiple units are developed and sold under a contractual agreement with a single customer, typically a housing association, are recognised over time in accordance with construction progress. Sales of land and commercial property are recognised on unconditional exchange, namely when contracts are exchanged or missives concluded and, where appropriate, construction is complete. The transaction price is determined using extensive research and expert judgement, current market values and regional variations.

Warranties are provided on all properties and range from 2-10 years. Due to their features, these do not represent separate performance obligations.

Professional services fees
The Group's professional services fees revenue arises from professional services provided by employed surveyors and third-party providers, panel management fees and administration fees. These fees are based on fee scales or contracts. Revenue is recognised when the service has been rendered.

In addition, the Group derives professional fees from facilitation of mortgage arrangements and related products such as conveyancing. These are based on an agreement/contract and could be tiered based on volume. The obligation in such instances is satisfied on completion of the mortgage/service, at which point the revenue is recognised. There is no significant judgement applied on the timing or amount of fee recognised.

Insurance broker fees
Fees are charged on each performance obligation offered to the customer as per the agreed structure. Revenue for placement services is recognised at the point in time when the intermediary has satisfied its performance obligation, that is when the terms of the insurance policy have been agreed contractually by the insurer and policyholder, and the insurer has a present right to payment from the policyholder. No significant judgements are applied on the timing or transaction price.

Investment return
Investment return includes unrealised fair value gains and losses on financial investments at fair value through profit or loss, realised gains and losses, dividends, rent and interest. Dividends are accrued on an ex-dividend basis. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Rental income is recognised on an accruals basis, and is generally recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease. Interest income for financial assets which are not classified as fair value through profit or loss (FVTPL) is recognised using the effective interest method.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs and its original cost or amortised cost, as appropriate. Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying value of the property.

Unrealised gains and losses represent the difference between the carrying value at the end of the year and the carrying value at the previous year end or purchase value during the year, less the reversal of previously unrealised gains and losses in respect of disposals made during the year.

1 Basis of preparation and accounting policies continued
(vii) Material accounting policies continued
Insurance service expenses
Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. They exclude repayments of investment components and comprise the following items:

- incurred claims and benefits, excluding investment components reduced by loss component allocations;
- incurred directly attributable expenses;
- insurance acquisition cost amortisation; and
- insurance acquisition cost asset impairment.

Dividends
Interim dividends on ordinary shares are deducted from retained earnings in the period in which they are paid. Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders of the Company.

Earnings per share
Earnings per share is a measure of the portion of the Group's profit allocated to each outstanding share. It is calculated by dividing net income attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares. For this purpose, net income is defined as the profit after tax, attributable to equity holders of the Company, derived from continuing operations.

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares, such as share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

Intangible assets
Intangible assets mainly consist of capitalised software costs and intangible assets acquired as part of a business combination (customer relationships and brand).

Where software costs are separately identifiable and measurable, they are capitalised at cost and amortised over their expected useful life on a straight-line basis. Costs incurred to internally develop software are only capitalised if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete such development and to use or sell the asset. Otherwise, such costs are recognised in profit or loss as incurred.

Intangible assets acquired via business combinations are recognised at fair value and are subsequently amortised on a straight-line basis over their estimated useful life.

The estimated amortisation periods for intangible assets with finite useful lives are as follows:

- IT development and software: 3 – 10 years
- Customer relationship: 3 years

Amortisation methods, useful lives and any expected residual values are reviewed at each reporting date and adjusted if appropriate.

The brand balance acquired by the Group is deemed to have an indefinite useful life and is therefore not amortised.

Intangible assets are tested for impairment either individually or at the cash-generating unit level. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with finite useful lives are tested when there are indications of impairment. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Investment property
Investment property comprises land and buildings which are held for long-term rental yields and capital growth, as well as right-of-use assets of the same nature, and are not occupied by the Group. Completed investment property is carried at fair value with changes in fair value recognised in the Consolidated Income Statement within investment return. Investment properties under construction are included within Property, plant and equipment, and are stated at cost less any impairment until construction is completed or fair value becomes reliably measurable.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

Property, plant and equipment
Property, plant and equipment includes tangible assets owned by the Group (such as land and office and other buildings) or held under lease arrangements (such as office buildings, IT equipment and vehicles). Property, plant and equipment includes owner occupied property held by a fund, the units of which determine benefits for its investors. In accordance with IAS 16, 'Property, Plant and Equipment' the Group has elected to measure this asset at fair value, with changes in fair value recognised in the Consolidated Income Statement within investment return.

All other assets within Property, plant and equipment are carried at historical cost less accumulated depreciation, calculated on a straight-line basis over their estimated useful life. Amortisation methods, useful lives and any expected residual values are reviewed at each reporting date and adjusted if appropriate.

An impairment review of Property, plant and equipment not carried at fair value is performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, which is the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount, with an impairment loss recognised in the Consolidated Income Statement.

Leases

Lessee

Where the Group is a lessee, it recognises leases on the balance sheet as 'right-of-use' assets and lease liabilities.

The right-of-use assets' value is initially recognised as the calculated value of the lease liabilities, initial direct costs and incentives received. The right-of-use assets are subsequently accounted for in accordance with the cost model in IAS 16, 'Property, Plant and Equipment' or as investment property under IAS 40, 'Investment Property'. The Group also assesses right-of-use assets classified as Property, plant and equipment for impairment when such indicators exist.

The initial measurement of the lease liabilities is made up of the present value of lease payments to be made over the lease term, including fixed lease payments and excluding lease incentive receivables. The Group uses the incremental borrowing rate as a discount rate for calculating the lease liabilities. The lease liabilities are unwound over the term of the lease giving rise to an interest expense. Additionally, the liabilities are reduced when lease payments are made. The Group reassesses the carrying amount of lease liabilities and right-of-use assets if certain events occur that modify the original assumptions used to calculate the lease balances upon initial recognition.

The Group leases offices, vehicles, IT equipment and investment properties under non-cancellable operating lease agreements. The Group has elected to make use of the recognition exemptions as permitted in respect of short-term leases (lease contracts with a term of 12 months or less), and lease contracts for which the underlying asset is of low value. Such leases are not recognised on the Consolidated Balance Sheet but the Group recognises the associated lease payments as an expense over the lease term.

Lessor

Where the Group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee, and operating leases if they are not substantially transferred.

The Group leases certain investment properties to third parties. Under these agreements, substantially all the risks and reward incidental to ownership are transferred to the lessee, and therefore the contracts have been classified as finance leases. At the lease commencement date, the Group derecognises the investment property asset and recognises a receivable asset on its balance sheet to reflect the net investment in the lease, equal to the present value of the lease payments. The Group recognises finance income over the lease term to reflect the rate of return on the net investment in the lease.

Under other lease agreements the Group is considered to substantially retain all the risks and reward of ownership of the underlying asset, therefore these contracts have been classified as operating leases. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Defined benefit and defined contribution schemes

The liability recognised in the Consolidated Balance Sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, provided any surplus in the Fund and Scheme is not restricted. Plan assets exclude insurance contracts issued by the Group. The defined benefit obligation is calculated actuarially each year using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate is based on market yields of high quality corporate bonds which are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate to those of the related pension liability.

The Group pays contractual contributions in respect of defined contribution schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Tax

Current tax

Current tax comprises tax payable on current year profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the Consolidated Income Statement unless it relates to items which are recognised in the Consolidated Statement of Comprehensive Income or directly in equity.

1 Basis of preparation and accounting policies continued

(vii) Material accounting policies continued

Tax continued

Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited to the Consolidated Statement of Comprehensive Income or charged or credited directly in equity.

Tax attributable to policyholders and equity holders

The total tax expense shown in the Group's Consolidated Income Statement includes income tax borne by both policyholders and equity holders. This has been split between tax attributable to policyholders' returns and equity holders' profits. Policyholder tax comprises the tax suffered on policyholder investment returns, while equity holder tax is corporation tax charged on equity holder profit. The separate presentation is intended to provide more relevant information about the tax that the Group pays on the profits that it makes.

Use of estimates

Tax balances include the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates.

For tax this includes the determination of assets and liabilities recognised in respect of uncertain tax positions and the estimation of future taxable income supporting deferred tax asset recognition.

As the Group operates internationally, it is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on interpretation of legislation, management experience and professional advice. The directors have assessed the Group's uncertain tax positions and are comfortable that the provisions in place are not material individually or in aggregate, and that a reasonable possible alternative outcome in the next financial year would not have a material impact to the results of the Group.

Foreign exchange and exchange rates

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the Group's foreign operations is the currency of the primary economic environment in which the entity operates. The assets and liabilities of all of the Group's foreign operations are translated into sterling, the Group's presentation currency, at the closing rate at the date of the Consolidated Balance Sheet. Income and expenses are translated at average exchange rates. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to a separate component of shareholders' equity.

Foreign exchange gains and losses are recognised in the Consolidated Income Statement, except when recognised in equity as qualifying cash flow or net investment hedges.

Share-based payments

The Group accounts for options and awards under equity compensation plans, until such time as they are fully vested, using the fair value based method of accounting. The fair value at the date of grant of the equity instrument is recognised as an expense, spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards, excluding the impact of any non-market vesting conditions. At each balance sheet date, the Group revises its estimate of the number of equity instruments which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment is made to equity. On vesting or exercise, the difference between the expense charged to the income statement and the actual cost to the Group is transferred to retained earnings. Where new shares are issued, the proceeds received are credited to share capital and share premium.

Share capital, share premium and employee scheme treasury shares

An equity instrument is any contract which evidences a residual interest in the net assets of an entity. It follows that a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on unfavourable terms; and
- the instrument is either a non-derivative which contains no contractual obligation to deliver a variable number of own equity instruments, or is a derivative which will be settled only by the Group exchanging a fixed amount of cash, or other financial assets, for a fixed number of its own equity instruments.

Where any Group entity purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to shareholders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects. Shares held on behalf of employee share schemes are disclosed as such on the Consolidated Balance Sheet.

Fiduciary activities

Assets associated with fiduciary activities and the income arising from those assets, together with associated commitments to return such assets to customers, are not included in these financial statements. Where the Group acts in a fiduciary capacity, for instance as a trustee or agent, it has no contractual rights over the assets concerned.

(viii) Foreign exchange and exchange rates

The principal foreign exchange rates used for translation are:

Year end exchange rates	2023	2022
United States dollar	**1.27**	1.21
Euro	**1.15**	1.13

Average exchange rates	2023	2022
United States dollar	**1.24**	1.24
Euro	**1.15**	1.17

2 Adjusted operating profit information and segmental analysis

(i) Adjusted operating profit

	Notes	2023 £m	Restated 2022 £m
Legal & General Retirement Institutional (LGRI)	2(ii)	**886**	807
Legal & General Capital (LGC)	2(iii)	**510**	509
Legal & General Investment Management (LGIM)	2(iv)	**274**	340
Retail	2(ii)	**408**	415
– Insurance		**138**	165
– Retail Retirement		**270**	250
Adjusted operating profit from divisions		**2,078**	2,071
Group debt costs[1]		**(212)**	(214)
Group investment projects and expenses		**(199)**	(194)
Adjusted operating profit		**1,667**	1,663
Investment and other variances	2(v)	**(1,577)**	(794)
Losses on non-controlling interests		**(14)**	(1)
Adjusted profit before tax attributable to equity holders		**76**	868
Tax credit/(expense) attributable to equity holders	28	**367**	(86)
Profit for the year		**443**	782
Total tax (credit)/expense	28	**(248)**	157
Profit before tax		**195**	939
Profit attributable to equity holders		**457**	783

1. Group debt costs exclude interest on non-recourse financing.

This supplementary adjusted operating profit information (one of the Group's key performance indicators) provides additional analysis of the results reported under IFRS, and the Group believes that it provides stakeholders with useful information to enhance their understanding of the performance of the business in the year. While the calculation of adjusted operating profit has been updated to reflect the accounting and presentational impacts of IFRS 17, the key principles of what is measured by adjusted operating profit, as set out below and except as noted, remain unchanged from the prior year.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. Key considerations in relation to the calculation of adjusted operating profit for the Group's long-term insurance businesses and shareholder funds are set out below.

Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are excluded from adjusted operating profit.

Long-term insurance

Adjusted operating profit reflects longer-term economic assumptions for the Group's retirement and insurance businesses. Variances between actual and long-term expected investment return on traded and real assets are excluded from adjusted operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business. Assets held for future new pension risk transfer business are excluded from the asset portfolio used to determine the discount rate for annuities on insurance contract liabilities. The impact of investment management actions that optimise the yield of the assets backing the back book of annuity contracts is now included within adjusted operating profit; prior to the implementation of IFRS 17 the impact of such actions was not included in operating profit.

2 Adjusted operating profit information and segmental analysis continued

(i) Adjusted operating profit continued

Long-term insurance continued

For the Group's long-term insurance businesses, reinsurance mismatches are also excluded from adjusted operating profit. Reinsurance mismatches arise where the reinsurance offset rules in IFRS 17 do not reflect management's view of the net of reinsurance transaction. In particular, during a year of reinsurance renegotiation, reinsurance gains cannot be recognised to offset any inception losses on the underlying contracts where they are recognised before the new reinsurance agreement is signed. In these circumstances, the onerous contract losses are reduced to reflect the net loss (if any) after reinsurance, and future contractual service margin (CSM) amortisation is reduced over the duration of the contracts.

Shareholder funds

Shareholder funds include both the Group's traded investments portfolio and certain direct investments for which adjusted operating profit is based on the long-term economic return expected to be generated. For these direct investments, as well as for the Group's traded investments portfolio, deviations from such long-term economic return are excluded from adjusted operating profit. Direct investments for which adjusted operating profit is reflected in this way include the following:

- Development assets, predominantly in the specialist commercial real estate and housing sectors within the LGC alternative asset portfolio: these are assets under construction and contracted to either be sold to other parts of the Group or for other commercial usage, and on which LGC accepts development risks and expects to realise profits once construction is complete.
- 'Scale-up' investments, predominantly in the alternative finance sector within the LGC alternative asset portfolio as well as the fintech business within Retail: these are investments in early-stage ventures in a fast-growing phase of their life cycle, but which have not yet reached a steady-state level of earnings.

Shareholder funds also includes other direct investments for which adjusted operating profit reflects the IFRS profit before tax. Direct investments for which adjusted operating profit is reflected in this way include the following:

- 'Start-up' investments: these are companies in the beginning stages of their business lifecycle (i.e. typically less than 24 months) and which therefore have limited operating history available and typically are in a pre-revenue stage.
- Mature assets: these are companies in their final stages of business lifecycle. They are stable businesses and have sustainable streams of income, but the growth rate in their earnings is expected to remain less pronounced in the future.

Business segments

The Group reports its results across the following business segments:

- LGRI represents worldwide pension risk transfer business including longevity insurance.
- LGC represents shareholder assets invested in direct investments primarily in the areas of specialist commercial real estate, clean energy, housing and alternative finance, as well as traded and treasury assets.
- LGIM represents institutional and retail investment management.
- Insurance primarily represents UK protection (both Group and retail) and fintech business, as well as US retail protection business.
- Retail Retirement primarily represents retail annuity and drawdown products, workplace savings and lifetime mortgage loans.

(ii) Analysis of LGRI and Retail adjusted operating profit

	LGRI 2023 £m	**Retail 2023 £m**	LGRI 2022 £m	Retail 2022 £m
Amortisation of the CSM in the year[1]	**591**	**446**	497	424
Release of risk adjustment in the year	**119**	**74**	136	85
Experience variances	**(14)**	**(17)**	15	(92)
Development of losses on onerous contracts	**1**	**(27)**	1	(7)
Other expenses[2]	**(160)**	**(121)**	(130)	(113)
Insurance investment margin[3]	**344**	**81**	280	60
Investment contracts and non-insurance operating profit	**5**	**(28)**	8	58
Total LGRI and Retail adjusted operating profit	**886**	**408**	807	415

1. Contractual service margin (CSM) amortisation for Retail has been reduced by £16m (2022: £17m) to exclude the impact of reinsurance mismatches.
2. Other expenses are non-attributable expenses on both new business and existing business. These are overhead costs which are not allowed for in the CSM or the best estimate liability unit cost assumptions, and instead are reported within the Consolidated Income Statement as part of the profit or loss for the year.
3. Insurance investment margin comprises the expected investment return on assets backing insurance contract liabilities, the unwind of the discount rate on insurance contract liabilities and the optimisation of the assets backing the annuity back book.

(iii) LGC adjusted operating profit

	2023 £m	2022 £m
Direct investments[1]	**371**	400
Traded investment portfolio including treasury assets[2]	**139**	109
Total LGC adjusted operating profit	**510**	509

1. Direct investments represents LGC's portfolio of assets across specialist commercial real estate, clean energy, housing and alternative finance. Direct investments includes operating profit in relation to CALA Homes of £106m (2022: £172m).
2. The traded investment portfolio holds a diversified set of exposures across equities, bonds, derivative assets, loans and cash.

(iv) LGIM adjusted operating profit

	2023 £m	2022 £m
Asset management revenue (excluding third-party market data)[1]	**876**	944
Asset management transactional revenue[2]	**26**	26
Asset management expenses (excluding third-party market data)[1]	**(628)**	(630)
Total LGIM adjusted operating profit	**274**	340

1. Asset management revenue and expenses exclude income and costs of £26m in relation to the provision of third-party market data (2022: £30m).
2. Transactional revenue from external clients includes execution fees, asset transition income, trigger fees, arrangement fees on property transactions and performance fees.

(v) Investment and other variances

	2023 £m	Restated 2022 £m
LGRI and Retail		
– Net impact of investment returns less than expectation and change in liability discount rates[1]	**(584)**	(115)
– Other	**(16)**	–
Total LGRI and Retail	**(600)**	(115)
LGC investment variance	**(351)**	(428)
Other investment variance[2]	**(427)**	(119)
Investment variance	**(1,378)**	(662)
M&A related and other variances[3]	**(199)**	(132)
Total investment and other variances	**(1,577)**	(794)

1. Investment variance for LGRI and Retail includes a £318m expense (2022: £167m expense) arising from rate differences on longevity assumption changes in the period.
2. Other investment variance includes the £167m one-off settlement cost associated with the buy-out of the Group's UK defined benefit pension schemes (see Note 23 (iii) for further information) along with the current service costs and net interest expense up until that transaction. It also includes costs that LGIM is committed to incur on the extension of its existing partnership with State Street announced in 2021, to increase the use of Charles River technology across the front office and to deliver middle office services.
3. M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring as well as business start-up costs. The total for the year ended 31 December 2023 includes £181m of costs incurred relating to the announced intent to cease production within the Modular Homes business and impairment of the Group's investment in Onto.

Investment variance includes differences between actual and long-term expected investment return on traded and real assets (including development assets and scale-up equity direct investments within LGC and Retail's Insurance business), the impact of economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation), the impact of any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business, and the yield associated with assets held for future new pension risk transfer business. Changes in non-financial assumptions, including longevity, recalibrate the CSM at locked-in point-of-sale discount rates whilst the fulfilment cash flows are measured at current discount rates, thereby creating a component of investment variance between these different bases.

The long-term expected investment return is based on opening economic assumptions applied to the assets at the start of the reporting year. The assumptions underlying the calculation of the expected returns for traded equity, commercial property and residential property are based on market consensus forecasts and long-term historic average returns expected to apply through the cycle.

The long-term expected investment returns are:

	2023	2022
Equities	**7%**	7%
Commercial property	**5%**	5%
Residential property	**3.5%**	3.5%

For fixed interest securities measured at FVTPL, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk (assessed on a best estimate basis). Where securities are measured at amortised cost or FVOCI, the expected investment return comprises interest income on an effective interest rate basis.

For equity direct investments, the LGC alternative asset portfolio and Retail's Insurance business comprise investments in housing, specialist commercial real estate, clean energy, alternative finance and fintech. Where used for the determination of adjusted operating profit, the long-term expected investment return is on average between 10% and 12%, in line with our stated investment objectives. Rates of return specific to each asset are determined at the point of underwriting and reviewed and updated annually. The expected investment return includes assumptions on appropriate discount rates and inflation as well as sector specific assumptions including retail and commercial property yields and power prices.

2 Adjusted operating profit information and segmental analysis continued

(vi) Segmental analysis

The Group has five reportable segments, comprising LGRI, LGC, LGIM, Insurance and Retail Retirement, as set out in Note 6. Group central expenses and debt costs are reported separately. Transactions between reportable segments are on normal commercial terms, and are included within the reported segments.

In the UK, annuity liabilities relating to LGRI and Retail Retirement are backed by a single portfolio of assets, and once a transaction has been completed the assets relating to any particular transaction are not tracked to the related liabilities. Investment variance is allocated to the two business segments based on the relative average size of the underlying insurance contract liabilities across the year.

Reporting of assets and liabilities by reportable segment has not been included, as this is not information that is provided to key decision makers on a regular basis. The Group's asset and liabilities are managed on a legal entity rather than reportable segment basis, in line with regulatory requirements.

Financial information on the reportable segments is further broken down where relevant in order to better explain the drivers of the Group's results.

(a) Profit/(loss) for the year

For the year ended 31 December 2023	LGRI £m	LGC £m	LGIM £m	Insurance £m	Retail Retirement £m	Group expenses and debt costs £m	Total £m
Adjusted operating profit/(loss)	**886**	**510**	**274**	**138**	**270**	**(411)**	**1,667**
Investment and other variances	**(449)**	**(487)**	**(76)**	**(81)**	**(119)**	**(365)**	**(1,577)**
Losses attributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Profit/(loss) before tax attributable to equity holders	**437**	**23**	**198**	**57**	**151**	**(790)**	**76**
Tax credit/(expense) attributable to equity holders	**244**	**18**	**(49)**	**(40)**	**63**	**131**	**367**
Profit/(loss) for the year	**681**	**41**	**149**	**17**	**214**	**(659)**	**443**

For the year ended 31 December 2022 (Restated)	LGRI £m	LGC £m	LGIM £m	Insurance £m	Retail Retirement £m	Group expenses and debt costs £m	Total £m
Adjusted operating profit/(loss)	807	509	340	165	250	(408)	1,663
Investment and other variances	(137)	(428)	(81)	69	(47)	(170)	(794)
Losses attributable to non-controlling interests	–	–	–	–	–	(1)	(1)
Profit/(loss) before tax attributable to equity holders	670	81	259	234	203	(579)	868
Tax (expense)/credit attributable to equity holders	(121)	(26)	(30)	(11)	(32)	134	(86)
Profit/(loss) for the year	549	55	229	223	171	(445)	782

(b) Total revenue – summary

Total revenue includes insurance revenue, fees from fund management and investment contracts and other operational income from contracts with customers. Further details on the components of insurance revenue are disclosed in Note 20. Other operational income from contracts with customers is a component of other operational income and excludes the share of profit/loss from associates and joint ventures, as well as gains/losses on disposal of subsidiaries, associates, joint ventures and other operations.

The tables below split the revenue by the geographic location of the client.

For the year ended 31 December 2023	United Kingdom £m	USA £m	Rest of World £m	Total £m
Insurance revenue	**7,679**	**1,830**	**115**	**9,624**
Fees from fund management and investment contracts	**652**	**80**	**93**	**825**
Other operational income from contracts with customers	**1,661**	**1**	**–**	**1,662**
Total revenue	**9,992**	**1,911**	**208**	**12,111**

For the year ended 31 December 2022	United Kingdom £m	USA £m	Rest of World £m	Total £m
Insurance revenue	6,929	1,669	85	8,683
Fees from fund management and investment contracts	719	87	93	899
Other operational income from contracts with customers	1,584	–	–	1,584
Total revenue	9,232	1,756	178	11,166

(c) Total revenue – internal/external analysis

For the year ended 31 December 2023	LGRI £m	LGIM[1,2] £m	Insurance £m	Retail Retirement £m	LGC and other[3] £m	Total £m
Internal revenue	–	169	–	–	(169)	–
External revenue	5,255	720	3,114	1,469	1,553	12,111
Total revenue	**5,255**	**889**	**3,114**	**1,469**	**1,384**	**12,111**

For the year ended 31 December 2022 (Restated)	LGRI £m	LGIM[1,2] £m	Insurance £m	Retail Retirement £m	LGC and other[3] £m	Total £m
Internal revenue	–	178	–	–	(178)	–
External revenue	4,492	801	3,086	1,335	1,452	11,166
Total revenue	4,492	979	3,086	1,335	1,274	11,166

1. LGIM internal income relates to investment management services provided to other segments.
2. LGIM external income primarily includes fees from fund management.
3. LGC and other includes LGC income, inter-segmental eliminations and Group consolidation adjustments.

(d) Fees from fund management and investment contracts

Fees from fund management and investment contracts include fees for administration and managing of funds in pension plans, as well as revenue generated from acting as the investment manager for clients. Transaction fees are charged to implement trades for clients.

For the year ended 31 December 2023	LGIM £m	Retail Retirement £m	LGC and other[1] £m	Total £m
Investment contracts and management fees	864	104	(168)	800
Transaction fees	25	–	–	25
Total fees from fund management and investment contracts	**889**	**104**	**(168)**	**825**

For the year ended 31 December 2022	LGIM £m	Retail Retirement £m	LGC and other[1] £m	Total £m
Investment contracts and management fees	953	98	(178)	873
Transaction fees	26	–	–	26
Total fees from fund management and investment contracts	979	98	(178)	899

1. LGC and other includes LGC income, inter-segmental eliminations and Group consolidation adjustments.

(e) Other operational income from contracts with customers

Other operational income from contracts with customers includes house building revenue, revenue arising from professional services and insurance broker fees.

For the year ended 31 December 2023	Insurance £m	Retail Retirement £m	LGC and other £m	Total £m
House building	–	–	1,531	1,531
Professional services fees	46	7	21	74
Insurance broker fees	57	–	–	57
Total other operational income from contracts with customers[1]	**103**	**7**	**1,552**	**1,662**

For the year ended 31 December 2022	Insurance £m	Retail Retirement £m	LGC and other £m	Total £m
House building	–	–	1,429	1,429
Professional services fees	78	7	23	108
Insurance broker fees	47	–	–	47
Total other operational income from contracts with customers[1]	125	7	1,452	1,584

1. Total other operational income from contracts with customers excludes the share of profit/loss from associates and joint ventures, and the gain on disposal of subsidiaries, associates and joint ventures.

3 Insurance service and other expenses

	Notes	2023 £m	Restated 2022 £m
Claims and benefits		**7,201**	6,536
Fees and commissions		**573**	543
Losses and reversals of losses on onerous contracts		**329**	116
Staff costs (including pension costs and share-based payments)	30	**1,309**	1,194
Redundancy costs		**9**	4
Lease rentals[1]		**2**	–
Auditor's remuneration	29	**23**	18
Depreciation and impairment of plant and equipment	10	**81**	57
Amortisation and impairment of intangible assets	9	**54**	46
House building expenses[2]		**1,308**	1,123
Other administrative expenses		**1,090**	919
Amounts attributed to insurance acquisition cash flows incurred during the year		**(335)**	(285)
Amortisation of insurance acquisition cash flows		**151**	137
Net impairment loss on assets for insurance acquisition cash flows		**8**	–
Total Insurance service and other expenses		**11,803**	10,408
Represented by:			
– Insurance service expenses		**8,373**	7,497
– Other expenses		**3,430**	2,911
Total Insurance service and other expenses		**11,803**	10,408

1. Lease rentals represent expenses on short-term leases or low value leases.
2. House building expenses represent the cost of sales of the Group's housing businesses, including CALA Homes. A total of £1,531m (2022: £1,429m) of house building income has been recognised in the year (see Note 2 (vi) (e)).

4 Dividends

	Dividend 2023 £m	Per share[1] 2023 p	Dividend 2022 £m	Per share[1] 2022 p
Ordinary dividends paid and charged to equity in the year:				
– Final 2021 dividend paid in June 2022	**–**	**–**	792	13.27
– Interim 2022 dividend paid in September 2022	**–**	**–**	324	5.44
– Final 2022 dividend paid in June 2023[2]	**831**	**13.93**	–	–
– Interim 2023 dividend paid in September 2023	**341**	**5.71**	–	–
Total dividends	**1,172**	**19.64**	1,116	18.71

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2. The dividend proposed at 31 December 2022 was £829m based on the current number of eligible equity shares at that date.

Subsequent to 31 December 2023, the directors declared a final dividend for 2023 of 14.63 pence per ordinary share. This dividend will be paid on 6 June 2024. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2024 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2023.

5 Earnings per share

(i) Basic earnings per share

	After tax 2023 £m	Per share[1] 2023 p	Restated After tax 2022 £m	Restated Per share[1] 2022 p
Profit for the year attributable to equity holders	**457**	**7.73**	783	13.23
Less: coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	**(22)**	**(0.38)**	(23)	(0.39)
Total basic earnings	**435**	**7.35**	760	12.84

1. Basic earnings per share is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares.

(ii) Diluted earnings per share

For the year ended 31 December 2023	**After tax £m**	**Weighted average number of shares m**	**Per share[1] p**
Profit for the year attributable to equity holders	**457**	**5,915**	**7.73**
Net shares under options allocable for no further consideration	**–**	**59**	**(0.08)**
Conversion of restricted Tier 1 notes	**–**	**307**	**(0.37)**
Total diluted earnings	**457**	**6,281**	**7.28**

For the year ended 31 December 2022	Restated After tax £m	Weighted average number of shares m	Restated Per share[1] p
Profit for the year attributable to equity holders	783	5,917	13.23
Net shares under options allocable for no further consideration	–	55	(0.12)
Conversion of restricted Tier 1 notes	–	307	(0.64)
Total diluted earnings	783	6,279	12.47

1. For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all potential ordinary shares, such as share options granted to employees and conversion of restricted Tier 1 notes.

Balance sheet management

6 Principal products

Product classification

The Group's products are classified for accounting purposes as either insurance or investment contracts. The basis of accounting for these products is outlined in Note 1. The following table summarises the classification of the Group's key insurance and investment contracts as well as investment products for each applicable business.

Reportable segment	Insurance contracts	Investment contracts and investment products
LGRI	• Pension risk transfers • Longevity insurance	• Assured payment policies
Retail	• UK Retail protection • UK Group protection • US protection • US universal life • Individual annuities • Lifetime care plan	• Lifetime mortgages • Fixed term individual annuities • Retirement interest only mortgages • Workplace savings
LGIM		• Institutional pension • Segregated investment management mandates • Collective investment schemes

A significant part of the Group's business involves the acceptance and management of risk.

A description of the principal products offered by the Group's segments is outlined below. The Group seeks to manage its exposure to risk through controls which ensure that the residual exposures are within acceptable tolerances agreed by the Board. The Group's risk appetite framework and the methods used to monitor risk exposures can be found on pages 52 to 59.

Details of the risks associated with the Group's principal products and the controls used to manage these risks can be found in Notes 7 and 15 to 17.

Legal & General Retirement Institutional (LGRI)

Annuity contracts

Pension risk transfer (PRT) represents bulk annuities, whereby the Group accepts the assets and liabilities of a company pension scheme or a life fund. Annuities provide guaranteed income for a specified time, usually the life of the policyholder and may include a guaranteed payment period. PRT business consists of both immediate and deferred annuities.

Immediate annuities provide a regular income stream to the policyholder and are in payment at the date of the transaction.

Deferred annuities provide a regular income stream to the policyholder where the income stream starts at a future date after the transaction. Some deferred contracts accepted by the Group contain guaranteed cash options, predominantly minimum factors for commuting part of the annuity income into cash at the date of vesting.

There is a block of immediate and deferred annuities within the UK business with benefits linked to changes in the RPI or for a minority the CPI, but with contractual maximum or minimum increases. Impact on profit due to changes in inflation can be found within the IFRS sensitivity analysis note.

Investment contracts

The Group writes Assured Payment Policies (APP). An APP is a long-term contract under which the policyholder (a registered UK pension scheme) pays a day-one premium and in return receives a contractually fixed and/or inflation-linked set of payments over a fixed period of time from the insurer.

Longevity insurance contracts

The Group also provides longevity insurance products for company pension schemes, under which regular payments are made to the scheme reflecting their actual longevity experience, while the scheme makes an agreed set of regular payments in return. Some policies contain a guaranteed surrender value which is currently immaterial.

Legal & General Investment Management (LGIM)

LGIM offers both active and passive management on either a pooled or segregated basis to clients domiciled globally. Assets are managed in London and Chicago on behalf of pension funds, institutional clients, sovereign wealth clients, retail clients and subsidiary companies within the Group.

The key products provided by LGIM are unit linked institutional pensions, segregated investment management mandates and collective investment schemes.

The core strategies applied for managing the products are set out below.

Index fund management

LGIM provides a diversified range of pooled index funds, providing a wide choice and the ability to pursue specific benchmarks efficiently. In addition, segregated solutions are offered to institutional clients providing large scale customisation against established market capitalisation weighted and alternative indices.

The LGIM Exchange Traded Fund (ETF) business provides clients access to LGIM's index fund management capabilities via our ETF platform. ETF products cover a broad range of traditional and thematic asset classes.

Active strategies

LGIM offers a range of pooled and segregated active fixed income funds. The LGIM liquidity funds offer institutional investors a solution for their cash management requirements across a range of core currencies. The liquidity funds aim to deliver competitive returns with a high level of diversification, whilst focusing on capital preservation through portfolios of high quality, liquid assets.

Active strategies also includes an active equity management business comprising focused teams managing stock selection across different regions.

Solutions and Liability Driven Investment (LDI)

LGIM provides a range of pooled and bespoke solutions to help de-risk defined benefit pension schemes. These solutions will usually combine active or passive underlying portfolios with derivative overlays designed to meet clients' specific requirements. An allocation strategy service is also offered to institutional clients, which may also allocate some of the portfolio to managers other than LGIM.

Multi-asset funds

Multi-asset funds for retail and institutional clients, built using LGIM's expertise in asset allocation which is informed by an in-house research capability. The underlying asset classes may be managed on an active or passive basis within LGIM.

Real assets

LGIM offers a range of pooled funds, segregated accounts and joint ventures investing on behalf of UK and overseas investors across physical real estate, private corporate debt, infrastructure debt and real estate loans. The business has specialist teams of fund and asset managers and an in-house research team.

Legal & General Capital (LGC)

Investment strategy and implementation

Legal & General Capital manages shareholder assets which are not directly required to meet contractual obligations to policyholders. LGC's investments fall into two distinct categories; direct investments and traded assets. The value of, and income from, both categories is sensitive to conditions within investment markets and the broader economy. Potential volatility in returns is managed using a range of techniques, including foreign exchange and interest rate hedging, and exposure concentration limits by asset type, sector and geographic region.

Direct investments and structuring

Direct investments are an integral part of the wider Group strategy. LGC's direct investments are typically illiquid investments entered into through acquisition, joint venture with strategic partners or by the creation of new companies. LGC seeks to make direct investments in sectors where there are structural funding shortfalls, and is organised into four sectors: specialist commercial real estate, clean energy, housing and alternative finance. LGC deploys capital and sector expertise to such investments to target attractive risk-adjusted returns which can deliver higher returns and/or lower volatility for our shareholder capital than listed equity.

6 Principal products continued

Retail

The Retail division comprises Insurance and Retail Retirement businesses.

UK protection business (Retail and Group)

The Group offers protection products which provide mortality or morbidity benefits. They may include health, disability, critical illness and accident benefits; these additional benefits are commonly provided as supplements to main life policies but can also be sold separately. The benefit amounts would usually be specified in the policy terms. Some sickness benefits cover the policyholder's mortgage repayments and are linked to the prevailing mortgage interest rates. In addition to these benefits, some contracts may guarantee premium rates, provide guaranteed insurability benefits and offer policyholders conversion options.

US protection business

US protection represents individual term assurance, which provides death benefits over the medium to long-term. The contracts have level premiums for an initial period with premiums set annually thereafter. During the initial period, there is generally an option to convert the contract to a universal life contract. After the initial period, the premium rates are not guaranteed, but cannot exceed the age-related guaranteed premium.

US universal life

Universal life contracts written by Legal & General America (LGA) provide savings and death benefits over the medium to long-term. The savings element has a guaranteed minimum growth rate. LGA has exposure to loss in the event that interest rates decrease and it is unable to earn enough on the underlying assets to cover the guaranteed rate. LGA is also exposed to loss should interest rates increase, as the underlying market value of assets will generally fall without a change in the surrender value.

Reinsurance is used within the protection businesses to manage exposure to large claims for individual term business and virtually all universal life business. These practices lead to the establishment of reinsurance assets on the Group's balance sheet. Within our US business, reinsurance and securitisation are also used to provide regulatory solvency relief (including relief from regulation governing term insurance).

Annuities

Immediate annuities have similar characteristics as products sold by LGRI. The Group also offers products for individuals that provide a guaranteed level of income over a chosen fixed period of time, in exchange for an initial lump sum payment from the policyholder. The products can provide a fixed lump sum at maturity and/or options to surrender on non-guaranteed terms.

Deferred annuity contracts written by LGA contain a provision that, at maturity, a policyholder may move the account value into an immediate annuity, at rates which are either those currently in effect, or rates guaranteed in the contract.

Lifetime care plan

The lifetime care plan provides a monthly payment to a UK registered care provider that helps meet the cost of care for the policyholder's life. A policyholder can choose to receive a fixed monthly payment or opt to have escalation built in. A death benefit exists within the product so that if a policyholder dies within the first 6 months of the start date a percentage of the original premium less any payments already made is payable to the estate.

Lifetime mortgages

Lifetime mortgages are a form of equity release mortgage that provide non-commercial borrowers with a loan secured against their main residence, without the need for regular repayments. They are regulated retail mortgages offered only to borrowers over the age of 55 through specialist intermediaries. Interest accrues over the term of the loan and is repayable at the time the principal becomes due. Loans can be advanced in a single lump sum amount or in several subsequent drawdowns of an agreed facility. All lifetime mortgages provide a 'no negative equity' guarantee, which means that if the loan is repaid from the sale of the property and if the net sale proceeds are lower than the balance of the loan, the Group will accept the net sale proceeds as full settlement.

Retirement interest-only mortgages

A retirement interest-only (RIO) mortgage is a standard residential mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:

- the loan is usually only paid off on death, move into long-term care or sale of the house
- the borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term.

No repayment solution is required as repayment defaults to sale of property.

Workplace savings

Workplace savings provides corporate pension scheme solutions to enable companies to meet their auto-enrolment obligations. Workplace savings acts as scheme operator and administrator for these products while the customers hold the individual or scheme level pension policies issued by Legal and General Assurance Society Limited (LGAS).

7 Asset risk
The Group is exposed to the following categories of asset risk as a consequence of offering the principal products outlined in Note 6.

Market risk
Exposure to loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets.

Credit risk
Exposure to loss if another party fails to perform its financial obligations to the Group or suffers a rating downgrade.

Liquidity risk
The risk that the Group, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Group is also exposed to insurance risk as a consequence of offering these products – more detail on insurance risk can be found in Note 17.

The Group is not directly exposed to any market risk, credit risk or liquidity risk associated with LGIM's businesses, and as a result, the detailed risk disclosures have not been presented. However, LGIM's income is related to the value of funds under management, and so they are indirectly exposed to market risks that impact the value of assets underlying those funds.

The Group seeks to manage its exposures to risk through controls which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board. A description of the risks associated with the Group's principal products and the associated controls is detailed in the table below.

Market risk

Principal risks	Division	Controls to mitigate risks
Investment performance risk		
The Group is exposed to the risk that the income from, and value of, assets held to back insurance liabilities and capital requirements do not perform in line with investment and product pricing assumptions leading to a potential financial loss.	LGC, LGRI and Retail	Models are used to assess the impact of a range of future return scenarios on investment values and associated liabilities in order to determine optimum portfolios of invested assets. For annuities, which are sensitive to interest rate and inflation risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change.
For unit linked contracts, there is a risk of volatility in asset management fee income due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based. There is also the risk of expense over-runs should the market depress the level of charges which could be imposed.	LGIM and Retail	The risk is managed through maintaining a diversified range of funds in which customers may invest. The performance of linked investment funds relative to their investment objectives is subject to regular monitoring. Periodic assessment is also made of the long-term profitability to the Group of these funds. For some contracts the Group has discretion over the level of management charges levied.
Property risk		
Lifetime mortgages include a no-negative equity guarantee which transfers a potential loss exposure to the Group as a result of low house price inflation, and an exposure to specific properties which may experience lower house price inflation for whatever reason.	LGRI and Retail	To mitigate the risk, maximum loan to value ratios are set for all lending with further underwriting criteria setting out acceptable properties for lending purposes. Policy terms also require properties to be fully insured and maintained, including the right of inspection. The diversification of lending by property type and geographic region seeks to control exposures to specific aspects in the property market.
LGC businesses build homes across the residential market, invest in large commercial and residential development projects and along with LGRI manage several developed real estate assets. The Group's revenue streams are exposed to residential sales achieved, as well as the volume of transactions, both of which may be affected by the performance of the housing market. Revenue streams may also be impacted by significant increases in the cost of raw materials or disruption to supply chains. Independent valuations of real estate assets, either in development or developed, also depend on an assessment of the wider real estate market.	LGC and LGRI	Diversification by geographic region and property type avoids concentration of exposures to specific areas of the property market. Sites are developed in a number of phases to spread the risk to local markets over several years and where possible we seek to co-invest with local experts to manage assets. The purchasing of new land for development requires approval from LGC's Investment Committee and the Group Capital Committee (the Investment Committee from 1 January 2024). Where appropriate, key methods are adopted to further manage the risk, such as fixed price construction contracts, forward sales and pre-letting. These businesses can also benefit from flexible funding arrangements available from the Group. Direct commercial property exposure in the LGRI annuity portfolio is relatively limited and is underpinned by long-term leases with highly rated counterparties.

7 Asset risk continued
Market risk continued

Principal risks	Division	Controls to mitigate risks
Currency risk To diversify credit risk within the annuities business corporate bond portfolio, investments are held in corporate bonds denominated in non-sterling currencies. LGC also invest in overseas assets. Fluctuations in the value of, or income from, these assets relative to liabilities denominated in sterling could result in unforeseen foreign exchange losses.	LGC, LGRI and Retail	To mitigate the risk of loss from currency fluctuations, currency swaps and forwards are used to hedge exposures to corporate bonds denominated in currencies other than sterling. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties. The hedges do not eliminate all currency risk and the Group retains some residual risk.
Inflation risk The consolidated international subsidiaries and financial instruments of subsidiaries are translated into sterling in the consolidated accounts. Changes in the sterling value can impact consolidated equity but may be mitigated by associated hedging transactions.	Group	To mitigate the risk of loss from currency translation the Company continuously monitors its exposure and executes appropriate hedging transactions when necessary. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties.
Inflation risk Inflation risk is the potential of realising a loss because of relative or absolute changes in inflation rates. Annuity contracts may provide for future benefits to be paid taking account of changes in the level of inflation. Annuity contracts in payment may include an annual adjustment for movements in price indices.	LGRI	The investment strategy for the annuities business takes explicit account of the effect of movements in price indices on contracted liabilities. Significant exposures that may adversely impact profitability are hedged using inflation swaps. Annuity contracts also typically provide for a cap on the annual increase in inflation linked benefit payments. The hedges do not eliminate all inflation risk and the Group retains some residual risk.
Interest rate risk Interest rate risk is the risk that the Group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.	Group, LGRI and Retail	To mitigate the risk that guarantees and commitments are not met, financial instruments are purchased, which broadly match the nature and terms of the expected policy benefits payable. The composition of the investment portfolio is governed by the nature of the insurance or savings liabilities, the expected rate of return applicable on each class of asset and the capital available to meet the price fluctuations of each asset class, relative to the liabilities they support.

Credit risk

Principal risks	Division	Controls to mitigate risks
Bond default and rating downgrade risk A significant portfolio of corporate bonds and commercial loans are held to back the liabilities arising from writing insurance and annuities business. Whilst the portfolio is diversified, the asset class is inherently exposed to the risk of issuer default and rating downgrade, with the possibility of financial loss.	LGRI and Retail	Portfolio level and specific issuer limits are set by financial strength rating, sector and geographic region to limit exposure to a default event. Issuer limits are regularly reviewed to take account of changes in market conditions, sector performance and the re-assessment of financial strength by rating agencies and the Group's own internal analysis. Exposures are monitored relative to limits. Financial instruments are also used to mitigate the impact of rating downgrades and defaults. If appropriate, actions are taken to trade out investments at risk of default.
Reinsurance counterparty risk Exposure to insurance risk is mitigated by ceding part of the risks assumed to the reinsurance market. Default of a reinsurer would require the business to be re-brokered potentially on less advantageous terms, or for the risks to be borne directly resulting in possible financial loss. The Group is required to carry an element of associated credit risk capital on its balance sheet should the business not be re-brokered on the same terms.	LGRI and Retail	When selecting new reinsurance partners for its protection business, the Group considers only companies which have a minimum credit rating equivalent to A- unless collateralised. For each reinsurer, exposure limits are determined based on credit ratings and projected exposure over the term of the treaty. Actual exposures are regularly monitored relative to these limits. Similarly, for longevity and credit risk syndication transactions, the Group targets the use of strongly rated counterparties and seeks to ensure that positions are fully collateralised. The adequacy and quality of collateral is subject to ongoing monitoring.
Property lending counterparty risk As part of our asset diversification strategy, we hold property lending and sale and leaseback investments. We are inherently exposed to the risk of default by a borrower or tenant.	LGC and LGRI	Each property lending and sale and leaseback investment transaction is subject to a due diligence process to assess the credit risks implicit in the transaction and confirm that any risk of default has been appropriately mitigated. We also protect our interests by taking security over the underlying property associated with each investment transaction.
Banking counterparty risk The Group is exposed to potential financial loss should banks or the issuers of financial instruments default on their obligations to us. We are also exposed to counterparty risks in respect of the providers of settlement and custody services.	Group, LGC and LGRI	The Group controls its exposures to banking counterparties and the issuers of financial instruments using a framework of counterparty limits. These limits take account of the relative financial strength of the counterparty as well as other bank counterparty exposures that the Group may have. Limits are subject to regular review with actual exposures monitored against limits. The Group has defined criteria for the selection of custody and settlement services. The financial strength of providers is regularly reviewed.

Liquidity risk

Principal risks	Division	Controls to mitigate risks
Contingent event risk Events that result in liquidity risk include a pandemic that could lead to significantly higher levels of claims than would normally be expected, or extreme events impacting the timing of cash flows or the ability to realise investments at a given value within a specified timeframe.	Group and Retail	The Group seeks to ensure that it meets its obligations as they fall due and avoids incurring material losses on forced asset sales in order to meet those obligations. A limited level of contingent liquidity risk is, however, an accepted element of writing insurance contracts. It is furthermore a consequence of the markets in which the Group operates and the execution of investment management strategies. However, the Group's insurance businesses seek to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity is identified using techniques including stress tests for shock events and the profile of actual liquid assets is regularly compared to the required liability profile. The Group's treasury function provides formal facilities to other areas of the Group to cover contingent liquidity requirements arising from more extreme events and where investment assets may not be readily realisable.
Collateral liquidity risk Within the annuities business, the use of financial instruments to hedge default, interest rate, currency and inflation risks can require the posting of collateral with counterparties at short notice.	LGC, LGRI and Retail	Liquidity requirements to meet potential collateral calls under stressed conditions are actively managed and an appropriate pool of eligible assets is maintained with counterparties as specified in the associated agreements. As at 31 December 2023, LGRI and Retail eligible collateral assets to post was more than five times over the actual collateral posted (using the most representative definition of collateral contained within the Group's different collateral agreements).
Investment liquidity risk Direct lending, sale and leaseback investments and lifetime mortgage business are inherently illiquid forms of investment, with limited secondary markets to realise the value of assets outside agreed redemption terms.	LGC and LGRI	Given the illiquid nature of the annuity and other liabilities the Group is able and willing to take advantage of the premium offered by illiquid assets. The Group, however, sets limits on the overall exposure to illiquid investments taking account of the nature and type of liabilities that the assets are held to meet.

As at 31 December 2023, the Group had £4,235m (2022: £4,834m) of cash and cash equivalents in shareholder funds and a £1.5bn syndicated committed revolving credit facility in place, provided by a number of its key relationship banks, maturing in December 2028.

8 Balance sheet analysis

The Group has categorised its assets and liabilities in the following disclosure in accordance with the level of shareholder exposure to market and credit risks. Various reinsurance and hedging arrangements are in place as mechanisms to mitigate the risks.

The two categorisations presented are:

Unit linked

For unit linked contracts, there is a direct link between the investments and the obligations. Unit linked business is written in both Legal and General Assurance Society Limited and Legal and General Assurance (Pensions Management) Limited. The financial risk on these contracts is borne by the policyholders. The Group is therefore not directly exposed to any market risk, currency risk or credit risk for these contracts. As a result, risk disclosures have not been presented for unit linked assets and liabilities.

8 Balance sheet analysis continued

Shareholder

All non-unit linked assets are classified as shareholder assets. Shareholders of the Group are directly exposed to market and credit risk on these assets, including those backing the non-unit linked business.

The table below presents an analysis of the balance sheet by category. The quantitative risk disclosures in Notes 15 and 16 have been provided using this categorisation.

As at 31 December 2023	Shareholder £m	Unit linked £m	Total £m
Assets			
Goodwill and Intangible assets	550	–	550
Investment in associates and joint ventures accounted for using the equity method	616	–	616
Property, plant and equipment	315	118	433
Investments[1]	133,865	366,946	500,811
Reinsurance contract assets	7,306	–	7,306
Other assets	8,414	3,965	12,379
Total assets	**151,066**	**371,029**	**522,095**
Liabilities			
Contract liabilities	92,664	315,874	408,538
Core borrowings	4,377	(97)	4,280
Operational borrowings	1,457	383	1,840
Other liabilities	47,757	54,896	102,653
Total liabilities	**146,255**	**371,056**	**517,311**

As at 31 December 2022	Restated Shareholder £m	Unit linked £m	Restated Total £m
Assets			
Goodwill and Intangible assets	512	–	512
Investment in associates and joint ventures accounted for using the equity method	554	–	554
Property, plant and equipment	252	74	326
Investments[1]	128,373	363,341	491,714
Reinsurance contract assets	4,713	–	4,713
Other assets	8,836	6,615	15,451
Total assets	143,240	370,030	513,270
Liabilities			
Contract liabilities	79,681	285,415	365,096
Core borrowings	4,432	(94)	4,338
Operational borrowings	963	256	1,219
Other liabilities	52,660	84,424	137,084
Total liabilities	137,736	370,001	507,737

1. Investments includes financial investments, investment property and cash and cash equivalents.

9 Intangible assets

Intangible assets mainly consist of capitalised software costs and intangible assets acquired as part of a business combination (customer relationships and brand). Amortisation charges and any impairments are recognised in the Consolidated Income Statement in Other expenses (see Note 3).

	Capitalised software costs[1] 2023 £m	Other[2] 2023 £m	Total 2023 £m
Cost			
As at 1 January	**520**	**35**	**555**
Additions	**100**	**1**	**101**
Disposals	**(23)**	**–**	**(23)**
Decrease due to currency translation	**(4)**	**–**	**(4)**
As at 31 December	**593**	**36**	**629**
Accumulated amortisation and impairment			
As at 1 January	**(109)**	**(5)**	**(114)**
Amortisation for the year	**(48)**	**–**	**(48)**
Impairment	**(1)**	**(5)**	**(6)**
Disposals	**16**	**–**	**16**
As at 31 December	**(142)**	**(10)**	**(152)**
Total net book value as at 31 December	**451**	**26**	**477**
To be amortised within 12 months			**57**
To be amortised after 12 months			**420**

	Capitalised software costs[1] 2022 £m	Other[2] 2022 £m	Total 2022 £m
Cost			
As at 1 January	450	34	484
Additions	120	1	121
Disposals	(34)	–	(34)
Increase due to currency translation	5	–	5
Other movements[3]	(21)	–	(21)
As at 31 December	520	35	555
Accumulated amortisation and impairment			
As at 1 January	(115)	(4)	(119)
Amortisation for the year	(45)	(1)	(46)
Impairment	–	–	–
Disposals	28	–	28
Other movements[3]	23	–	23
As at 31 December	(109)	(5)	(114)
Total net book value as at 31 December	411	30	441
To be amortised within 12 months			43
To be amortised after 12 months			398

1. Total capitalised software costs include £233m of work in progress assets that were not yet available for use as at 31 December 2023 (31 December 2022: £204m).
2. Other intangible assets include brand (£24m) and product design costs (£nil) as at 31 December 2023 (31 December 2022: (£24m) and (£5m) respectively).
3. Other movements primarily reflect the removal of fully amortised assets that were no longer in use.

10 Property, plant and equipment

	Right-of-use			Owned	
	Office buildings 2023 £m	IT 2023 £m	Other[1] 2023 £m	Other[2] 2023 £m	Total 2023 £m
Cost/Valuation					
As at 1 January	**234**	**57**	**3**	**285**	**579**
Additions	**4**	**35**	**6**	**171**	**216**
Disposals	**(20)**	**(57)**	**–**	**(11)**	**(88)**
Decrease due to currency translation	**(3)**	**–**	**–**	**(2)**	**(5)**
Revaluation	**–**	**–**	**–**	**(21)**	**(21)**
As at 31 December	**215**	**35**	**9**	**422**	**681**
Accumulated depreciation and impairment					
As at 1 January	**(94)**	**(49)**	**(3)**	**(107)**	**(253)**
Depreciation for the year	**(20)**	**(9)**	**(1)**	**(18)**	**(48)**
Impairment	**(21)**	**–**	**–**	**(12)**	**(33)**
Disposals	**20**	**53**	**–**	**11**	**84**
Decrease due to currency translation	**–**	**–**	**–**	**2**	**2**
As at 31 December	**(115)**	**(5)**	**(4)**	**(124)**	**(248)**
Total net book value as at 31 December	**100**	**30**	**5**	**298**	**433**

	Right-of-use			Owned	
	Office buildings 2022 £m	IT 2022 £m	Other[1] 2022 £m	Other[2] 2022 £m	Total 2022 £m
Cost/Valuation					
As at 1 January	225	58	5	225	513
Additions	6	–	–	60	66
Disposals	–	(1)	(2)	(3)	(6)
Increase due to currency translation	7	–	–	3	10
Revaluation[3]	(4)	–	–	–	(4)
As at 31 December	234	57	3	285	579
Accumulated depreciation and impairment					
As at 1 January	(68)	(36)	(4)	(89)	(197)
Depreciation for the year	(25)	(13)	(1)	(17)	(56)
Impairment	–	–	–	(1)	(1)
Disposals	–	–	2	2	4
Increase due to currency translation	(1)	–	–	(2)	(3)
As at 31 December	(94)	(49)	(3)	(107)	(253)
Total net book value as at 31 December	140	8	–	178	326

1. Other right-of-use assets comprise of vehicles and other buildings.
2. Other owned assets predominantly include land, buildings and IT, as well as owner-occupied property with a carrying value of £46m as at 31 December 2023 (2022: £nil) held under the fair value model.
3. Revaluation in 2022 relates to early termination of a building lease.

11 Financial investments and investment property

	Note	Shareholder 2023 £m	Unit linked 2023 £m	Total 2023 £m
Financial investments at fair value classified as:				
Fair value through profit or loss[1]		**74,442**	**335,466**	**409,908**
Fair value through other comprehensive income		**2,022**	**–**	**2,022**
Fair value through profit or loss – derivatives[1]		**38,019**	**3,121**	**41,140**
Loans at fair value through profit or loss[1]		**1,599**	**8,691**	**10,290**
Financial investments at fair value	11(i)	**116,082**	**347,278**	**463,360**
Debt securities at amortised cost		**8,032**	**–**	**8,032**
Loans at amortised cost		**13**	**–**	**13**
Total financial investments		**124,127**	**347,278**	**471,405**
Investment property		**5,503**	**3,390**	**8,893**
Total financial investments and investment property		**129,630**	**350,668**	**480,298**
Expected to be recovered within 12 months				**37,513**
Expected to be recovered after 12 months				**442,785**

	Note	Restated Shareholder 2022 £m	Restated Unit linked 2022 £m	Restated Total 2022 £m
Financial investments at fair value classified as:				
Fair value through profit or loss[1]		66,520	312,003	378,523
Fair value through other comprehensive income		479	–	479
Fair value through profit or loss – derivatives[1]		41,978	3,449	45,427
Loans at fair value through profit or loss[1]		1,072	13,211	14,283
Financial investments at fair value	11(i)	110,049	328,663	438,712
Debt securities at amortised cost		7,845	–	7,845
Loans at amortised cost		1	–	1
Total financial investments		117,895	328,663	446,558
Investment property		5,644	3,728	9,372
Total financial investments and investment property		123,539	332,391	455,930
Expected to be recovered within 12 months				36,296
Expected to be recovered after 12 months				419,634

1. Mandatorily measured at fair value through profit or loss.

Investment risks on unit linked assets are borne by the policyholders. The remaining risks associated with financial investments are outlined in Note 7.

Financial investments, cash and cash equivalents include:

- £4,034m (2022: £7,161m) of assets pledged as collateral against net derivative liability counterparty positions. The assets used as collateral are Treasury gilts, foreign government bonds, AAA, AA, A and BBB corporate bonds and cash (2022: Treasury gilts, foreign government bonds, AAA and AA corporate bonds and cash) having a residual maturity of over 44 years (2022: over 38 years).
- £5,257m (2022: £5,617m) of assets pledged as collateral in relation to various pension risk transfer deals. The assets used as collateral are Treasury gilts, AAA to BBB corporate bonds and cash (2022: Treasury gilts, AAA to BBB corporate bonds and cash) having a residual maturity of over 44 years (2022: over 88 years).
- £752m (2022: £673m) of assets pledged in respect of longevity swaps with reinsurance counterparties. The assets used as collateral are Treasury gilts and AAA to AA corporate bonds (2022: Treasury gilts, AAA to A corporate bonds) having a residual maturity of over 34 years (2022: over 45 years).

While pledged as collateral, the Group is entitled to receive all of the cash flows from the assets above, and there is no obligation to pay or transfer cash flows arising from them to another entity. These assets are neither past due, nor impaired. The carrying value reflects the full exposure of these assets.

11 Financial investments and investment property continued

The Group is permitted to sell or repledge collateral as per the International Swap Dealers Association agreements in place, including where there has been no default by the owner of the collateral. As at 31 December 2023, the Group had repledged cash collateral with a fair value of £647m (2022: £980m) in order to fulfil other collateral requirements in relation to derivatives contracts. The counterparties have an obligation to return the cash collateral to the Group. There are no other significant terms and conditions associated with the use of this cash collateral.

Financial investments include £25,452m (2022: £31,533m) of assets that have been sold but not derecognised and are subject to repurchase agreements. Risks and rewards of these assets have been retained within the Group. The related obligation to repurchase the financial assets is included within Payables and other financial liabilities (Note 24).

Financial investments have been allocated between those expected to be settled within 12 months and after 12 months in line with the expected settlement of the backed liabilities. Assets in excess of the insurance and investment contract liabilities have been classified as expected to be settled after 12 months.

(i) Financial investments and investment property at fair value

	Notes	Shareholder 2023 £m	Unit linked 2023 £m	Total 2023 £m
Equity securities		**3,166**	**182,816**	**185,982**
Debt securities		**73,298**	**152,650**	**225,948**
Derivative assets	12	**38,019**	**3,121**	**41,140**
Loans at fair value		**1,599**	**8,691**	**10,290**
Financial investments		**116,082**	**347,278**	**463,360**
Investment property		**5,503**	**3,390**	**8,893**
Total financial investments at fair value		**121,585**	**350,668**	**472,253**

	Notes	Restated Shareholder 2022 £m	Restated Unit linked 2022 £m	Restated Total 2022 £m
Equity securities		3,071	164,264	167,335
Debt securities		63,928	147,739	211,667
Derivative assets	12	41,978	3,449	45,427
Loans at fair value		1,072	13,211	14,283
Financial investments		110,049	328,663	438,712
Investment property		5,644	3,728	9,372
Total financial investments at fair value		115,693	332,391	448,084

Included within unit linked equity securities are £162m (2022: £187m) of debt instruments which incorporate an embedded derivative linked to the value of the Group's share price.

(ii) Fair value hierarchy

The table below breaks down the fair value of financial investments and investment property by fair value hierarchy level.

For the year ended 31 December 2023	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder				
Equity securities	3,166	1,069	144	1,953
Debt securities	73,298	26,003	27,860	19,435
Derivative assets	38,019	123	37,896	–
Loans at fair value	1,599	–	1,599	–
Investment property	5,503	–	–	5,503
Total Shareholder	121,585	27,195	67,499	26,891
Unit linked				
Equity securities	182,816	182,348	29	439
Debt securities	152,650	91,874	59,748	1,028
Derivative assets	3,121	148	2,973	–
Loans at fair value	8,691	–	8,691	–
Investment property	3,390	–	–	3,390
Total Unit linked	350,668	274,370	71,441	4,857
Total financial investments and investment property at fair value	472,253	301,565	138,940	31,748
Debt securities at amortised cost[1]	7,184	–	45	7,139
Loans at amortised cost[1]	13	1	12	–

For the year ended 31 December 2022 (Restated)	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder				
Equity securities	3,071	1,236	41	1,794
Debt securities	63,928	17,239	31,295	15,394
Derivative assets	41,978	106	41,872	–
Loans at fair value	1,072	–	1,072	–
Investment property	5,644	–	–	5,644
Total Shareholder	115,693	18,581	74,280	22,832
Unit linked				
Equity securities	164,264	163,727	24	513
Debt securities	147,739	105,955	40,757	1,027
Derivative assets	3,449	164	3,285	–
Loans at fair value	13,211	–	13,211	–
Investment property	3,728	–	–	3,728
Total Unit linked	332,391	269,846	57,277	5,268
Total financial investments and investment property at fair value	448,084	288,427	131,557	28,100
Debt securities at amortised cost[1]	6,717	–	44	6,673
Loans at amortised cost[1]	1	1	–	–

1. This table includes debt securities and loans which are held at amortised cost on the balance sheet at a total value of £8,045m (2022: £7,846m).

The levels of fair value measurement bases are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

11 Financial investments and investment property continued

(ii) Fair value hierarchy continued

(a) Level 2 assets measured at fair value

All of the Group's Level 2 assets have been valued using standard market pricing sources, such as IHS Markit, ICE and Bloomberg, or Index Providers such as Barclays, Merrill Lynch or JPMorgan. Each uses mathematical modelling and multiple source validation in order to determine consensus prices, with the exception of OTC Derivative holdings; OTCs are marked to market using an in-house system (Lombard Oberon), external vendor (IHS Markit), internal model or Counterparty Broker marks. In normal market conditions, we would consider these market prices to be observable market prices. Following consultation with our pricing providers and a number of their contributing brokers, we have considered that these prices are not from a suitably active market and have therefore classified them as Level 2.

The Group's policy is to re-assess categorisation of financial assets at the end of each reporting period and to recognise transfers between levels at that point in time. At 31 December 2023 debt securities totalling net £0.7bn (2022: £6.0bn) transferred from Level 2 to Level 1 in the fair value hierarchy.

(b) Level 3 assets measured at fair value

Level 3 assets, where modelling techniques are used, comprise property, unquoted securities, untraded debt securities and securities where unquoted prices are provided by a single broker. Unquoted securities include suspended securities, investments in private equity and property vehicles. Untraded debt securities include private placements, commercial real estate loans, income strips, retirement interest only and other lifetime mortgages.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the Group determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the Group has classified within Level 3.

The Group determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The Group also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the Group's credit standing, liquidity and risk margins on unobservable inputs.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee and validated independently as appropriate.

	Equity securities 2023 £m	Other financial investments 2023 £m	Investment property 2023 £m	Total 2023 £m	Equity securities 2022 £m	Restated Other financial investments 2022 £m	Investment property 2022 £m	Restated Total 2022 £m
As at 1 January	**2,307**	**16,421**	**9,372**	**28,100**	1,988	16,599	10,150	28,737
Total gains/(losses) for the year								
– realised gains or (losses)[1]	**24**	**(432)**	**3**	**(405)**	28	(78)	81	31
– unrealised gains or (losses)[1]	**(34)**	**357**	**(923)**	**(600)**	83	(4,381)	(1,796)	(6,094)
Purchases/Additions	**278**	**6,009**	**1,264**	**7,551**	504	10,922	1,307	12,733
Disposals/Derecognitions	**(149)**	**(2,018)**	**(854)**	**(3,021)**	(381)	(6,908)	(377)	(7,666)
Transfers into Level 3	**2**	**241**	**–**	**243**	84	72	–	156
Transfers out of Level 3	**(3)**	**–**	**–**	**(3)**	(41)	–	–	(41)
Foreign exchange rate movements	**(33)**	**(115)**	**31**	**(117)**	42	195	7	244
As at 31 December	**2,392**	**20,463**	**8,893**	**31,748**	2,307	16,421	9,372	28,100

1. Realised and unrealised gains/(losses) are recognised in Investment return in the Consolidated Income Statement.

Equity securities

Level 3 equity securities amount to £2,392m (2022: £2,307m), of which the majority is made up of holdings in investment property vehicles and private investment funds. They are valued at the proportion of the Group's holding of the Net Asset Value reported by the investment vehicles. Other equity securities are valued by a number of third party specialists using a range of techniques which are often dependent on the maturity of the underlying investment but can also depend on the characteristics of individual assets. Such techniques include transaction values underpinned by analysis of milestone achievement and cash runway for early/start-up stage investments, discounted cash flow models for investments at the next stage of development and earnings multiples for more mature investments.

Other financial investments

Lifetime mortgage (LTM) loans and retirement interest only mortgages amount to £5,766m (2022: £4,844m). Lifetime mortgages are valued using a discounted cash flow model by projecting best-estimate net asset proceeds and discounted using rates inferred from current LTM loan pricing. The inferred illiquidity premiums for the majority of the portfolio range between 150 and 300bps. This ensures the value of loans at outset is consistent with the purchase price of the loan and achieves consistency between new and in-force loans. Lifetime mortgages include a no negative equity guarantee (NNEG) to borrowers. This ensures that if there is a shortfall between the sale proceeds of the property and the outstanding loan balance on redemption of the loan, the value of the loan will be reduced by this amount. The NNEG on loan redemption is valued as a series of put options, which we calculate using a variant of the Black-Scholes formula. Key assumptions in the valuation of lifetime mortgages include short-term and long-term property growth rates, property index volatility, voluntary early repayments and longevity assumptions. The valuation as at 31 December 2023 reflects a combination of short-term and long-term property growth rate assumptions equivalent to a flat rate of 2.8% annually, after allowing for the effects of dilapidation. The values of the properties collateralising the LTM loans are updated from the date of the last property valuation to the valuation date by indexing using UK regional house price indices.

Private credit loans (including commercial real estate loans) amount to £10,574m (2022: £7,858m). Their valuation is determined by discounted future cash flows which are based on the yield curve of the LGIM approved comparable bonds and the initial spread, both of which are agreed by IHS Markit who also provide an independent valuation of comparable bonds. Unobservable inputs that go into the determination of comparators include rating, sector, sub-sector, performance dynamics, financing structure and duration of investment. Existing private credit investments, which were executed as far back as 2011, are subject to a range of interest rate formats, although the majority are fixed rate. The weighted average duration of the portfolio is 7.8 years, with a weighted average life of 11.1 years. Maturities in the portfolio currently extend out to 2063. The private credit portfolio of assets has internal ratings assigned by an independent credit team in line with internally developed methodologies. These credit ratings range from AAA to BB-.

Private placements held by the US business amount to £1,684m (2022: £1,320m). They are valued using a pricing matrix comprised of a public spread matrix, internal ratings assigned to each holding, average life of each holding, and a premium spread matrix. These are added to the risk-free rate to calculate the discounted cash flows and establish a market value for each investment grade private placement. The valuation as at 31 December 2023 reflects illiquidity premiums between 20 and 70bps.

Income strip assets amount to £1,306m (2022: £1,414m). Their valuation is outsourced to Knight Frank and CBRE who apply a yield to maturity to discounted future cash flows to derive valuations. The overall valuation takes into account the property location, tenant details, tenure, rent, rental break terms, lease expiries and underlying residual value of the property. The valuation as at 31 December 2023 reflects equivalent yield ranges between 4% and 7% and estimated rental values (ERV) between £18 and £310 per sq.ft.

Commercial mortgage loans amount to £784m (2022: £768m) and are determined by incorporating credit risk for performing loans at the portfolio level and adjusted for loans identified to be distressed at the loan level. The projected cash flows of each loan are discounted along stochastic risk-free rate paths and are inclusive of an Option Adjusted Spread (OAS), derived from current internal pricing on new loans, along with the best observable inputs. The valuation as at 31 December 2023 reflects illiquidity premiums between 20 and 30bps.

Other debt securities which are not traded in an active market amount to £349m (2022: £217m). They have been valued using third party or counterparty valuations, and these prices are considered to be unobservable due to infrequent market transactions.

Investment property

Level 3 investment property amounting to £8,893m (2022: £9,372m) is valued with the involvement of external valuers. All property valuations in the UK are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institute of Chartered Surveyors, and are undertaken by appropriately qualified valuers as defined therein. Outside the UK, valuations are produced in conjunction with external qualified professional valuers in the countries concerned. Whilst transaction evidence underpins the valuation process, the definition of market value, including the commentary, in practice requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon market sentiment based on historic transactional comparables.

The valuation of investment properties also includes an income approach that is based on current rental income plus anticipated uplifts, where the uplift and discount rates are derived from rates implied by recent market transactions. These inputs are deemed unobservable. The valuation as at 31 December 2023 reflects equivalent yield ranges between 3% and 13% and ERV between £5 and £310 per sq.ft.

The table below shows the valuation of investment property by sector:

	2023 £m	2022 £m
Retail	**1,169**	780
Leisure	**451**	461
Distribution	**1,076**	1,104
Office space	**2,768**	4,069
Industrial and other commercial	**1,714**	1,624
Accommodation	**1,715**	1,334
Total	**8,893**	9,372

11 Financial investments and investment property continued

(ii) Fair value hierarchy continued

(c) Effect of changes in assumptions on Level 3 assets

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data.

Where material, the Group assesses the sensitivity of fair values of Level 3 investments to changes in unobservable inputs to reasonable alternative assumptions. The table below shows the impact of applying these sensitivities to the fair value of Level 3 assets as at 31 December 2023. Further disclosure on how these sensitivities have been applied can be found in the descriptions following the table.

		Sensitivities	
	Fair value 2023 £m	Positive impact £m	Negative impact £m
Lifetime mortgages	5,766	262	(322)
Private credit portfolios	13,042	580	(580)
Investment property	8,893	731	(717)
Other investments[1]	4,047	297	(393)
Total Level 3 assets	**31,748**	**1,870**	**(2,012)**

1. Other investments include Level 3 equity securities, income strip assets and other traded debt securities which are Level 3.

The sensitivities are not a function of sensitising a single variable relating to the valuation of the asset, but rather a function of flexing multiple factors often at individual asset level. The following sets out a number of key factors by asset type, and how they have been flexed to derive reasonable alternative valuations.

Lifetime mortgages

Key assumptions used in the valuation of lifetime mortgage assets are listed in Note 11(ii)(b) and sensitivities are applied to derive the values in the above table. The most significant sensitivity by value is -20bps of market spread and overvaluation of property valuations by 10% across the portfolio which, applied in isolation produces sensitised values of £152m and £(191)m.

Private credit portfolios

The sensitivity in the private credit portfolio has been determined through a method which estimates investment spread value premium differences as compared to the institutional investment market. Individual investment characteristics of each holding, such as credit rating and duration are used to determine spread differentials for the purposes of determining alternate values. Spread differentials are determined to be lower for highly rated and/or shorter duration assets as compared to lower rated and/or longer duration assets. A significant component of the spread differential is in relation to the selection of comparator bonds, which is the potential difference in spread of the basket of relevant comparators determined by respective investors. If we were to take an AA rated asset it may attract a spread differential of 20bps on the selection of comparator bonds as opposed to 40bps for a similar duration BBB rated asset. Applied in isolation the sensitivity used to reflect the spread in comparator bond selection results in sensitised values of £220m and £(220)m.

Investment property

Investment property holdings are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors. As such, sensitivities are calculated through a mixture of asset level and portfolio level methodologies which make reference to individual investment characteristics of the holding but do not flex individual assumptions used by the independent expert in valuing the holdings. Each method is applied individually and aggregated with equal weighting to determine the overall sensitivity determined for the portfolio. One method is similar to that used in the private credit portfolio as it determines the impact of an alternate property yield determined in reference to credit ratings, remaining term and other characteristics of each holding. In this methodology we would apply a lower yield sensitivity to a highly rated and/or shorter remaining term asset compared with a lower rated and/or longer remaining term asset. If we were to take an AA rated asset with remaining term of 25 years in normal market conditions this would lead to a 15bps yield flex (as opposed to a 35bps yield flex for a BBB rated asset with 30 year remaining term). The methodology which leads to the most significant sensitivity at the balance sheet date is related to an example in case law where it was found that an acceptable margin of error in a valuation dispute is 10% either way, subject to the valuation being undertaken with due care. If this sensitivity were to be taken without a weighting it would produce sensitised values of £594m and £(594)m.

It should be noted that some sensitivities described above are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(iii) Interest rate benchmark reform

GBP LIBOR was replaced by SONIA from the end of 2021, and USD LIBOR was replaced by SOFR at the end of June 2023. Euribor will remain but will be administered by the Euro Money Markets Institute (EMMI).

The Group transitioned away from GBP LIBOR by 31 December 2021, with only a few remaining cross currency positions which matured and rolled off in March 2022. As at 31 December 2023, a residual amount of fixed to floating-rate notes remain. The issuers are either planning to call these before they convert to floating or the floating rate will be amended via the consent solicitation process. The transition away from USD LIBOR completed ahead of June 2023.

12 Derivative assets and liabilities

The Group uses derivatives as a component of efficient portfolio management. This includes, but is not limited to, hedging economic exposure to foreign currencies, interest rates, inflation and credit risks. The Group uses hedge accounting, provided the prescribed criteria in IFRS 9, 'Financial Instruments' are met, to recognise the offsetting effects of changes in the fair value or cash flow of the derivative instrument and the hedged item.

Cross currency swap contracts – cash flow hedges

The Group has entered into fixed rate borrowings denominated in USD and is therefore exposed to foreign exchange and interest rate risks. In order to hedge these risks the Group has entered into cross currency interest rate swaps, enabling the exposure to be swapped into a fixed rate in its functional currency. These had a net asset fair value totalling £21m (2022: £115m) and a notional amount of £1,099m at 31 December 2023 (2022: £1,099m). There was no ineffectiveness recognised in the income statement in respect of these hedges during 2023.

Other derivative contracts – held for trading

The Group uses certain derivative contracts which are effective hedges of economic exposures in accordance with the Group's risk management policy, but for various reasons are not designated within a formal hedge accounting relationship. Therefore, these contracts must be designated as held for trading, and gains and losses on these contracts are recognised immediately in the Consolidated Income Statement.

	Fair values		Fair values	
	Assets[1] 2023 £m	**Liabilities[2] 2023 £m**	Assets[1] 2022 £m	Liabilities[2] 2022 £m
Shareholder derivatives				
Interest rate contracts – held for trading	**31,411**	**33,580**	35,630	37,684
Forward foreign exchange contracts – held for trading	**26**	**7**	49	44
Currency swap contracts – held for trading	**1,624**	**1,750**	1,103	3,004
Currency swap contracts – cash flow hedges	**24**	**3**	115	–
Inflation swap contracts – held for trading	**4,704**	**4,827**	4,964	5,092
Inflation rate contracts – held for trading	**96**	**30**	–	–
Credit derivatives – held for trading	**–**	**21**	–	3
Equity/index derivatives – held for trading	**1**	**3**	6	8
Other derivatives – held for trading	**133**	**278**	111	270
Total shareholder derivatives	**38,019**	**40,499**	41,978	46,105
Unit linked derivatives				
Interest rate contracts – held for trading	**1,133**	**335**	48	255
Forward foreign exchange contracts – held for trading	**815**	**420**	798	1,344
Credit derivatives – held for trading	**7**	**16**	6	12
Inflation swap contracts – held for trading	**170**	**143**	2,423	3,271
Inflation rate contracts – held for trading	**–**	**2**	–	–
Equity/index derivatives – held for trading	**969**	**2,221**	144	174
Other derivatives – held for trading	**27**	**185**	30	29
Total unit linked derivatives	**3,121**	**3,322**	3,449	5,085
Total derivative assets and liabilities	**41,140**	**43,821**	45,427	51,190

1. Derivative assets are reported in the Consolidated Balance Sheet within Financial investments and investments property (Note 11).
2. Derivative liabilities are reported in the Consolidated Balance Sheet within Payables and other financial liabilities (Note 24).

12 Derivative assets and liabilities continued

The contractual undiscounted cash flows in relation to non-unit linked derivatives have the following maturity profile. Unit linked derivatives have not been included as shareholders are not directly exposed to liquidity risks.

		Maturity profile of undiscounted cash flows					
As at 31 December 2023	**Fair values £m**	**Within 1 year £m**	**1-5 years £m**	**5-15 years £m**	**15-25 years £m**	**Over 25 years £m**	**Total £m**
Cash inflows							
Shareholder derivatives							
Derivative assets	**38,019**	**17,833**	**35,787**	**47,562**	**21,119**	**11,069**	**133,370**
Derivative liabilities	**(40,499)**	**9,304**	**21,883**	**30,447**	**16,349**	**10,039**	**88,022**
Total	**(2,480)**	**27,137**	**57,670**	**78,009**	**37,468**	**21,108**	**221,392**
Cash outflows							
Shareholder derivatives							
Derivative assets	**38,019**	**(13,483)**	**(27,576)**	**(35,293)**	**(16,054)**	**(8,684)**	**(101,090)**
Derivative liabilities	**(40,499)**	**(15,136)**	**(33,435)**	**(45,924)**	**(22,714)**	**(13,121)**	**(130,330)**
Total	**(2,480)**	**(28,619)**	**(61,011)**	**(81,217)**	**(38,768)**	**(21,805)**	**(231,420)**
Net cash flows		**(1,482)**	**(3,341)**	**(3,208)**	**(1,300)**	**(697)**	**(10,028)**

		Maturity profile of undiscounted cash flows					
As at 31 December 2022	Fair values £m	Within 1 year £m	1-5 years £m	5-15 years £m	15-25 years £m	Over 25 years £m	Total £m
Cash inflows							
Shareholder derivatives							
Derivative assets	41,978	13,014	32,933	40,608	17,202	10,783	114,540
Derivative liabilities	(46,105)	12,562	19,268	28,167	12,032	6,986	79,015
Total	(4,127)	25,576	52,201	68,775	29,234	17,769	193,555
Cash outflows							
Shareholder derivatives							
Derivative assets	41,978	(9,050)	(19,698)	(25,866)	(11,688)	(8,073)	(74,375)
Derivative liabilities	(46,105)	(17,532)	(35,466)	(46,948)	(18,626)	(10,095)	(128,667)
Total	(4,127)	(26,582)	(55,164)	(72,814)	(30,314)	(18,168)	(203,042)
Net cash flows		(1,006)	(2,963)	(4,039)	(1,080)	(399)	(9,487)

Future cash flows on the floating legs of interest rate and exchange derivatives are calculated using current spot rates, which may differ from the market expectation incorporated in the fair value.

Cash flows arising from implied events covered by credit derivatives are presented in the tables above on an expected basis as cash flows within one year.

Cash inflows or outflows are presented on a net basis where the Group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

13 Receivables and other assets

	Notes	2023 £m	Restated 2022 £m
Receivables under finance leases	13(i)	**530**	192
Accrued interest and rent		**655**	550
Prepayments and accrued income		**396**	384
Inventories[1]		**1,932**	1,973
Contract assets[2]		**156**	188
Other receivables[3]		**6,111**	9,922
Total receivables and other assets		**9,780**	13,209
Due within 12 months		**8,200**	11,397
Due after 12 months		**1,580**	1,812

1. Inventories represent house building stock including land, options on land, work in progress and other inventory.
2. Contract assets represent the entity's right to consideration in exchange for goods or services that have been transferred to a customer.
3. Other receivables include amounts receivable from brokers and clients for investing activities, collateral pledges, unsettled cash, FX spots and other sundry balances.

(i) Receivables under finance leases

The Group acts as a lessor of certain finance leases, which have a weighted average duration to maturity of 35 years as at 31 December 2023 (2022: 31 years). The counterparties, as lessee, are regarded to be the economic owner of the leased assets.

The future minimum lease payments under the arrangement, together with the present value, are disclosed below:

	Total future payments 2023 £m	Unearned interest income 2023 £m	Present value 2023 £m	Total future payments 2022 £m	Unearned interest income 2022 £m	Present value 2022 £m
Within 1 year	**32**	**(25)**	**7**	12	(7)	5
1-2 years	**32**	**(25)**	**7**	12	(7)	5
2-3 years	**32**	**(25)**	**7**	12	(7)	5
3-4 years	**31**	**(24)**	**7**	12	(7)	5
4-5 years	**31**	**(24)**	**7**	12	(7)	5
After 5 years	**961**	**(466)**	**495**	266	(99)	167
Total	**1,119**	**(589)**	**530**	326	(134)	192

14 Cash and cash equivalents

	Shareholder 2023 £m	Unit linked 2023 £m	Total 2023 £m
Cash at bank and in hand	**1,026**	**1,918**	**2,944**
Cash equivalents	**3,209**	**14,360**	**17,569**
Total cash and cash equivalents	**4,235**	**16,278**	**20,513**

	Shareholder 2022 £m	Unit linked 2022 £m	Total 2022 £m
Cash at bank and in hand	942	1,101	2,043
Cash equivalents	3,892	29,849	33,741
Total cash and cash equivalents	4,834	30,950	35,784

15 Market risk

(i) Investment performance risk

(a) Equity securities

The Group controls its exposure to geographic price risks by using internal country risk exposure limits. These exposure limits are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments. The table below indicates the Group's exposure to different equity markets around the world. Unit linked equity investments are excluded from the table as the risk is retained by the policyholder.

Exposure to worldwide equity markets	2023 £m	2022 £m
United Kingdom	**130**	171
North America	**231**	176
Europe	**326**	375
Japan	**10**	18
Asia Pacific	**74**	99
Other	**31**	46
Listed equities	**802**	885
Unlisted equities[1]	**958**	765
Holdings in unit trusts[2]	**1,406**	1,421
Total equities	**3,166**	3,071

1. Unlisted equities are split between £582m (2022: £532m) United Kingdom, £319m (2022: £211m) Europe and £57m (2022: £22m) North America.
2. Limited Partnerships are included within Holdings in unit trusts.

(b) Debt securities

The Group controls its exposure to geographic price risks by using internal country credit ratings. These ratings are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social and political environments. The table below indicates the Group's exposure to different debt security markets around the world. Unit linked debt securities are excluded from the table as the risk is retained by the policyholder.

Total debt securities	Total 2023 £m	Restated Total 2022 £m
United Kingdom	**37,273**	32,301
USA	**29,012**	26,750
Netherlands	**2,206**	1,864
France	**1,397**	921
Germany	**277**	238
GIIPS:		
– Ireland	**2,066**	1,656
– Italy	**68**	30
– Spain	**246**	202
Belgium	**504**	298
Rest of Europe	**1,998**	1,949
Brazil	**2**	2
Rest of World	**6,227**	5,510
Collateralised debt obligations[1]	**54**	52
Total	**81,330**	71,773

1. All CDOs of £54m (2022: £52m) are domiciled in the Rest of World.

(c) Additional disclosures on shareholder securities exposure

	2023 £m	2023 %	Restated 2022 £m	Restated 2022 %
Sovereigns, supras and sub-sovereigns	**11,869**	**15**	8,244	12
Banks:				
– Tier 1	**21**	**–**	1	–
– Tier 2 and other subordinated	**125**	**–**	152	–
– Senior	**6,751**	**8**	4,477	6
– Covered	**106**	**–**	114	–
Financial services:				
– Tier 2 and other subordinated	**158**	**–**	209	–
– Senior	**2,146**	**3**	1,448	2
Insurance:				
– Tier 1	**9**	**–**	–	–
– Tier 2 and other subordinated	**238**	**–**	267	–
– Senior	**988**	**1**	941	1
Consumer services and goods:				
– Cyclical	**3,109**	**4**	3,187	5
– Non-cyclical	**7,313**	**9**	7,069	10
– Healthcare	**2,441**	**3**	2,308	3
Infrastructure:				
– Social	**6,524**	**8**	5,801	8
– Economic	**5,610**	**7**	5,217	7
Technology and telecoms	**4,829**	**6**	4,405	6
Industrials	**1,328**	**2**	1,464	2
Utilities	**10,464**	**13**	10,836	15
Energy	**1,597**	**2**	1,195	2
Commodities	**885**	**1**	999	1
Oil and gas	**1,517**	**2**	1,717	3
Real estate	**4,451**	**5**	4,105	6
Structured finance ABS/RMBS/CMBS/Other	**3,031**	**4**	2,721	4
Lifetime mortgage loans	**5,766**	**7**	4,844	7
Collateralised debt obligations	**54**	**–**	52	–
Total	**81,330**	**100**	71,773	100

Analysis of sovereigns, supras and sub-sovereigns	2023 £m	Restated 2022 £m
Market value by region		
United Kingdom	**8,790**	5,261
USA	**1,696**	1,754
Netherlands	**40**	31
France	**52**	106
Germany	**84**	95
Ireland	**425**	187
Belgium	**–**	6
Rest of Europe	**248**	189
Rest of World	**534**	615
Total	**11,869**	8,244

15 Market risk continued

(ii) Currency risk

The Group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies, nearly all such holdings are either backing insurance contracts in the same currency or are hedged back to GBP.

The Group operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The largest United States dollar currency exposures relate to the Group's US business, Legal & General America. The majority of currency exposures relating to euros are held by Legal & General Investment Management (Europe) Limited, a subsidiary of Legal & General Investment Management (Holdings) Limited. The Group does not hedge foreign currency revenues as these are substantially retained locally to support the growth of the Group's business and meet local regulatory and market requirements.

Businesses aim to maintain sufficient assets in local currency to meet local currency liabilities, however movements may impact the value of the Group's consolidated shareholders' equity which is expressed in sterling. This aspect of foreign exchange risk is monitored and managed centrally, against pre-determined limits. These exposures are managed by aligning the deployment of regulatory capital by currency with the Group's regulatory capital requirements by currency. Currency borrowings and derivatives may be used to manage exposures within the limits that have been set.

As at 31 December 2023, the Group held net liabilities of £0.5bn (2022: net liabilities of £4.4bn) of its total equity attributable to shareholders in currencies, mainly United States dollar and euro, other than the functional currency of the relevant business unit. The exchange risks inherent in these exposures may be mitigated through the use of derivatives, mainly forward currency contracts.

Consistent with the Group's accounting policies, the profits of overseas business units (reported as functional currencies) are translated at average exchange rates and the net assets (reported as functional currencies) at the closing rate for the reporting period. A 10% increase (weakening of foreign currencies) or decrease (strengthening of foreign currencies) in these rates would increase or reduce the profit for the year and net assets as follows:

	A 10% increase in USD:GBP exchange rate		A 10% decrease in USD:GBP exchange rate	
	2023 £m	Restated 2022 £m	**2023 £m**	Restated 2022 £m
Profit for the year[1]	**4**	–	**(6)**	(1)
Net assets attributable to USD exposures[1]	**20**	377	**(24)**	(460)

	A 10% increase in EUR:GBP exchange rate		A 10% decrease in EUR:GBP exchange rate	
	2023 £m	Restated 2022 £m	**2023 £m**	Restated 2022 £m
Profit for the year[1]	**–**	–	**–**	–
Net assets attributable to EUR exposures[1]	**1**	91	**(2)**	(111)

1. Profit for the year impacts relate only to overseas business units where the functional currency is not sterling. Net asset impacts include both functional currency and non-functional currency exposures.

16 Credit risk

The Group's exposure to credit risk arises from its offering of insurance and investment products. The investments of shareholders', policyholders' and segregated clients' monies require credit risks to be taken, as well as the hedging of insurance (including reinsurance) and other financial risks.

Oversight of credit risk management has been delegated by the Board to the Group Risk Financial Risk Committee (GRFRC), the remit of which includes proposing the Group's appetite for credit risk in aggregate, and by issuers, sectors, and geography, and monitoring actual exposures relative to appetite. The GRFRC also considers credit risk implicit in new asset classes and corporate transactions, and advises on appropriate counterparty risk tolerances. The Group controls its exposure to counterparty credit risk through defining the minimum financial strength of the counterparties with which it will deal and setting exposure tolerances for these counterparties, which are monitored and reviewed by operational management on a counterparty-by-counterparty basis.

The credit profile of the Group's assets exposed to credit risk is shown below. This includes both externally and internally rated positions. Unit linked assets have not been included as shareholders are not directly exposed to the associated credit risk. Additionally, assets such as equity securities, deferred acquisition costs and tax have no exposure to the associated credit risk and therefore have also been excluded.

For externally rated assets, the credit rating bands are provided by independent rating agencies. Unrated traded instruments are assigned a rating through a portfolio review process or through a committee, depending on complexity. Certain assets require an internal rating even when an external rating is already available, if these constitute material traded exposures or are complex securitisations or direct investments. In these cases, internal ratings are assigned by either the LGIM Direct Investment rating team or the asset management firm that originated the transaction.

The carrying amount of the financial assets recorded in the financial statements represents the maximum exposure to credit risk before taking account of collateral held. Collateral is held to mitigate credit risk exposures, by virtue of transactions in long-dated derivatives and stock lending activities.

Shareholder

As at 31 December 2023	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Other £m	Total £m
Government securities		**242**	**8,141**	**253**	**98**	**1**	**1**	**8,736**
Other fixed rate securities		**2,083**	**7,080**	**24,206**	**21,646**	**299**	**141**	**55,455**
Variable rate securities		**471**	**2,734**	**4,039**	**3,328**	**133**	**2**	**10,707**
Lifetime mortgages		**–**	**4,835**	**504**	**402**	**–**	**25**	**5,766**
Accrued interest		**24**	**113**	**240**	**283**	**4**	**2**	**666**
Total debt securities		**2,820**	**22,903**	**29,242**	**25,757**	**437**	**171**	**81,330**
Loans		**–**	**183**	**893**	**–**	**–**	**536**	**1,612**
Derivative assets	12	**–**	**35**	**37,332**	**–**	**1**	**651**	**38,019**
Cash and cash equivalents	14	**985**	**805**	**1,886**	**115**	**–**	**444**	**4,235**
Reinsurance contract assets		**–**	**4,163**	**2,551**	**256**	**–**	**336**	**7,306**
Other assets		**15**	**253**	**237**	**116**	**2**	**6,050**	**6,673**
Total		**3,820**	**28,342**	**72,141**	**26,244**	**440**	**8,188**	**139,175**

As at 31 December 2022 (Restated)	Notes	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Other £m	Total £m
Government securities		1,460	3,723	207	105	8	2	5,505
Other fixed rate securities		2,104	6,072	19,855	21,968	706	79	50,784
Lifetime mortgages		3,246	824	428	336	–	10	4,844
Variable rate securities		491	2,375	3,648	3,276	186	12	9,988
Accrued interest		33	85	220	306	7	1	652
Total debt securities		7,334	13,079	24,358	25,991	907	104	71,773
Loans		–	303	318	47	9	396	1,073
Derivative assets	12	1	29	38,829	2,938	1	180	41,978
Cash and cash equivalents	14	412	2,214	1,583	77	–	548	4,834
Reinsurance contract assets		–	3,829	648	1	–	235	4,713
Other assets		144	355	666	67	1	6,159	7,392
Total		7,891	19,809	66,402	29,121	918	7,622	131,763

16 Credit risk continued

Impairment

The table below shows a stage allocation and credit risk rating of the carrying value of the Group's financial investments measured at FVOCI and amortised cost, as well as the carrying value of any loss allowances on these financial investments split by stage. As at 31 December 2023, the Group did not have any purchased or originated credit-impaired financial investments (2022: no purchased or originated credit-impaired financial investments). Other financial assets at amortised cost are predominantly unrated Other receivables with an immaterial loss allowance (2022: immaterial loss allowance).

FVOCI Shareholder	12-month ECL 2023 £m	Lifetime ECL 2023 £m	Total 2023 £m	12-month ECL 2022 £m	Lifetime ECL 2022 £m	Total 2022 £m
AAA	54	–	54	203	–	203
AA	1,802	–	1,802	70	–	70
A	111	–	111	125	–	125
BBB	55	–	55	81	–	81
BB and below	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total gross	2,022	–	2,022	479	–	479
ECL	(5)	–	(5)	(3)	–	(3)

Amortised cost Shareholder	12-month ECL 2023 £m	Lifetime ECL 2023 £m	Total 2023 £m	12-month ECL 2022 £m	Lifetime ECL 2022 £m	Total 2022 £m
AAA	253	–	253	271	–	271
AA	530	–	530	518	–	518
A	3,478	–	3,478	2,957	–	2,957
BBB	3,647	113	3,760	3,993	115	4,108
BB and below	18	25	43	27	–	27
Other	12	–	12	–	–	–
Total gross	7,938	138	8,076	7,766	115	7,881
ECL	(25)	(6)	(31)	(29)	(6)	(35)
Total net amount	7,913	132	8,045	7,737	109	7,846

The following table explains the changes in the loss allowance for the above securities between the beginning and the end of the annual period.

FVOCI Shareholder	12-month ECL 2023 £m	Lifetime ECL 2023 £m	Total 2023 £m	12-month ECL 2022 £m	Lifetime ECL 2022 £m	Total 2022 £m
As at 1 January	3	–	3	1	–	1
New assets originated or purchased	4	–	4	–	–	–
Assets derecognised or matured	–	–	–	–	–	–
Transfers between 12-month ECL and Lifetime ECL	–	–	–	–	–	–
Remeasurements	(2)	–	(2)	2	–	2
As at 31 December	5	–	5	3	–	3

Amortised cost Shareholder	12-month ECL 2023 £m	Lifetime ECL 2023 £m	Total 2023 £m	12-month ECL 2022 £m	Lifetime ECL 2022 £m	Total 2022 £m
As at 1 January	29	6	35	29	5	34
New assets originated or purchased	1	–	1	–	–	–
Assets derecognised or matured	(4)	(1)	(5)	–	–	–
Transfers between 12-month ECL and Lifetime ECL	(1)	1	–	–	–	–
Remeasurements	–	–	–	–	1	1
As at 31 December	25	6	31	29	6	35

Offsetting
Financial assets and liabilities are offset in the Consolidated Balance Sheet when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and liability simultaneously.

The Group has not entered into any financial transactions resulting in financial assets and liabilities being offset in the Consolidated Balance Sheet. The table below shows the financial assets and liabilities that are subject to master netting agreements in shareholder assets and liabilities. Unit linked assets and liabilities have not been included as shareholders are not exposed to the risks on these policies.

	Amounts subject to enforceable netting arrangements				
		Amounts under master netting arrangements but not offset			
As at 31 December 2023	**Gross and net amounts reported in the Consolidated Balance Sheet £m**	**Related financial instruments[1] £m**	**Cash collateral[2] £m**	**Securities collateral pledged[2] £m**	**Net amount £m**
Derivative assets	**38,019**	**(37,172)**	**(790)**	**(57)**	**–**
Reverse repurchase agreements	**1,599**	**–**	**–**	**(1,599)**	**–**
Total	**39,618**	**(37,172)**	**(790)**	**(1,656)**	**–**
Derivative liabilities	**(40,499)**	**37,172**	**1,385**	**1,942**	**–**
Repurchase agreements	**(2,456)**	**–**	**–**	**2,456**	**–**
Total	**(42,955)**	**37,172**	**1,385**	**4,398**	**–**

	Amounts subject to enforceable netting arrangements				
		Amounts under master netting arrangements but not offset			
As at 31 December 2022	Gross and net amounts reported in the Consolidated Balance Sheet £m	Related financial instruments[1] £m	Cash collateral[2] £m	Securities collateral pledged[2] £m	Net amount £m
Derivative assets	41,978	(40,999)	(924)	(55)	–
Reverse repurchase agreements	1,072	–	–	(1,072)	–
Total	43,050	(40,999)	(924)	(1,127)	–
Derivative liabilities	(46,105)	40,999	2,212	2,894	–
Repurchase agreements	(837)	–	–	837	–
Total	(46,942)	40,999	2,212	3,731	–

1. Related financial instruments represents outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.
2. Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties.

In the tables above, the amounts of assets or liabilities presented in the Consolidated Balance Sheet are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by cash and securities collateral.

17 Insurance risk

The Group is exposed to insurance risk as a consequence of offering the principal products outlined in Note 6. Insurance risk is the exposure to loss arising from insurance risk experience being different to that anticipated. Detailed below are the insurance risks associated with each of the Group's segments along with the mitigating controls operated. They are applicable to all stated products across the Group.

Principal risks	Division	Controls to mitigate risks
Longevity, mortality & morbidity risks		
For contracts providing death benefits, higher mortality rates would lead to an increase in claims costs. The cost of health related claims depends on both the incidence of policyholders becoming ill and the duration over which they remain ill. Higher than expected incidence or duration would increase costs over the level currently assumed in the calculation of liabilities.	Retail	The pricing of protection business is based on assumptions as to future trends in mortality and morbidity having regard to past experience. Underwriting criteria are defined setting out the risks that are unacceptable and the terms for non-standard risks presented by the lives to be insured. Extensive use of reinsurance is made within the UK retail protection business, placing a proportion of all risks meeting prescribed criteria. Mortality and morbidity experience is compared to that assumed within the pricing basis with variances subject to actuarial investigation.
For annuity contracts, the Group is exposed to the risk that mortality experience is lower than assumed. Lower than expected mortality would require payments to be made for longer and increase the cost of benefits provided. Lifetime mortgage business also explicitly has some exposure to the life expectancy of borrowers.	LGRI and Retail	Annuity business is priced having regard to trends in improvements in future mortality. Enhanced annuities, which are priced taking account of impairments to life expectancy, are subject to specific underwriting criteria. Certain annuitant mortality risks, including enhanced annuities, are placed with reinsurers. The Group regularly reviews its mortality experience and industry projections of longevity and adjusts the pricing and valuation assumptions accordingly. In pricing lifetime mortgage business, account is taken of trends in mortality rates in setting the amounts that are advanced to borrowers relative to the value of the property on which the loan is secured.
Persistency risk		
In the early years of a policy, lapses may result in a loss to the Group, as the acquisition costs associated with the contract would not have been recovered from product margins.	Retail	The pricing and valuation assumptions for protection business include provision for policy lapses. Actual trends in policy lapse rates are monitored against these assumptions with variances being subject to actuarial investigation.
Expense risk		
In pricing long-term insurance business, assumptions are made as to the future cost of product servicing. A significant adverse divergence in actual expenses experience could reduce product profitability.	LGRI and Retail	In determining pricing assumptions, account is taken of expected price and wage inflation, with stress testing used to evaluate the effect of significant deviations. Actual product servicing costs are monitored relative to the costs assumed with the product pricing basis, with variances investigated.
Concentration (catastrophe) risk		
Insurance risk may be concentrated in geographic regions, altering the risk profile of the Group. The most significant exposure of this type arises for group protection business, where a single event could result in a large number of related claims.	Retail	Group protection business contracts include an 'event limit' capping the total liability under the policy from a single event. Excess of loss reinsurance further mitigates loss from the exposure. Additionally, exposure by location is monitored to ensure there is a geographic spread of risk. Catastrophe reinsurance cover also mitigates loss from concentrations of risk.
Epidemic (catastrophe) risk		
The spread of an epidemic could cause large aggregate claims across the Group's portfolio of protection businesses.	Retail	The pricing basis for protection business includes an assessment of potential claims as a result of epidemic risks. Quota share and excess of loss reinsurance contracts are used by individual and group protection, respectively, to further mitigate the risk. Depending on the nature of an epidemic, mortality experience may lead to a reduction in the cost of claims for annuity business. Pricing for new business can also be updated to reflect the change in expected claims.

Accumulation of risks

There is limited potential for single incidents to give rise to a large number of claims across the different contract types written by the Group. However, there are potentially material correlations of insurance risk with other types of risk exposure. The Group's capital model seeks to measure risk correlations particularly those that would tend to be more acute as the underlying risk scenarios become more extreme. An example of the accumulation of risk is the correlation between reinsurer credit risk with mortality and morbidity exposures.

Operational risk

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events. Potential for exposure to such risk extends to all of the Group's businesses. The Group has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action or reputational damage.

18 Long-term insurance valuation assumptions

The Group's insurance assumptions, described below, relate to the UK insurance (both annuities and protection) business and material lines of the US insurance (both annuities and protection) business. Other non-UK businesses do not constitute a material component of the Group's operations and consideration of geographically determined assumptions is therefore not included.

For the purpose of producing IFRS 17 best estimate liabilities, the Group seeks to make best estimate assumptions about future experience based on current market conditions and recent experience.

31 December 2022 assumptions have been rebased to those used for the preparation of IFRS 17 comparatives and hence differ from the IFRS 4 assumptions published in the 2022 Annual report and accounts.

(i) Mortality and morbidity

Mortality and morbidity assumptions for the UK business are set with reference to standard tables drawn up by the Continuous Mortality Investigation Bureau (CMI), a subsidiary of the Institute and Faculty of Actuaries, and/or UK death registrations. US assumptions are set with reference to standard tables drawn up by the American Academy of Actuaries. Tables are based on industry-wide mortality and morbidity experience for insured lives.

The Group conducts statistical investigations of its mortality and morbidity experience, the majority of which are carried out at least annually. Investigations determine the extent to which the Group's experience differs from that underpinning the standard tables, and suggest appropriate adjustments which need to be made to the valuation assumptions. In particular, the recent mortality experience observed as a result of Covid-19 and industry studies on its potential endemic effects have been used to derive appropriate adjustments to the assumptions.

In most cases, mortality rates are set separately for gender and smoker status, and the percentage of mortality table will vary for the first 2 – 5 years of the policy's duration to allow for underwriting selection.

Mortality tables	2023	Restated 2022
Non-linked individual assurance business		
UK term assurances[1]	**90% TM08/TF08**	90% – 92% TM08/TF08 Sel 5
UK term assurances with terminal illness[1]	**74% – 86% TM08/TF08 Sel 5**	58% – 86% TM08/TF08 Sel 5
UK term assurances with critical illness[2]	**91% – 135% ACL08 Sel 2**	89% – 132% ACL08 Sel 2
US term assurances[3]	**Adjusted SOA 2014 VBT**	Adjusted SOA 2014 VBT
Whole of Life Protection Plan[4]	**Bespoke Tables based on TM08/TF08 and UK death registrations**	Bespoke Tables based on TM08/TF08 and UK death registrations
Whole of Life over 50[4]	**Bespoke Tables based on ELT15 and Whole of Life Protection Plan assumptions**	Bespoke Tables based on ELT15 and Whole of Life Protection Plan assumptions
Annuity business		
UK Annuities in deferment[5]	**95.6% – 95.3% PMA16_PBO/PFA16_PBO**	75.7% – 85.6% PNMA00/PNFA00
UK Vested annuities[6]		
Pension risk transfer	**95.6% – 95.3% PMA16_PBO/PFA16_PBO**	75.7% – 85.6% PCMA00/PCFA00
Other annuities	**79.0% – 131.6% PMA16_PBO/PFA16_PBO**	66.4% – 105.5% PCMA00/PCFA00
US annuities[7]	**RP-2014 Healthy Annuitant Total table**	RP-2014 Healthy Annuitant Total table

1. Improvement assumptions applied of 1.0% p.a. for males and females (2022: 1.0% p.a. for males and females).
2. Morbidity rates are assumed to deteriorate at a rate of 0.50% p.a. for males and 0.75% p.a. for females (2022: 0.50% p.a. for males and 0.75% p.a. for females).
3. Adjustments are made for gender, select period, smoker status, policy size, policy duration and year, issue year, age, and calendar year.
4. Mortality rates are assumed to reduce based on CMI 2021 model with a long-term annual improvement rate of 1.75% for males and 1.25% for females (2022: Mortality rates are assumed to reduce based on CMI 2020 model with a long-term annual improvement rate of 1.5% for males and 1.0% for females).
5. Table for male is created by using PMA16_PBO and for female it is PFA16_PBO (2022: PCXA00 and PNXA00). These tables are used for both immediate and deferred annuities.
6. Mortality rates are assumed to reduce according to an adjusted version of the mortality improvement model CMI 2021 (2022: CMI 2020) with the following parameters:
   Males: Long-term Rate of 1.75% p.a. up to age 85 tapering to 0% at 110 (2022: Long-term Rate of 1.50% p.a. up to age 85 tapering to 0% at 110).
   Females: Long-term Rate of 1.25% p.a. up to age 85 tapering to 0% at 110 (2022: Long-term Rate of 1.00% p.a. up to age 85 tapering to 0% at 110).
   Smoothing is applied to derive initial rates using a smoothing parameter (Sk) value of 7.5 applied to Legal & General bespoke population data to 2021. The resulting initial rates are then adjusted to reflect socioeconomic class (2022: smoothing parameter (Sk) value of 7.5 applied to Legal & General bespoke population data to 2020).
   For individual annuities distributed through retail channels, a further allowance is made for the effect of initial selection.
   For the finalised improvements, an overlay is applied to the CMI 2021 output by zeroising improvers for 2020, 2021 and 2022 for male and female (2022: no zeroisation).
   The basis above is applicable up to age 90. After age 90 the basis is blended towards a bespoke table from age 105 onwards.
7. Mortality rates are assumed to reduce according to an adjusted version of the mortality improvement model CMI 2021 (2022: MP2018 for females and MP2019 for males).

18 Long-term insurance valuation assumptions continued

(ii) Valuation rates of interest and discount rates

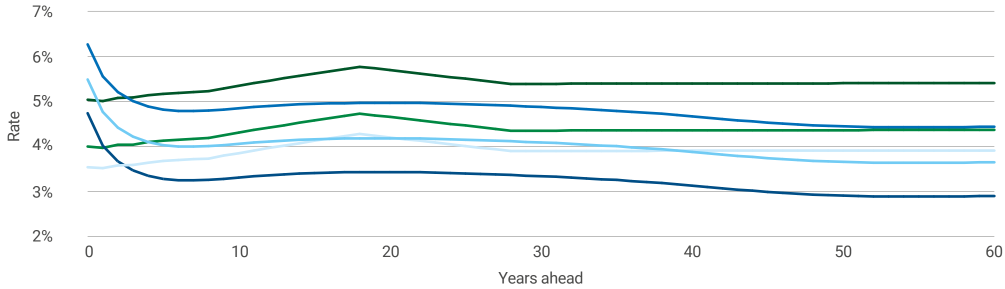
The interest rates used to discount the cash flows for the purpose of valuing insurance contract liabilities should reflect the timing and liquidity characteristics of the insurance liability cash flows and current market conditions. The valuation interest rate assumptions are derived as interest rate curves with full term structure.

In deriving the liquidity premium assumptions for annuity business, an explicit allowance for risk is deducted from the yield on the assets backing annuity liabilities. The allowance for risk comprises long-term assumptions about defaults and the market risk premiums for taking credit risk. In the case of lifetime mortgage assets a best estimate expectation of losses arising from the No Negative Equity Guarantee, and the market risk premiums for this risk are deducted from the yield. For the UK annuity business, the deduction for risk of default for corporate bonds and direct investments equated to 40bps (2022: 42bps). For lifetime mortgages the deductions equated to £0.4bn (2022: £0.3bn).

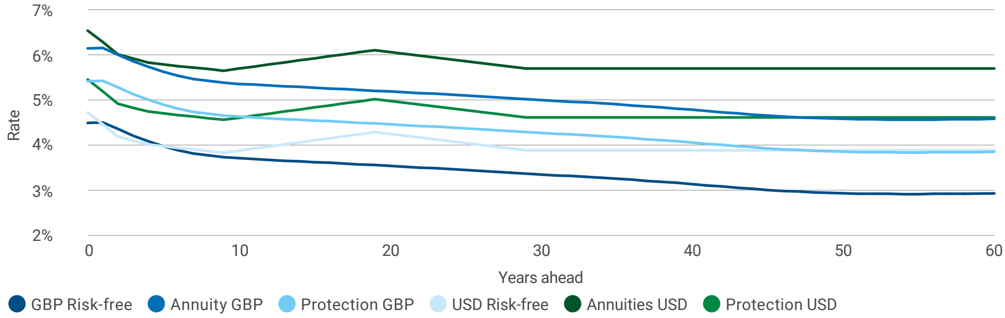
For US and UK protection business, the yield is calculated based on notional asset portfolios of AA rated corporate bonds and cash, which reflect the characteristics of the liability cash flows. An explicit allowance is deducted from the yield to reflect the default risk associated with the notional portfolio assets.

The discount rate curves used for material product lines are shown below. The discount rate curves are used to discount the cash flows on the underlying contracts and any associated reinsurance cash flows. The graph displays the underlying spot rates:

31 December 2023 Discount Rates



31 December 2022 Discount Rates



(iii) Persistency

The Group monitors its persistency experience and carries out detailed investigations annually. Persistency experience can be volatile and past experience may not be an appropriate future indicator. The Group tries to balance past experience and potential future conditions in setting assumptions about expected long-term average persistency levels.

Lapse Rates	2023	Restated 2022
UK Level term	**2.0% – 30.0%**	2.0% – 29.1%
UK Decreasing term	**4.1% – 14.7%**	4.4% – 15.0%
UK Accelerated critical illness cover	**3.2% – 31.3%**	3.2% – 31.5%
Whole of Life (conventional non profit)	**0.6% – 10.0%**	0.6% – 8.5%
US term – 10 year guarantee period	**7.1% – 8.1%**	7.1% – 8.1%
US term – 15 year guarantee period	**4.2% – 5.8%**	4.2% – 5.8%
US term – 20 year guarantee period	**3.0% – 6.1%**	3.0% – 6.1%
US term – 30 year guarantee period	**2.1% – 6.5%**	2.1% – 6.5%
US Universal Life	**2.7%**	2.7%

(iv) Expenses

The Group monitors its expense experience and carries out detailed investigations regularly to determine the expenses incurred in writing and administering the different products and classes of business. Adjustments may be made for known future changes in the administration processes, in line with the Group's business plan, as well as for changes in allocations. An allowance for expense inflation in the future is also made in line with RPI, taking account of both salary and price information.

(v) Risk Adjustment

The risk adjustment is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For the majority of risks, the Group's view on the compensation required for non-financial risks is determined with reference to an 85th percentile confidence level (2022: 85th percentile), calculated using a one-year Value-at-Risk (VaR) measure. This VaR measure reflects the Group's view on how non-financial risks behave (risk distributions), diversification of risks across the Group (risk correlations), and the costs and benefits from reinsurance in place (risk mitigation). This is consistent with how risks are priced for and managed across the Group. Where the Group has less appetite for a risk (and requires proportionally higher compensation) a higher confidence level is used. The calculation uses a capital basis appropriate for the territory, the type of business, and how it is priced. A one percentile increase in the one-year confidence level would increase the compensation targeted by c£50m.

We have estimated the equivalent confidence level for the entire Group on a multi-year basis, using a weighted average of the key risks. Overall the Group risk adjustment as at 31 December 2023 is aligned to a c.75th percentile multi-year confidence level (2022: 75th percentile) over the full runoff of the portfolio.

The Group calculates its Risk Adjustment at contract level using a Provision for Adverse Deviations (PADs) approach, where adjustments are applied to best estimate non-financial risk assumptions to calculate the risk adjustment required over and above the best estimate liability for each contract. These adjustments (that vary by risk) are calibrated such that the total Group Risk Adjustment calculated aligns to the Group's view of compensation for non-financial risks determined with reference to the 85th percentile (as described above) and the Risk Adjustment at contract level is representative of the compensation required by the Group for that contract.

19 IFRS sensitivity analysis

Economic sensitivity	Impact on post-tax Group profit arising from financial assets 2023 £m	Impact on Group equity arising from financial assets 2023 £m	Impact on post-tax Group profit arising from insurance contracts 2023 £m	Impact on Group equity arising from insurance contracts 2023 £m	Net impact on post-tax Group profit 2023 £m	Net impact on Group equity 2023 £m
Long-term insurance, other Group assets and obligations						
100bps increase in interest rates	**(5,909)**	**(6,151)**	**5,713**	**5,892**	**(196)**	**(259)**
100bps decrease in interest rates	**6,999**	**7,318**	**(6,919)**	**(7,147)**	**80**	**171**
50bps increase in future inflation expectations	**1,778**	**1,814**	**(1,831)**	**(1,801)**	**(53)**	**13**
50bps decrease in future inflation expectations	**(1,620)**	**(1,652)**	**1,732**	**1,707**	**112**	**55**
Credit spreads widen by 100bps with no change in expected defaults	**(4,193)**	**(4,216)**	**4,041**	**4,206**	**(152)**	**(10)**
25% rise in equity markets	**297**	**297**	**–**	**–**	**297**	**297**
25% fall in equity markets	**(297)**	**(297)**	**–**	**–**	**(297)**	**(297)**
15% rise in property values	**1,155**	**1,155**	**(25)**	**(25)**	**1,130**	**1,130**
15% fall in property values	**(1,276)**	**(1,276)**	**102**	**102**	**(1,174)**	**(1,174)**
10bps increase in credit default assumptions	**–**	**–**	**(494)**	**(514)**	**(494)**	**(514)**
10bps decrease in credit default assumptions	**–**	**–**	**455**	**471**	**455**	**471**

Economic sensitivity (Restated)	Impact on post-tax Group profit arising from financial assets 2022 £m	Impact on Group equity arising from financial assets 2022 £m	Impact on post-tax Group profit arising from insurance contracts 2022 £m	Impact on Group equity arising from insurance contracts 2022 £m	Net impact on post-tax Group profit 2022 £m	Net impact on Group equity 2022 £m
Long-term insurance, other Group assets and obligations						
100bps increase in interest rates	(4,775)	(4,802)	4,715	4,876	(60)	74
100bps decrease in interest rates	5,706	5,737	(5,626)	(5,833)	80	(96)
50bps increase in future inflation expectations	1,345	1,346	(1,298)	(1,270)	47	76
50bps decrease in future inflation expectations	(1,233)	(1,234)	1,232	1,207	(1)	(27)
Credit spreads widen by 100bps with no change in expected defaults	(3,990)	(3,993)	3,735	3,885	(255)	(108)
25% rise in equity markets	317	317	–	–	317	317
25% fall in equity markets	(317)	(317)	–	–	(317)	(317)
15% rise in property values	1,032	1,032	53	53	1,085	1,085
15% fall in property values	(1,113)	(1,113)	(3)	(3)	(1,116)	(1,116)
10bps increase in credit default assumptions	(12)	(12)	(449)	(467)	(461)	(479)
10bps decrease in credit default assumptions	12	12	423	438	435	450

Non-economic sensitivity	Impact on CSM 2023 £m	Impact on post-tax Group profit 2023 £m	Impact on Group equity 2023 £m
Long-term insurance			
1% increase in annuitant mortality, gross of reinsurance	**352**	**(52)**	**(52)**
1% increase in annuitant mortality, net of reinsurance	**181**	**(26)**	**(26)**
1% decrease in annuitant mortality, gross of reinsurance	**(357)**	**52**	**52**
1% decrease in annuitant mortality, net of reinsurance	**(183)**	**27**	**27**
5% increase in assurance mortality, gross of reinsurance	**(591)**	**(395)**	**(308)**
5% increase in assurance mortality, net of reinsurance	**(307)**	**(95)**	**(81)**
10% increase in maintenance expenses, gross of reinsurance	**(140)**	**(3)**	**1**
10% increase in maintenance expenses, net of reinsurance	**(137)**	**(4)**	**1**

Non-economic sensitivity	Impact on CSM 2022 £m	Impact on post-tax Group profit 2022 £m	Impact on Group equity 2022 £m
Long-term insurance			
1% increase in annuitant mortality, gross of reinsurance	323	(70)	(70)
1% increase in annuitant mortality, net of reinsurance	168	(32)	(32)
1% decrease in annuitant mortality, gross of reinsurance	(324)	70	70
1% decrease in annuitant mortality, net of reinsurance	(168)	32	32
5% increase in assurance mortality, gross of reinsurance	(628)	(344)	(228)
5% increase in assurance mortality, net of reinsurance	(331)	(63)	(39)
10% increase in maintenance expenses, gross of reinsurance	(126)	–	6
10% increase in maintenance expenses, net of reinsurance	(123)	–	6

The economic sensitivity tables above show the impacts on Group post tax profit and equity, net of reinsurance, under each sensitivity scenario. The impacts on Group post tax profit and equity arising from financial assets and insurance contracts are also shown separately in the tables. The economic sensitivity impacts cover long-term insurance business and other Group assets and obligations.

The non-economic sensitivity tables above show the impacts on CSM, Group post tax profit and equity, gross and net of reinsurance, under each sensitivity scenario. The non-economic sensitivity impacts cover long-term insurance business only.

The Group impacts may arise from asset and/or liability movements under the sensitivities. The current disclosure reflects management's view of key risks in current economic conditions.

The stresses are assumed to occur on the balance sheet date. Both CSM and current year CSM release into profit are assumed to be affected when non-financial assumptions are stressed.

In calculating the alternative values, all other assumptions are left unchanged. In practice, impacts of the Group's experience may be correlated.

The sensitivity analyses do not take into account management actions that could be taken to reduce the impacts. The Group seeks to actively manage its asset and liability position. A change in market conditions may lead to changes in the asset allocation or charging structure which may have a more, or less, significant impact on the value of the liabilities. The analysis also ignores any second order effects of the assumption change, including the potential impact on the Group asset and liability position and any second order tax effects.

The sensitivity of profit and equity to changes in assumptions may not be linear. They should not be extrapolated to changes of a much larger order.

The change in interest rate stresses assume a 100 basis point increase/decrease in the gross redemption yield on fixed interest securities together with the same change in the real yields on variable securities. Interest rates used to discount liabilities are assumed to move in line with market yields, adjusted to remove risks in the asset reference portfolios that are not present in the liabilities calculated in a manner consistent with the base results.

The inflation stresses adopted are a 0.5% per annum (p.a.) increase/decrease in inflation, resulting in a 0.5% p.a. reduction/rise in real yield and no change to the nominal yield. In addition, the expense inflation rate is increased/decreased by 0.5% p.a. The expense inflation assumptions are non-financial and therefore recalibrate the CSM under the stresses. These recalibrations are reflected in the impacts shown.

In the sensitivity for credit spreads, corporate bond yields have increased by 100bps, government bond yields are unchanged, and there has been no adjustment to the default assumptions. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress.

19 IFRS sensitivity analysis continued

The equity stresses are a 25% rise and 25% fall in listed equity market values.

The property stresses adopted are a 15% rise and 15% fall in property market values including lifetime mortgages. Where property is being used to back liabilities, interest rates used to discount liabilities move with property yields, and so the value of the liabilities will also move.

The credit default assumption is set based on the credit rating of individual bonds and Moody's historical transition matrices. The credit default stress assumes a +/-10bps stress to the current credit default assumptions, which will have an impact on the interest rates used to discount liabilities. Default allowances for assets deemed credit risk free are unchanged. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress.

The annuitant mortality stresses are a 1% increase and 1% decrease in the mortality rates for immediate and deferred annuitants with no change to the mortality improvement rates.

The assurance mortality stress is a 5% increase in the mortality and morbidity rates with no change to the mortality and morbidity improvement rates.

The maintenance expense stress is a 10% increase in all types of maintenance expenses in future years.

20 Insurance contract liabilities

(i) Insurance contract revenue and expenses

For the year ended 31 December 2023	Annuities £m	Protection £m	Total £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
– CSM recognised for services provided	**943**	**225**	**1,168**
– Expected incurred claims and other insurance service expenses	**5,278**	**2,597**	**7,875**
– Change in the risk adjustment for non-financial risk for the risk expired	**371**	**16**	**387**
Recovery of insurance acquisition cash flows	**19**	**132**	**151**
Premium experience variance relating to past and current service	**1**	**42**	**43**
Total insurance revenue	**6,612**	**3,012**	**9,624**
Total insurance service expenses	**(5,244)**	**(3,129)**	**(8,373)**
Allocation of reinsurance premiums	**(2,847)**	**(1,044)**	**(3,891)**
Amounts recoverable from reinsurers for incurred claims	**2,415**	**1,339**	**3,754**
Net (expense)/income from reinsurance contracts held	**(432)**	**295**	**(137)**
Total insurance service result	**936**	**178**	**1,114**

For the year ended 31 December 2022	Annuities £m	Protection £m	Total £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
– CSM recognised for services provided	762	251	1,013
– Expected incurred claims and other insurance service expenses	4,585	2,558	7,143
– Change in the risk adjustment for non-financial risk for the risk expired	359	31	390
Recovery of insurance acquisition cash flows	14	123	137
Premium experience variance relating to past and current service	2	(2)	–
Total insurance revenue	5,722	2,961	8,683
Total insurance service expenses	(4,576)	(2,921)	(7,497)
Allocation of reinsurance premiums	(2,323)	(803)	(3,126)
Amounts recoverable from reinsurers for incurred claims	2,052	929	2,981
Net (expense)/income from reinsurance contracts held	(271)	126	(145)
Total insurance service result	875	166	1,041

(ii) Insurance and reinsurance contracts

	Assets 2023 £m	Liabilities 2023 £m	Assets 2022 £m	Liabilities 2022 £m
Insurance contracts issued				
Annuities				
Insurance contract balances	–	**86,706**	–	73,729
Assets for insurance contract acquisition cash flows[1]	–	**(18)**	–	(20)
Protection				
Insurance contract balances	–	**4,782**	–	4,533
Assets for insurance contract acquisition cash flows[1]	–	**(24)**	–	(28)
Total insurance contracts issued[2]	–	**91,446**	–	78,214

	Assets 2023 £m	Liabilities 2023 £m	Assets 2022 £m	Liabilities 2022 £m
Reinsurance contracts held				
Annuities				
Reinsurance contract balances	**4,758**	–	2,495	–
Assets for reinsurance contract acquisition cash flows[1]	**3**	–	5	–
Protection				
Reinsurance contract balances	**2,545**	**220**	2,213	52
Assets for reinsurance contract acquisition cash flows[1]	–	–	–	–
Total reinsurance contracts held[2]	**7,306**	**220**	4,713	52

1. Assets for insurance and reinsurance acquisition cash flows are presented within the carrying amount of the related insurance and reinsurance contract liabilities.
2. £5,119m (2022: £5,122m) of the net insurance balance of £84,360m (2022: £73,553m) is expected to run off within 12 months.

20 Insurance contract liabilities continued

(iii) Annuities – Insurance contracts issued

(a) Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liability for remaining coverage				Liability for remaining coverage			
	Excluding loss component 2023 £m	Loss component 2023 £m	Liability for incurred claims 2023 £m	Total 2023 £m	Excluding loss component 2022 £m	Loss component 2022 £m	Liability for incurred claims 2022 £m	Total 2022 £m
Opening insurance contract liabilities	73,664	6	59	73,729	87,599	8	36	87,643
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	73,664	6	59	73,729	87,599	8	36	87,643
Insurance revenue	(6,612)	–	–	(6,612)	(5,722)	–	–	(5,722)
Incurred claims and other insurance service expenses	–	–	5,215	5,215	–	–	4,562	4,562
Amortisation of insurance acquisition expenses	19	–	–	19	14	–	–	14
Changes that relate to past service	–	–	4	4	–	–	2	2
Losses and reversal of losses on onerous contracts	–	(2)	–	(2)	–	(2)	–	(2)
Insurance service expenses	19	(2)	5,219	5,236	14	(2)	4,564	4,576
Insurance service result	(6,593)	(2)	5,219	(1,376)	(5,708)	(2)	4,564	(1,146)
Finance expenses/(income) from insurance contracts	5,841	–	–	5,841	(18,944)	(1)	–	(18,945)
Effect of movements in exchange rates	(328)	(1)	(1)	(330)	537	1	2	540
Total amount recognised in comprehensive income	(1,080)	(3)	5,218	4,135	(24,115)	(2)	4,566	(19,551)
Investment components	(399)	–	399	–	(471)	–	471	–
Cash flows								
Premiums received	14,535	–	–	14,535	10,716	–	–	10,716
Claims and other directly attributable expenses	–	–	(5,603)	(5,603)	–	–	(5,014)	(5,014)
Insurance acquisition cash flows	(90)	–	–	(90)	(65)	–	–	(65)
Total cash flows	14,445	–	(5,603)	8,842	10,651	–	(5,014)	5,637
Closing insurance contract liabilities	86,630	3	73	86,706	73,664	6	59	73,729
Closing insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 31 December	86,630	3	73	86,706	73,664	6	59	73,729

(b) Reconciliation of the measurement components of insurance contract liabilities

	Present value of future cash flows 2023 £m	Risk adjustment for non-financial risk 2023 £m	CSM 2023 £m	Total 2023 £m	Present value of future cash flows 2022 £m	Risk adjustment for non-financial risk 2022 £m	CSM 2022 £m	Total 2022 £m
Opening insurance contract liabilities	**60,448**	**1,753**	**11,528**	**73,729**	74,004	3,301	10,338	87,643
Opening insurance contract assets	**–**	**–**	**–**	**–**	–	–	–	–
Net balance as at 1 January	**60,448**	**1,753**	**11,528**	**73,729**	74,004	3,301	10,338	87,643
Changes that relate to current service								
CSM recognised for services provided	**–**	**–**	**(943)**	**(943)**	–	–	(762)	(762)
Release of risk adjustment	**–**	**(371)**	**–**	**(371)**	–	(359)	–	(359)
Experience adjustments	**(83)**	**–**	**–**	**(83)**	(6)	–	–	(6)
Total changes that relate to current service	**(83)**	**(371)**	**(943)**	**(1,397)**	(6)	(359)	(762)	(1,127)
Changes that relate to future service								
Changes in estimates which adjust the CSM	**(1,657)**	**52**	**1,605**	**–**	(931)	(202)	1,133	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	**(2)**	**–**	**–**	**(2)**	(1)	(1)	–	(2)
Contracts initially recognised in the year	**(1,305)**	**451**	**854**	**–**	(861)	308	553	–
Total changes that relate to future service	**(2,964)**	**503**	**2,459**	**(2)**	(1,793)	105	1,686	(2)
Changes that relate to past service								
Claims variance	**23**	**–**	**–**	**23**	(17)	–	–	(17)
Insurance service result	**(3,024)**	**132**	**1,516**	**(1,376)**	(1,816)	(254)	924	(1,146)
Finance expenses/(income) from insurance contracts	**5,177**	**340**	**324**	**5,841**	(17,888)	(1,303)	246	(18,945)
Effect of movements in exchange rates	**(310)**	**(4)**	**(16)**	**(330)**	511	9	20	540
Total amount recognised in comprehensive income	**1,843**	**468**	**1,824**	**4,135**	(19,193)	(1,548)	1,190	(19,551)
Cash flows								
Premiums received	**14,535**	**–**	**–**	**14,535**	10,716	–	–	10,716
Claims and other directly attributable expenses	**(5,603)**	**–**	**–**	**(5,603)**	(5,014)	–	–	(5,014)
Insurance acquisition cash flows	**(90)**	**–**	**–**	**(90)**	(65)	–	–	(65)
Total cash flows	**8,842**	**–**	**–**	**8,842**	5,637	–	–	5,637
Closing insurance contract liabilities	**71,133**	**2,221**	**13,352**	**86,706**	60,448	1,753	11,528	73,729
Closing insurance contract assets	**–**	**–**	**–**	**–**	–	–	–	–
Net balance as at 31 December	**71,133**	**2,221**	**13,352**	**86,706**	60,448	1,753	11,528	73,729

20 Insurance contract liabilities continued
(iii) Annuities – Insurance contracts issued continued
(c) Impact of contracts recognised in the year

		Of which relates to:			Of which relates to:	
	Total impact of contracts recognised in the year 2023 £m	Transfers or business acquisitions 2023 £m	Onerous contracts issued 2023 £m	Total impact of contracts recognised in the year 2022 £m	Transfers or business acquisitions 2022 £m	Onerous contracts issued 2022 £m
Estimates of present value of cash outflows						
Insurance acquisition cash flows	90	–	–	65	–	–
Claims and other insurance service expenses payable	13,208	–	–	9,135	–	–
Estimates of present value of cash outflows	13,298	–	–	9,200	–	–
Estimates of present value of cash inflows	(14,603)	–	–	(10,061)	–	–
Risk adjustment for non-financial risk	451	–	–	308	–	–
CSM	854	–	–	553	–	–
Increase in insurance contract liabilities from contracts recognised in the year	–	–	–	–	–	–

(d) Amounts determined on transition to IFRS 17

	New contracts and contracts measured under the full retrospective approach 2023 £m	Contracts measured under the modified retrospective approach 2023 £m	Contracts measured under the fair value approach 2023 £m	Total 2023 £m	New contracts and contracts measured under the full retrospective approach 2022 £m	Contracts measured under the modified retrospective approach 2022 £m	Contracts measured under the fair value approach 2022 £m	Total 2022 £m
Insurance revenue	1,536	2,138	2,938	6,612	752	2,069	2,901	5,722
CSM as at 1 January	1,442	5,659	4,427	11,528	729	5,635	3,974	10,338
Changes that relate to current service								
CSM recognised for services provided	(144)	(396)	(403)	(943)	(62)	(378)	(322)	(762)
Changes that relate to future service								
Changes in estimates which adjust the CSM	228	408	969	1,605	199	243	691	1,133
Contracts initially recognised in the year	854	–	–	854	553	–	–	553
Finance expenses/(income) from insurance contracts	65	149	110	324	19	150	77	246
Effect of movements in exchange rates	(4)	(9)	(3)	(16)	4	9	7	20
CSM as at 31 December	2,441	5,811	5,100	13,352	1,442	5,659	4,427	11,528

(iv) Annuities – Reinsurance contracts held
(a) Reconciliation of the remaining coverage and incurred claims

	Asset for remaining coverage				Asset for remaining coverage			
	Excluding loss recovery component 2023 £m	**Loss recovery component 2023 £m**	**Asset for incurred claims 2023 £m**	**Total 2023 £m**	Excluding loss recovery component 2022 £m	Loss recovery component 2022 £m	Asset for incurred claims 2022 £m	Total 2022 £m
Opening reinsurance contract liabilities	(1)	–	1	–	–	–	–	–
Opening reinsurance contract assets	2,459	2	34	2,495	1,530	4	5	1,539
Net balance as at 1 January	2,458	2	35	2,495	1,530	4	5	1,539
Allocation of reinsurance premium	(2,847)	–	–	(2,847)	(2,323)	–	–	(2,323)
Amount recoverable from reinsurers for incurred claims								
Amounts recoverable for claims and other expenses incurred in the year	1	–	2,415	2,416	–	(1)	2,058	2,057
Changes that relate to past service	–	–	–	–	–	–	–	–
Changes in expected future recoveries which relate to onerous underlying contracts	–	–	–	–	–	–	–	–
Recovery of reinsurance contract losses – adjustments to loss recovery component for changes in fulfilment cash flows	–	(1)	–	(1)	–	(1)	–	(1)
Change in non-performance risk of reinsurers	–	–	–	–	(4)	–	–	(4)
Amount recoverable from reinsurers for incurred claims	1	(1)	2,415	2,415	(4)	(2)	2,058	2,052
Net (expenses)/income from reinsurance contracts	(2,846)	(1)	2,415	(432)	(2,327)	(2)	2,058	(271)
Finance income from reinsurance contracts	625	–	–	625	7	–	–	7
Effect of movements in exchange rates	(25)	–	–	(25)	72	–	–	72
Total amount recognised in comprehensive income	(2,246)	(1)	2,415	168	(2,248)	(2)	2,058	(192)
Investment components	(4)	–	4	–	(6)	–	6	–
Cash flows								
Premiums net of commission and other directly attributable expenses	4,464	–	–	4,464	3,182	–	–	3,182
Recoveries from reinsurance	–	–	(2,378)	(2,378)	–	–	(2,034)	(2,034)
Reinsurance pre-recognition cash flows	9	–	–	9	–	–	–	–
Total cash flows	4,473	–	(2,378)	2,095	3,182	–	(2,034)	1,148
Closing reinsurance contract liabilities	(1)	–	1	–	(1)	–	1	–
Closing reinsurance contract assets	4,682	1	75	4,758	2,459	2	34	2,495
Net balance as at 31 December	4,681	1	76	4,758	2,458	2	35	2,495

20 Insurance contract liabilities continued

(iv) Annuities – Reinsurance contracts held continued

(b) Reconciliation of the measurement components of reinsurance contract balances

	Present value of future cash flows 2023 £m	Risk adjustment for non-financial risk 2023 £m	CSM 2023 £m	Total 2023 £m	Present value of future cash flows 2022 £m	Risk adjustment for non-financial risk 2022 £m	CSM 2022 £m	Total 2022 £m
Opening reinsurance contract liabilities	5	7	(12)	–	–	–	–	–
Opening reinsurance contract assets	(43)	818	1,720	2,495	(1,309)	1,508	1,340	1,539
Net balance as at 1 January	(38)	825	1,708	2,495	(1,309)	1,508	1,340	1,539
Changes that relate to current service								
CSM recognised for services received	–	–	(156)	(156)	–	–	(99)	(99)
Change in the risk adjustment for non-financial risk for risk expired	–	(193)	–	(193)	–	(164)	–	(164)
Experience adjustments	(81)	–	–	(81)	(3)	–	–	(3)
Total changes that relate to current service	(81)	(193)	(156)	(430)	(3)	(164)	(99)	(266)
Changes that relate to future service								
Changes in estimates which adjust the CSM	(902)	43	859	–	(438)	(127)	565	–
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	(2)	–	–	(2)	(1)	–	–	(1)
Contracts initially recognised in the year	(181)	271	(90)	–	(86)	213	(127)	–
Total changes that relate to future service	(1,085)	314	769	(2)	(525)	86	438	(1)
Changes that relate to past service								
Claims variance	–	–	–	–	–	–	–	–
Change in non-performance risk of reinsurers	–	–	–	–	(4)	–	–	(4)
Net (expenses)/income from reinsurance contracts	(1,166)	121	613	(432)	(532)	(78)	339	(271)
Finance income/(expenses) from reinsurance contracts	417	168	40	625	585	(607)	29	7
Effect of movements in exchange rates	(24)	(1)	–	(25)	70	2	–	72
Total amount recognised in comprehensive income	(773)	288	653	168	123	(683)	368	(192)
Cash flows								
Premiums net of commission and other directly attributable expenses	4,464	–	–	4,464	3,182	–	–	3,182
Recoveries from reinsurance	(2,378)	–	–	(2,378)	(2,034)	–	–	(2,034)
Reinsurance pre-recognition cash flows	9	–	–	9	–	–	–	–
Total cash flows	2,095	–	–	2,095	1,148	–	–	1,148
Closing reinsurance contract liabilities	1	10	(11)	–	5	7	(12)	–
Closing reinsurance contract assets	1,283	1,103	2,372	4,758	(43)	818	1,720	2,495
Net balance as at 31 December	1,284	1,113	2,361	4,758	(38)	825	1,708	2,495

(c) Impact of contracts recognised in the year

	Total impact of contracts recognised in the year 2023 £m	Of which relates to: Transfers or business acquisitions 2023 £m	Of which relates to: Contracts initiated with loss recovery component 2023 £m	Total impact of contracts recognised in the year 2022 £m	Of which relates to: Transfers or business acquisitions 2022 £m	Of which relates to: Contracts initiated with loss recovery component 2022 £m
Estimates of present value of cash outflows	**(8,235)**	**–**	**–**	(5,711)	–	–
Estimates of present value of cash inflows	**8,054**	**–**	**–**	5,625	–	–
Risk adjustment for non-financial risk	**271**	**–**	**–**	213	–	–
CSM	**(90)**	**–**	**–**	(127)	–	–
Net change in reinsurance contracts from contracts recognised in the year	**–**	**–**	**–**	–	–	–

(d) Amounts determined on transition to IFRS 17

	New contracts and contracts measured under the full retrospective approach 2023 £m	Contracts measured under the modified retrospective approach 2023 £m	Contracts measured under the fair value approach 2023 £m	Total 2023 £m	New contracts and contracts measured under the full retrospective approach 2022 £m	Contracts measured under the modified retrospective approach 2022 £m	Contracts measured under the fair value approach 2022 £m	Total 2022 £m
CSM as at 1 January	**97**	**1,417**	**194**	**1,708**	110	1,214	16	1,340
Changes that relate to current service								
CSM recognised for services received	**(13)**	**(107)**	**(36)**	**(156)**	(5)	(79)	(15)	(99)
Changes that relate to future service								
Changes in estimates which adjust the CSM	**237**	**333**	**289**	**859**	120	252	193	565
Contracts initially recognised in the year	**(90)**	**–**	**–**	**(90)**	(127)	–	–	(127)
Finance (expenses)/income from reinsurance contracts	**(1)**	**37**	**4**	**40**	(1)	30	–	29
CSM as at 31 December	**230**	**1,680**	**451**	**2,361**	97	1,417	194	1,708

20 Insurance contract liabilities continued
(v) Protection – Insurance contracts issued
(a) Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liability for remaining coverage				Liability for remaining coverage			
	Excluding loss component 2023 £m	Loss component 2023 £m	Liability for incurred claims 2023 £m	Total 2023 £m	Excluding loss component 2022 £m	Loss component 2022 £m	Liability for incurred claims 2022 £m	Total 2022 £m
Opening insurance contract liabilities	2,643	561	1,329	4,533	3,945	701	1,375	6,021
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	2,643	561	1,329	4,533	3,945	701	1,375	6,021
Insurance revenue	(3,012)	–	–	(3,012)	(2,961)	–	–	(2,961)
Incurred claims and other insurance service expenses	–	(62)	2,702	2,640	–	(48)	2,704	2,656
Amortisation of insurance acquisition expenses	132	–	–	132	123	–	–	123
Changes that relate to past service	–	–	26	26	–	–	24	24
Losses and reversal of losses on onerous contracts	–	331	–	331	–	118	–	118
Insurance service expenses	132	269	2,728	3,129	123	70	2,728	2,921
Insurance service result	(2,880)	269	2,728	117	(2,838)	70	2,728	(40)
Finance (income)/expenses from insurance contracts	(11)	67	6	62	(1,596)	(210)	(116)	(1,922)
Effect of movements in exchange rates	(108)	(1)	(11)	(120)	292	–	24	316
Total amount recognised in comprehensive income	(2,999)	335	2,723	59	(4,142)	(140)	2,636	(1,646)
Investment components	(37)	–	37	–	(39)	–	39	–
Cash flows								
Premiums received	3,217	–	–	3,217	3,089	–	–	3,089
Claims and other directly attributable expenses	–	–	(2,785)	(2,785)	–	–	(2,721)	(2,721)
Insurance acquisition cash flows	(242)	–	–	(242)	(210)	–	–	(210)
Total cash flows	2,975	–	(2,785)	190	2,879	–	(2,721)	158
Closing insurance contract liabilities	2,582	896	1,304	4,782	2,643	561	1,329	4,533
Closing insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 31 December	2,582	896	1,304	4,782	2,643	561	1,329	4,533

(b) Reconciliation of the measurement components of insurance contract liabilities

	Present value of future cash flows 2023 £m	Risk adjustment for non-financial risk 2023 £m	CSM 2023 £m	Total 2023 £m	Present value of future cash flows 2022 £m	Risk adjustment for non-financial risk 2022 £m	CSM 2022 £m	Total 2022 £m
Opening insurance contract liabilities	**2,069**	**617**	**1,847**	**4,533**	3,536	722	1,763	6,021
Opening insurance contract assets	**–**	**–**	**–**	**–**	–	–	–	–
Net balance as at 1 January	**2,069**	**617**	**1,847**	**4,533**	3,536	722	1,763	6,021
Changes that relate to current service								
CSM recognised for services provided	**–**	**–**	**(225)**	**(225)**	–	–	(251)	(251)
Release of risk adjustment	**–**	**(16)**	**–**	**(16)**	–	(31)	–	(31)
Experience adjustments	**5**	**–**	**–**	**5**	102	–	–	102
Total changes that relate to current service	**5**	**(16)**	**(225)**	**(236)**	102	(31)	(251)	(180)
Changes that relate to future service								
Changes in estimates which adjust the CSM	**308**	**(32)**	**(276)**	**–**	42	44	(86)	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	**261**	**(1)**	**–**	**260**	12	(1)	–	11
Contracts initially recognised in the year	**(220)**	**15**	**276**	**71**	(159)	16	250	107
Total changes that relate to future service	**349**	**(18)**	**–**	**331**	(105)	59	164	118
Changes that relate to past service								
Claims variance	**22**	**–**	**–**	**22**	22	–	–	22
Insurance service result	**376**	**(34)**	**(225)**	**117**	19	28	(87)	(40)
Finance (income)/expenses from insurance contracts	**(50)**	**47**	**65**	**62**	(1,762)	(212)	52	(1,922)
Effect of movements in exchange rates	**(34)**	**(30)**	**(56)**	**(120)**	118	79	119	316
Total amount recognised in comprehensive income	**292**	**(17)**	**(216)**	**59**	(1,625)	(105)	84	(1,646)
Cash flows								
Premiums received	**3,217**	**–**	**–**	**3,217**	3,089	–	–	3,089
Claims and other directly attributable expenses	**(2,785)**	**–**	**–**	**(2,785)**	(2,721)	–	–	(2,721)
Insurance acquisition cash flows	**(242)**	**–**	**–**	**(242)**	(210)	–	–	(210)
Total cash flows	**190**	**–**	**–**	**190**	158	–	–	158
Closing insurance contract liabilities	**2,551**	**600**	**1,631**	**4,782**	2,069	617	1,847	4,533
Closing insurance contract assets	**–**	**–**	**–**	**–**	–	–	–	–
Net balance as at 31 December	**2,551**	**600**	**1,631**	**4,782**	2,069	617	1,847	4,533

20 Insurance contract liabilities continued

(v) Protection – Insurance contracts issued continued

(c) Impact of contracts recognised in the year

	Total impact of contracts recognised in the year 2023 £m	Of which relates to: Transfers or business acquisitions 2023 £m	Of which relates to: Onerous contracts issued 2023 £m	Total impact of contracts recognised in the year 2022 £m	Of which relates to: Transfers or business acquisitions 2022 £m	Of which relates to: Onerous contracts issued 2022 £m
Estimates of present value of cash outflows						
Insurance acquisition cash flows	242	–	73	210	–	73
Claims and other insurance service expenses payable	2,096	–	488	2,334	–	752
Estimates of present value of cash outflows	2,338	–	561	2,544	–	825
Estimates of present value of cash inflows	(2,558)	–	(491)	(2,703)	–	(719)
Risk adjustment for non-financial risk	15	–	1	16	–	1
CSM	276	–	–	250	–	–
Increase in insurance contract liabilities from contracts recognised in the year	71	–	71	107	–	107

(d) Amounts determined on transition to IFRS 17

	New contracts and contracts measured under the full retrospective approach 2023 £m	Contracts measured under the modified retrospective approach 2023 £m	Contracts measured under the fair value approach 2023 £m	Total 2023 £m	New contracts and contracts measured under the full retrospective approach 2022 £m	Contracts measured under the modified retrospective approach 2022 £m	Contracts measured under the fair value approach 2022 £m	Total 2022 £m
Insurance revenue	1,055	1,171	786	3,012	835	1,241	885	2,961
CSM as at 1 January	427	1,106	314	1,847	214	1,151	398	1,763
Changes that relate to current service								
CSM recognised for services provided	(82)	(110)	(33)	(225)	(54)	(142)	(55)	(251)
Changes that relate to future service								
Changes in estimates which adjust the CSM	(51)	(132)	(93)	(276)	(9)	(31)	(46)	(86)
Contracts initially recognised in the year	276	–	–	276	250	–	–	250
Finance expenses from insurance contracts	21	37	7	65	6	40	6	52
Effect of movements in exchange rates	(17)	(35)	(4)	(56)	20	88	11	119
CSM as at 31 December	574	866	191	1,631	427	1,106	314	1,847

(vi) Protection – Reinsurance contracts held

(a) Reconciliation of the remaining coverage and incurred claims

	Asset for remaining coverage				Asset for remaining coverage			
	Excluding loss recovery component 2023 £m	Loss recovery component 2023 £m	Asset for incurred claims 2023 £m	Total 2023 £m	Excluding loss recovery component 2022 £m	Loss recovery component 2022 £m	Asset for incurred claims 2022 £m	Total 2022 £m
Opening reinsurance contract liabilities	(52)	–	–	(52)	(8)	–	6	(2)
Opening reinsurance contract assets	866	473	874	2,213	1,608	583	922	3,113
Net balance as at 1 January	814	473	874	2,161	1,600	583	928	3,111
Allocation of reinsurance premium	(1,044)	–	–	(1,044)	(803)	–	–	(803)
Amount recoverable from reinsurers for incurred claims								
Amounts recoverable for claims and other expenses incurred in the year	–	(11)	1,082	1,071	–	(220)	1,013	793
Changes that relate to past service	–	–	12	12	–	–	26	26
Changes in expected future recoveries which relate to onerous underlying contracts	3	–	–	3	(1)	–	–	(1)
Recovery of reinsurance contract losses – loss recovery component established due to recovery of losses on underlying contracts	–	315	–	315	–	164	–	164
Recovery of reinsurance contract losses – adjustments to loss recovery component for changes in fulfilment cash flows	–	(16)	–	(16)	–	(54)	–	(54)
Change in non-performance risk of reinsurers	(46)	–	–	(46)	1	–	–	1
Amount recoverable from reinsurers for incurred claims	(43)	288	1,094	1,339	–	(110)	1,039	929
Net (expenses)/income from reinsurance contracts	(1,087)	288	1,094	295	(803)	(110)	1,039	126
Finance income/(expenses) from reinsurance contracts	7	–	(5)	2	(1,001)	–	(30)	(1,031)
Effect of movements in exchange rates	(5)	(1)	(5)	(11)	34	–	7	41
Total amount recognised in comprehensive income	(1,085)	287	1,084	286	(1,770)	(110)	1,016	(864)
Investment components	(24)	–	24	–	–	–	–	–
Cash flows								
Premiums net of commission and other directly attributable expenses	958	–	–	958	969	–	–	969
Recoveries from reinsurance	–	–	(1,080)	(1,080)	15	–	(1,070)	(1,055)
Total cash flows	958	–	(1,080)	(122)	984	–	(1,070)	(86)
Closing reinsurance contract liabilities	(299)	–	79	(220)	(52)	–	–	(52)
Closing reinsurance contract assets	962	760	823	2,545	866	473	874	2,213
Net balance as at 31 December	663	760	902	2,325	814	473	874	2,161

20 Insurance contract liabilities continued
(vi) Protection – Reinsurance contracts held continued
(b) Reconciliation of the measurement components of reinsurance contract balances

	Present value of future cash flows 2023 £m	Risk adjustment for non-financial risk 2023 £m	CSM 2023 £m	Total 2023 £m	Present value of future cash flows 2022 £m	Risk adjustment for non-financial risk 2022 £m	CSM 2022 £m	Total 2022 £m
Opening reinsurance contract liabilities	(48)	2	(6)	(52)	(2)	–	–	(2)
Opening reinsurance contract assets	2,467	11	(265)	2,213	3,454	14	(355)	3,113
Net balance as at 1 January	2,419	13	(271)	2,161	3,452	14	(355)	3,111
Changes that relate to current service								
CSM recognised for services received	–	–	41	41	–	–	25	25
Change in the risk adjustment for non-financial risk for risk expired	–	(1)	–	(1)	–	(4)	–	(4)
Experience adjustments	(15)	–	–	(15)	(18)	–	–	(18)
Total changes that relate to current service	(15)	(1)	41	25	(18)	(4)	25	3
Changes that relate to future service								
Changes in estimates which adjust the CSM	161	(3)	(158)	–	(21)	–	21	–
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	241	–	(8)	233	3	–	–	3
Contracts initially recognised in the year	34	2	35	71	76	3	30	109
Total changes that relate to future service	436	(1)	(131)	304	58	3	51	112
Changes that relate to past service								
Claims variance	12	–	–	12	10	–	–	10
Change in non-performance risk of reinsurers	(46)	–	–	(46)	1	–	–	1
Net income/(expenses) from reinsurance contracts	387	(2)	(90)	295	51	(1)	76	126
Finance income/(expenses) from reinsurance contracts	7	–	(5)	2	(1,022)	(2)	(7)	(1,031)
Effect of movements in exchange rates	(4)	(1)	(6)	(11)	24	2	15	41
Total amount recognised in comprehensive income	390	(3)	(101)	286	(947)	(1)	84	(864)
Cash flows								
Premiums net of commission and other directly attributable expenses	958	–	–	958	969	–	–	969
Recoveries from reinsurance	(1,080)	–	–	(1,080)	(1,055)	–	–	(1,055)
Total cash flows	(122)	–	–	(122)	(86)	–	–	(86)
Closing reinsurance contract liabilities	(254)	4	30	(220)	(48)	2	(6)	(52)
Closing reinsurance contract assets	2,941	6	(402)	2,545	2,467	11	(265)	2,213
Net balance as at 31 December	2,687	10	(372)	2,325	2,419	13	(271)	2,161

(c) Impact of contracts recognised in the year

	Total impact of contracts recognised in the year 2023 £m	Of which relates to: Transfers or business acquisitions 2023 £m	Of which relates to: Contracts initiated with loss recovery component 2023 £m	Total impact of contracts recognised in the year 2022 £m	Of which relates to: Transfers or business acquisitions 2022 £m	Of which relates to: Contracts initiated with loss recovery component 2022 £m
Estimates of present value of cash outflows	**(462)**	**–**	**(397)**	(1,502)	–	(647)
Estimates of present value of cash inflows	**496**	**–**	**443**	1,578	–	731
Risk adjustment for non-financial risk	**2**	**–**	**–**	3	–	–
CSM	**35**	**–**	**25**	30	–	25
Net change in reinsurance contracts from contracts recognised in the year	**71**	**–**	**71**	109	–	109

(d) Amounts determined on transition to IFRS 17

	New contracts and contracts measured under the full retrospective approach 2023 £m	Contracts measured under the modified retrospective approach 2023 £m	Contracts measured under the fair value approach 2023 £m	Total 2023 £m	New contracts and contracts measured under the full retrospective approach 2022 £m	Contracts measured under the modified retrospective approach 2022 £m	Contracts measured under the fair value approach 2022 £m	Total 2022 £m
CSM as at 1 January	**(11)**	**(420)**	**160**	**(271)**	(105)	(489)	239	(355)
Changes that relate to current service								
CSM recognised for services received	**2**	**54**	**(15)**	**41**	7	49	(31)	25
Changes that relate to future service								
Changes in estimates which adjust the CSM	**(8)**	**(87)**	**(71)**	**(166)**	56	20	(55)	21
Contracts initially recognised in the year	**35**	**–**	**–**	**35**	30	–	–	30
Finance income/(expenses) from reinsurance contracts	**1**	**(9)**	**3**	**(5)**	(1)	(9)	3	(7)
Effect of movements in exchange rates	**(3)**	**(3)**	**–**	**(6)**	2	9	4	15
CSM as at 31 December	**16**	**(465)**	**77**	**(372)**	(11)	(420)	160	(271)

20 Insurance contract liabilities continued
(vii) Maturity of contractual undiscounted cash flows

For the year ended 31 December 2023	Insurance contracts issued Annuities £m	Protection £m	Total £m	Reinsurance contracts held Annuities £m	Protection £m	Total £m
Contractual undiscounted cash flows						
1 year or less	**4,575**	**471**	**5,046**	**(110)**	**(709)**	**(819)**
1 – 2 years	**5,862**	**(364)**	**5,498**	**(52)**	**(39)**	**(91)**
2 – 3 years	**5,763**	**(298)**	**5,465**	**(63)**	**(49)**	**(112)**
3 – 4 years	**5,675**	**(205)**	**5,470**	**(73)**	**(54)**	**(127)**
4 – 5 years	**5,582**	**(121)**	**5,461**	**(82)**	**(65)**	**(147)**
5 – 10 years	**26,063**	**407**	**26,470**	**(517)**	**(525)**	**(1,042)**
10 – 20 years	**39,623**	**3,096**	**42,719**	**(1,145)**	**(1,593)**	**(2,738)**
Over 20 years	**33,802**	**3,873**	**37,675**	**(28)**	**(1,939)**	**(1,967)**
Total	**126,945**	**6,859**	**133,804**	**(2,070)**	**(4,973)**	**(7,043)**

For the year ended 31 December 2022	Insurance contracts issued Annuities £m	Protection £m	Total £m	Reinsurance contracts held Annuities £m	Protection £m	Total £m
Contractual undiscounted cash flows						
1 year or less	4,767	458	5,225	(31)	(755)	(786)
1 – 2 years	4,702	(456)	4,246	(62)	(67)	(129)
2 – 3 years	4,642	(352)	4,290	(52)	(57)	(109)
3 – 4 years	4,571	(239)	4,332	(42)	(51)	(93)
4 – 5 years	4,494	(139)	4,355	(32)	(61)	(93)
5 – 10 years	21,029	300	21,329	(32)	(421)	(453)
10 – 20 years	31,965	2,743	34,708	318	(1,216)	(898)
Over 20 years	25,368	3,443	28,811	28	(1,620)	(1,592)
Total	101,538	5,758	107,296	95	(4,248)	(4,153)

The undiscounted cash flows are calculated in line with the methodology and assumptions used to the determine the best estimate liabilities. Where portfolios contain amounts which would be payable on demand the cashflows are determined in line with the best estimates of policyholder behaviour. Products which have amounts considered payable on demand are deferred annuities in the UK and universal life in the US.

During the deferral period a policyholder often has the ability to elect to surrender the policy or retire early, at which time the deferred annuity policy terminates. The cash value of the surrender is calculated in line with the terms of the agreement and in reference to the duration of deferral. The total value considered payable on demand as at 31 December 2023 is £10,210m (2022: £5,921m).

Universal life contracts written in the US provide savings and death benefits over the medium to long-term. The savings element is considered to be payable on demand by the policyholder. The total value considered payable on demand as at 31 December 2023 is £436m (2022: £481m).

(viii) CSM maturity profile

For the year ended 31 December 2023	Insurance contracts issued Annuities £m	Insurance contracts issued Protection £m	Insurance contracts issued Total £m	Reinsurance contracts held Annuities £m	Reinsurance contracts held Protection £m	Reinsurance contracts held Total £m
Number of years until expected to be recognised						
1 year or less	**626**	**296**	**922**	**(90)**	**8**	**(82)**
1 – 2 years	**636**	**232**	**868**	**(94)**	**11**	**(83)**
2 – 3 years	**625**	**188**	**813**	**(94)**	**14**	**(80)**
3 – 4 years	**612**	**157**	**769**	**(94)**	**17**	**(77)**
4 – 5 years	**596**	**131**	**727**	**(94)**	**19**	**(75)**
5 – 10 years	**2,687**	**387**	**3,074**	**(462)**	**106**	**(356)**
10 – 20 years	**4,010**	**198**	**4,208**	**(789)**	**146**	**(643)**
Over 20 years	**3,560**	**42**	**3,602**	**(644)**	**51**	**(593)**
Total	**13,352**	**1,631**	**14,983**	**(2,361)**	**372**	**(1,989)**

For the year ended 31 December 2022	Insurance contracts issued Annuities £m	Insurance contracts issued Protection £m	Insurance contracts issued Total £m	Reinsurance contracts held Annuities £m	Reinsurance contracts held Protection £m	Reinsurance contracts held Total £m
Number of years until expected to be recognised						
1 year or less	484	182	666	(55)	11	(44)
1 – 2 years	490	153	643	(58)	13	(45)
2 – 3 years	492	137	629	(59)	11	(48)
3 – 4 years	489	127	616	(59)	10	(49)
4 – 5 years	483	118	601	(59)	10	(49)
5 – 10 years	2,260	477	2,737	(301)	59	(242)
10 – 20 years	3,594	501	4,095	(574)	112	(462)
Over 20 years	3,236	152	3,388	(543)	45	(498)
Total	11,528	1,847	13,375	(1,708)	271	(1,437)

The amounts presented above reflect the net amount of CSM amortisation and interest accretion expected to be recognised in Insurance service result in future periods. Actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM, changes in the future coverage units as well as interest accretion, which will be presented in Finance income and expense.

20 Insurance contract liabilities continued
(ix) Assets for insurance acquisition cash flows
(a) Insurance contracts

	Annuities 2023 £m	Protection 2023 £m	Total 2023 £m	Annuities 2022 £m	Protection 2022 £m	Total 2022 £m
Opening balance	**20**	**28**	**48**	15	22	37
Amounts incurred during the year	**96**	**239**	**335**	70	215	285
Amounts derecognised and included in the measurement of insurance contracts	**(90)**	**(242)**	**(332)**	(65)	(210)	(275)
Impairment losses and reversals	**(8)**	**–**	**(8)**	–	–	–
Effect of movements in exchange rates	**–**	**(1)**	**(1)**	–	1	1
Closing balance	**18**	**24**	**42**	20	28	48
Presented in insurance contract assets	**–**	**–**	**–**	–	–	–
Presented in insurance contract liabilities	**18**	**24**	**42**	20	28	48
Total[1]	**18**	**24**	**42**	20	28	48

(b) Reinsurance contracts

	Annuities 2023 £m	Protection 2023 £m	Total 2023 £m	Annuities 2022 £m	Protection 2022 £m	Total 2022 £m
Opening balance	**5**	**–**	**5**	–	–	–
Amounts incurred during the year	**7**	**–**	**7**	5	–	5
Amounts derecognised and included in the measurement of reinsurance contracts	**(9)**	**–**	**(9)**	–	–	–
Impairment losses and reversals	**–**	**–**	**–**	–	–	–
Effect of movements in exchange rates	**–**	**–**	**–**	–	–	–
Closing balance	**3**	**–**	**3**	5	–	5
Presented in reinsurance contract assets	**3**	**–**	**3**	5	–	5
Presented in reinsurance contract liabilities	**–**	**–**	**–**	–	–	–
Total[1]	**3**	**–**	**3**	5	–	5

1. All balances relating to Assets for insurance acquisition cash flows are expected to run off within a year.

21 Investment contract liabilities
(i) Analysis of investment contract liabilities

	Gross 2023 £m	Gross 2022 £m
Investment contract liabilities	**316,872**	286,830
Expected to be settled within 12 months	**33,242**	31,649
Expected to be settled after 12 months	**283,630**	255,181

Amounts under unit linked contracts are generally repayable on demand and the Group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

Investment contract liabilities include £87m (2022: £901m) of Assured Payment Policies (APP) products, which are classified as Level 2 in the fair value hierarchy. The valuation of APP products is determined through a discounted cash flows model, where the discount rate is derived from a risk-free rate, a credit benchmark spread and a zero-volatility spread (Z-spread). The credit benchmark rate used is the A-rated credit spread curve which reflects the strategic portfolio mix. The Z-spread ensures that the fair value at inception is equal to the transaction price, therefore it is based on the premium on origination and remains constant over the life of the policy.

The presented fair values of the remaining investment contract liabilities reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

During the year there have been no transfers of investment contract liabilities between levels of the fair value hierarchy (2022: no significant transfers between levels of the fair value hierarchy).

(ii) Movement in investment contract liabilities

	Gross 2023 £m	Restated Gross 2022 £m
As at 1 January	**286,830**	372,954
Reserves in respect of new business	**44,153**	54,355
Amounts paid on surrenders and maturities during the year	**(40,959)**	(60,338)
Investment return[1]	**27,116**	(79,889)
Management charges[1]	**(268)**	(252)
Total as at 31 December	**316,872**	286,830

1. Management charges in 2022 includes £154m in relation to fund management expenses previously included within Investment return.

22 Borrowings

Borrowings comprise core borrowings such as subordinated Tier 2 bond issues, long-term unsecured senior debt and operational borrowings such as commercial paper issuance and bank borrowings under both committed and uncommitted debt facilities, including bank overdrafts. Borrowings secured on specific assets/cash flows are included as non-recourse borrowings.

(i) Analysis by type

	Borrowings excluding unit linked borrowings 2023 £m	Unit linked borrowings 2023 £m	Total 2023 £m	Borrowings excluding unit linked borrowings 2022 £m	Unit linked borrowings 2022 £m	Total 2022 £m
Core borrowings	**4,280**	**–**	**4,280**	4,338	–	4,338
Operational borrowings	**1,457**	**383**	**1,840**	963	256	1,219
Total borrowings	**5,737**	**383**	**6,120**	5,301	256	5,557

£212m of interest expense was incurred during the year (2022: £214m) on borrowings excluding non-recourse and unit linked borrowings. The total finance costs incurred in the year were £347m (2022: £290m), which also includes £7m of finance costs on lease liabilities (2022: £8m).

(ii) Analysis by nature

(a) Core borrowing

	Carrying amount 2023 £m	Coupon rate 2023 %	Fair value 2023 £m	Carrying amount 2022 £m	Coupon rate 2022 %	Fair value 2022 £m
Subordinated borrowings						
5.5% Sterling subordinated notes 2064 (Tier 2)	**590**	**5.50**	**600**	590	5.50	541
5.375% Sterling subordinated notes 2045 (Tier 2)	**605**	**5.38**	**603**	605	5.38	593
5.25% US Dollar subordinated notes 2047 (Tier 2)	**676**	**5.25**	**656**	712	5.25	665
5.55% US Dollar subordinated notes 2052 (Tier 2)	**396**	**5.55**	**382**	417	5.55	389
5.125% Sterling subordinated notes 2048 (Tier 2)	**401**	**5.13**	**395**	400	5.13	377
3.75% Sterling subordinated notes 2049 (Tier 2)	**599**	**3.75**	**545**	599	3.75	507
4.5% Sterling subordinated notes 2050 (Tier 2)	**501**	**4.50**	**467**	500	4.50	439
Client fund holdings of Group debt (Tier 2)[1]	**(80)**	**–**	**(77)**	(74)	–	(67)
Total subordinated borrowings	**3,688**	**–**	**3,571**	3,749	–	3,444
Senior borrowings						
Sterling medium term notes 2031-2041	**609**	**5.87**	**666**	609	5.87	649
Client fund holdings of Group debt[1]	**(17)**	**–**	**(17)**	(20)	–	(19)
Total senior borrowings	**592**	**–**	**649**	589	–	630
Total core borrowings	**4,280**	**–**	**4,220**	4,338	–	4,074

1. £97m (31 December 2022: £94m) of the Group's subordinated and senior borrowings are held by Legal & General customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

The presented fair values of the Group's core borrowings reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

22 Borrowings continued

(ii) Analysis by nature continued

(a) Core borrowing continued

Subordinated borrowings

5.5% Sterling subordinated notes 2064

On 27 June 2014, Legal & General Group Plc issued £600m of 5.5% dated subordinated notes. The notes are callable at par on 27 June 2044 and every five years thereafter. If not called, the coupon from 27 June 2044 will be reset to the prevailing five year benchmark gilt yield plus 3.17% p.a. These notes mature on 27 June 2064.

5.375% Sterling subordinated notes 2045

On 27 October 2015, Legal & General Group Plc issued £600m of 5.375% dated subordinated notes. The notes are callable at par on 27 October 2025 and every five years thereafter. If not called, the coupon from 27 October 2025 will be reset to the prevailing five year benchmark gilt yield plus 4.58% p.a. These notes mature on 27 October 2045.

5.25% US Dollar subordinated notes 2047

On 21 March 2017, Legal & General Group Plc issued $850m of 5.25% dated subordinated notes. The notes are callable at par on 21 March 2027 and every five years thereafter. If not called, the coupon from 21 March 2027 will be reset to the prevailing US Dollar mid-swap rate plus 3.687% p.a. These notes mature on 21 March 2047.

5.55% US Dollar subordinated notes 2052

On 24 April 2017, Legal & General Group Plc issued $500m of 5.55% dated subordinated notes. The notes are callable at par on 24 April 2032 and every five years thereafter. If not called, the coupon from 24 April 2032 will be reset to the prevailing US Dollar mid-swap rate plus 4.19% p.a. These notes mature on 24 April 2052.

5.125% Sterling subordinated notes 2048

On 14 November 2018, Legal & General Group Plc issued £400m of 5.125% dated subordinated notes. The notes are callable at par on 14 November 2028 and every five years thereafter. If not called, the coupon from 14 November 2028 will be reset to the prevailing five year benchmark gilt yield plus 4.65% p.a. These notes mature on 14 November 2048.

3.75% Sterling subordinated notes 2049

On 26 November 2019, Legal & General Group Plc issued £600m of 3.75% dated subordinated notes. The notes are callable at par on 26 November 2029 and every five years thereafter. If not called, the coupon from 26 November 2029 will be reset to the prevailing five year benchmark gilt yield plus 4.05% p.a. These notes mature on 26 November 2049.

4.5% Sterling subordinated notes 2050

On 1 May 2020, Legal & General Group Plc issued £500m of 4.5% dated subordinated notes. The notes are callable at par on 1 November 2030 and every five years thereafter. If not called, the coupon from 1 November 2030 will be reset to the prevailing five year benchmark gilt yield plus 5.25% p.a. These notes mature on 1 November 2050.

All of the above subordinated notes are treated as Tier 2 own funds for Solvency II purposes unless stated otherwise.

Senior borrowings

Between 2000 and 2002 Legal & General Finance Plc issued £600m of senior unsecured Sterling medium term notes 2031-2041 at coupons between 5.75% and 5.875%. These notes have various maturity dates between 2031 and 2041.

(b) Operational borrowings

	Carrying amount 2023 £m	Interest rate 2023 %	Fair value 2023 £m	Carrying amount 2022 £m	Interest rate 2022 %	Fair value 2022 £m
Short-term operational borrowings						
Euro Commercial Paper	**49**	**4.73**	**49**	50	1.60	50
Bank loans and overdrafts	**12**	**–**	**12**	3	–	3
Non-recourse borrowings						
Cardiff Interchange Limited credit facility	**–**	**–**	**–**	64	5.63	64
CALA revolving credit facility	**149**	**7.15**	**149**	24	5.50	24
Class B Surplus Notes	**1,176**	**8.27**	**1,176**	788	6.62	788
Affordable Homes revolving credit facility	**41**	**7.15**	**41**	19	4.38	19
Homes Modular revolving credit facility	**11**	**8.30**	**11**	15	6.62	15
Suburban Build to Rent revolving credit facility	**19**	**6.00**	**19**	–	–	–
Total operational borrowings[1]	**1,457**	**–**	**1,457**	963	–	963

1. Unit linked borrowings with a carrying value of £383m (31 December 2022: £256m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £1,840m (31 December 2022: £1,219m).

Non-recourse borrowings

- Cardiff Interchange Limited's credit facility was secured on the assets of Cardiff Interchange Limited and Legal & General Capital Investments Limited's (LGCIL) shares in, and intercompany debt owed by, Cardiff Interchange Limited.
- CALA Group (Holdings) Limited's revolving credit facility is secured by way of a bond and floating charge, and guarantees and fixed charges granted by CALA Group Limited and its main subsidiaries (CALA 1999 Limited, CALA Limited, and CALA Management Limited). A number of other bonds and floating charges, fixed securities, debentures and share pledges over land and assets have been granted by certain subsidiaries of CALA Group Limited in favour of the lenders.
- The Class B Surplus Notes have been issued by a US subsidiary of the Group as part of a coinsurance structure for the purpose of US statutory regulations. The notes were issued in exchange for bonds of the same value from an unrelated party, included within financial investments on the Group's Consolidated Balance Sheet.
- The revolving credit facilities to Affordable Homes is subject to agreed covenants, the breach of which could result in a charge on the land and work in progress of Legal & General Affordable Homes (Development 2) Limited and Legal & General Affordable Homes (Development 3) Limited.
- Legal & General Homes Modular Limited's revolving credit facility is secured by way of fixed charges over development properties owned by the Company and a fixed charge over the shares in the Company.
- Suburban Build to Rent revolving credit facility is secured by way of fixed charges over development properties owned by the Company and a fixed charge over the shares in the Company.

The carrying value of operational borrowings approximates their fair value. The presented fair values reflect observable market information and have been classified as Level 2 in the fair value hierarchy with the exception of the Affordable Homes revolving credit facility which has been classified as Level 3.

(iii) Analysis by maturity

		Maturity profile of undiscounted cash flows					
As at 31 December 2023	**Carrying amount £m**	**Within 1 year £m**	**1-5 years £m**	**5-15 years £m**	**15-25 years £m**	**Over 25 years £m**	**Total £m**
Subordinated borrowings							
5.5% Sterling subordinated notes 2064 (Tier 2)	590	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	605	(6)	–	–	(600)	–	(606)
5.25% US Dollar subordinated notes 2047 (Tier 2)	676	(10)	–	–	(668)	–	(678)
5.55% US Dollar subordinated notes 2052 (Tier 2)	396	(4)	–	–	–	(393)	(397)
5.125% Sterling subordinated notes 2048 (Tier 2)	401	(3)	–	–	(400)	–	(403)
3.75% Sterling subordinated notes 2049 (Tier 2)	599	(2)	–	–	–	(600)	(602)
4.5% Sterling subordinated notes 2050 (Tier 2)	501	(4)	–	–	–	(500)	(504)
Client fund holdings of Group debt (Tier 2)	(80)	–	–	–	–	–	–
Senior borrowings							
Sterling medium term notes 2031-2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of Group debt	(17)	–	–	–	–	–	–
Total core borrowings	4,280	(40)	–	(590)	(1,678)	(2,093)	(4,401)
Short-term operational borrowings							
Euro Commercial Paper	49	(49)	–	–	–	–	(49)
Bank loans and overdrafts	12	(12)	–	–	–	–	(12)
Non-recourse borrowings							
Cardiff Interchange Limited	–	–	–	–	–	–	–
CALA revolving credit facility	149	–	(149)	–	–	–	(149)
Class B Surplus Notes	1,176	(4)	–	(543)	(631)	–	(1,178)
Affordable Homes revolving credit facility	41	(41)	–	–	–	–	(41)
Homes Modular revolving credit facility	11	–	(11)	–	–	–	(11)
Suburban Build to Rent revolving credit facility	19	–	(19)	–	–	–	(19)
Total operational borrowings	1,457	(106)	(179)	(543)	(631)	–	(1,459)
Total borrowings excluding unit linked borrowings[1]	5,737	(146)	(179)	(1,133)	(2,309)	(2,093)	(5,860)
Contractual undiscounted interest payments		(316)	(1,276)	(2,786)	(1,913)	(655)	(6,946)
Total contractual undiscounted cash flows		(462)	(1,455)	(3,919)	(4,222)	(2,748)	(12,806)

1. Unit linked borrowings are excluded from the analysis above as the risk is retained by policyholders.

22 Borrowings continued
(iii) Analysis by maturity continued

As at 31 December 2022	Carrying amount £m	Maturity profile of undiscounted cash flows Within 1 year £m	1-5 years £m	5-15 years £m	15-25 years £m	Over 25 years £m	Total £m
Subordinated borrowings							
5.5% Sterling subordinated notes 2064 (Tier 2)	590	–	–	–	–	(600)	(600)
5.375% Sterling subordinated notes 2045 (Tier 2)	605	(6)	–	–	(600)	–	(606)
5.25% US Subordinated notes 2047 (Tier 2)	712	(10)	–	–	(704)	–	(714)
5.55% US Subordinated notes 2052 (Tier 2)	417	(4)	–	–	–	(414)	(418)
5.125% Sterling subordinated notes 2048 (Tier 2)	400	(3)	–	–	–	(400)	(403)
3.75%Sterling subordinated notes 2049 (Tier 2)	599	(2)	–	–	–	(600)	(602)
4.5% Sterling subordinated notes 2050 (Tier 2)	500	(4)	–	–	–	(500)	(504)
Client fund holdings of Group debt (Tier 2)	(74)	–	–	–	–	–	–
Senior borrowings							
Sterling medium term notes 2031-2041	609	(11)	–	(590)	(10)	–	(611)
Client fund holdings of Group debt	(20)	–	–	–	–	–	–
Total core borrowings	4,338	(40)	–	(590)	(1,314)	(2,514)	(4,458)
Short-term operational borrowings							
Euro Commercial Paper	50	(50)	–	–	–	–	(50)
Bank loans and overdrafts	3	(3)	–	–	–	–	(3)
Non-recourse borrowings							
Cardiff Interchange Limited	64	(64)	–	–	–	–	(64)
CALA revolving credit facility	24	–	(24)	–	–	–	(24)
Class B Surplus Notes	788	–	(47)	(422)	(319)	–	(788)
Affordable Homes revolving credit facility	19	(19)	–	–	–	–	(19)
Homes Modular revolving credit facility	15	(1)	(14)	–	–	–	(15)
Total operational borrowings	963	(137)	(85)	(422)	(319)	–	(963)
Total borrowings excluding unit linked borrowings[1]	5,301	(177)	(85)	(1,012)	(1,633)	(2,514)	(5,421)
Contractual undiscounted interest payments		(291)	(1,150)	(2,569)	(1,896)	(781)	(6,687)
Total contractual undiscounted cash flows		(468)	(1,235)	(3,581)	(3,529)	(3,295)	(12,108)

1. Unit linked borrowings are excluded from the analysis above as the risk is retained by policyholders.

The maturity profile above is calculated on the basis that a facility to refinance a maturing loan is not recognised unless the facility and loan are related. If refinancing under the Group's credit facilities was recognised, then all amounts shown as repayable within one year would be reclassified as repayable between one and five years.

Undiscounted interest payments are estimated based on the year end applicable interest rate and spot exchange rates.

Syndicated credit facility
As at 31 December 2023, the Group had in place a £1.5bn syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in August 2028. No amounts were outstanding at 31 December 2023.

(iv) Movement in borrowings

	2023 £m	2022 £m
As at 1 January	**5,557**	5,188
Cash movements:		
– Proceeds from borrowings	**1,078**	691
– Repayment of borrowings	**(544)**	(737)
– Increase in bank loans and overdrafts	**148**	254
Non-cash movements:		
– Amortisation	**3**	2
– Foreign exchange rate movements	**(108)**	201
– Other	**(14)**	(42)
Total core and operational borrowings as at 31 December	**6,120**	5,557

23 Provisions
(i) Analysis of provisions

	Notes	2023 £m	2022 £m
Other provisions	23(ii)	**244**	273
Retirement benefit obligations	23(iii)	**14**	617
Total provisions		**258**	890

(ii) Other provisions
Other provisions include costs that Legal & General Investment Management (LGIM) is committed to incur on the extension of its existing partnership with State Street announced in 2021, to increase the use of Charles River technology across the front office and to deliver middle office services going forward. Costs include the transfer of data and operations to State Street, as well as the implementation of the new operating model. The amounts included in the provision have been determined on a best estimate basis by reference to a range of plausible scenarios, taking into account the multi-year implementation period for the project. As at 31 December 2023, the outstanding provision was £108m (31 December 2022: £111m).

(iii) Retirement benefit obligations
Defined contribution schemes
The Group operates the following principal defined contribution pension schemes in the UK and overseas:

- Legal & General Group Personal Pension Plan (UK);
- Legal & General Staff Stakeholder Pension Scheme (UK);
- Legal & General America Inc. Savings Plan (US); and
- CALA defined contribution pension scheme.

Contributions of £102m (2022: £93m) were made during the year in respect of defined contribution schemes.

Defined benefit schemes
The Group operates the following defined benefit pension schemes in the UK and overseas:

- Legal & General America Inc. Cash Balance Plan (US). The last full actuarial valuation was as at 31 December 2023; and
- CALA Retirement and Death Benefits Scheme (UK). This scheme closed to new members from 31 December 2007 and closed to future accrual on 31 December 2018; the last triennial actuarial valuation was as at 6 April 2021.

The Group also previously operated the following defined benefit pension schemes in the UK:

- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund was closed to new members from January 1995; and
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme was, with a few exceptions (principally transfers from the Fund), closed to new members from August 2000 and finally closed to new members from April 2007.

23 Provisions continued

(iii) Retirement benefit obligations continued

Certain parts of the liabilities of the Fund and Scheme had previously been secured by way of annuities purchased from the Group, which were not recognised as an asset for IAS 19 purposes. In April 2023, Assured Payment Policies (APPs), previously transacted between the Group's UK defined benefit pension schemes and Legal and General Assurance Society Limited (LGAS), were surrendered at their carrying value of £839m (31 December 2022: £718m) and converted into annuity contracts. An additional top-up consideration of £183m, priced on an arm's length basis, was paid to LGAS by the defined benefit pension schemes as part of the transaction, making a total contribution for new annuities of £1,022m (31 December 2022: £61m). This resulted in both pension schemes being fully covered by annuity contracts.

The Trustees completed a buy-out of the Fund and the Scheme in November 2023, and the existing annuity policies were exchanged for individual policies between LGAS and members. As a result, all the Group's obligations under the pension schemes have now been fully extinguished, and the defined benefit obligation as at the settlement date of £1,470m was therefore derecognised. On the same date, the Group recognised the direct liability to the pensioners within insurance contract liabilities. The difference between the defined benefit obligation at this date and the fair value of the insurance contract liabilities recognised under IFRS 17 resulted in £167m being recognised in the Consolidated Income Statement as settlement costs. This reflects measurement differences between IFRS 17 and IAS 19, principally comprising of the associated CSM and risk adjustment.

The Fund and the Scheme still hold minimal residual assets which are expected to meet the cost of wind-up expenses. Both the Fund and the Scheme expect to complete their wind-up in 2024.

	Fund and Scheme 2023 £m	CALA Homes and Overseas 2023 £m	Fund and Scheme 2022 £m	CALA Homes and Overseas 2022 £m
Movement in present value of defined benefit obligations				
As at 1 January	**(1,480)**	**(105)**	(2,348)	(145)
Current service cost	**(3)**	**(4)**	(3)	(4)
Interest expense	**(64)**	**(5)**	(42)	(3)
Actuarial remeasurement (recognised in the Consolidated Statement of Comprehensive Income)				
– Change in financial assumptions	**70**	**(5)**	816	46
– Change in demographic assumptions	**(20)**	**2**	23	–
– Experience	**(37)**	**(5)**	(28)	(1)
Benefits paid	**64**	**5**	102	7
Exchange differences	**–**	**2**	–	(5)
Settlement	**1,470**	**–**	–	–
As at 31 December	**–**	**(115)**	(1,480)	(105)
Movement in fair value of plan assets				
As at 1 January	**868**	**100**	1,328	140
Expected return on plan assets at liability discount rate	**38**	**5**	24	3
Actuarial remeasurement (recognised in the Consolidated Statement of Comprehensive Income)	**53**	**(4)**	(421)	(46)
Employer contributions	**127**	**7**	100	5
Benefits paid	**(64)**	**(5)**	(102)	(7)
Purchase of non-plan asset annuities	**(1,022)**	**–**	(61)	–
Exchange differences	**–**	**(2)**	–	5
As at 31 December	**–**	**101**	868	100
Gross pension obligations included in provisions	**–**	**(14)**	(612)	(5)
Annuity obligations insured by LGAS	**–**	**–**	718	–
Gross defined benefit pension (deficit)/surplus	**–**	**(14)**	106	(5)
Deferred tax on defined benefit pension (deficit)/surplus	**–**	**3**	(27)	1
Net defined benefit pension (deficit)/surplus	**–**	**(11)**	79	(4)

The fair value of the plan assets at the end of the year is made up as follows:

As at 31 December 2023	Valuation based on quoted market price		Valuation based on other than quoted market price	
	Fund and Scheme £m	CALA Homes and Overseas £m	Fund and Scheme £m	CALA Homes and Overseas £m
Equities	–	27	–	–
Bonds	–	6	–	–
Investment funds	–	42	–	4
Assured Payment Policy	–	–	–	–
Cash and cash equivalents	–	22	–	–
Fair value of plan assets	–	97	–	4

As at 31 December 2022	Valuation based on quoted market price		Valuation based on other than quoted market price	
	Fund and Scheme £m	CALA Homes and Overseas £m	Fund and Scheme £m	CALA Homes and Overseas £m
Equities	–	30	–	–
Bonds	–	13	–	–
Investment funds	–	39	–	6
Assured Payment Policy	–	–	820	–
Cash and cash equivalents	48	12	–	–
Fair value of plan assets	48	94	820	6

The following amounts have been charged to the income statement:

	Fund and Scheme 2023 £m	CALA Homes and Overseas 2023 £m	Fund and Scheme 2022 £m	CALA Homes and Overseas 2022 £m
Current service costs	3	4	3	4
Net interest expense	26	–	18	–
Total amounts included in other expenses	29	4	21	4

24 Payables and other financial liabilities

	2023 £m	2022 £m
Derivative liabilities	43,821	51,190
Repurchase agreements[1]	25,452	31,533
Other financial liabilities[2]	9,166	11,182
Total payables and other financial liabilities	78,439	93,905
Due within 12 months	38,175	39,917
Due after 12 months	40,264	53,988

1. Repurchase agreements are presented gross, however they and their related assets (included within debt securities) are subject to master netting arrangements. The significant majority of repurchase agreements are unit linked.
2. Other financial liabilities include trail commission, lease liabilities, FX spots and the value of short positions taken out to cover reverse repurchase agreements. The value of short positions as at 31 December 2023 was £2,647m (2022: £4,960m). Other financial liabilities have been restated for 31 December 2022.

24 Payables and other financial liabilities continued

Fair value hierarchy

As at 31 December 2023	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	43,821	627	43,147	47	–
Repurchase agreements	25,452	–	25,452	–	–
Other financial liabilities	9,166	3,103	59	–	6,004
Total payables and other financial liabilities	78,439	3,730	68,658	47	6,004

As at 31 December 2022	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	51,190	448	50,717	25	–
Repurchase agreements	31,533	–	31,533	–	–
Other financial liabilities[2]	11,182	4,319	253	–	6,610
Total payables and other financial liabilities	93,905	4,767	82,503	25	6,610

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.
2. Other financial liabilities have been restated for 31 December 2022.

Derivative liabilities and repurchase agreements are measured at fair value, with changes in fair value recognised in profit or loss.

The fair value of derivative liabilities is derived using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Repurchase agreements are valued based on the discounted cash flows expected to be paid, using an observable market interest rate, in line with the value of the underlying security.

Within other financial liabilities, trail commission is measured at fair value through profit or loss. The balance represents a liability for the present value of future commission costs on distribution agreements with intermediaries, recognised in the balance sheet on inception of the contract and remeasured at subsequent reporting dates.

Collateral repayable on short position reverse repurchase agreements and other financial liabilities balances, including FX spots, broker and other payables, are measured at amortised cost. The carrying value of these liabilities approximates their fair value.

Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the year ended 31 December 2023 (2022: no significant transfers).

25 Leases

Note 10 Property, plant and equipment shows movements in right-of-use assets recognised on the Consolidated Balance Sheet within Property, plant and equipment, broken down by class of underlying asset.

The maturity profile of lease liabilities is presented in the table below[1]. Lease liabilities are included within Payables and other financial liabilities (see Note 24).

As at 31 December	Undiscounted lease payments 2023 £m	Unpaid finance charge 2023 £m	Present value 2023 £m	Undiscounted lease payments 2022 £m	Unpaid finance charge 2022 £m	Present value 2022 £m
Within 1 year	38	(8)	30	37	(8)	29
1-2 years	36	(7)	29	32	(6)	26
2-3 years	32	(5)	27	26	(5)	21
3-4 years	23	(4)	19	25	(4)	21
4-5 years	11	(3)	8	18	(4)	14
After 5 years	173	(112)	61	171	(105)	66
Total lease liabilities	313	(139)	174	309	(132)	177

1. Includes investment property lease liability.

Interest expense of £7m (2022: £8m) on lease liabilities is included in finance costs.

The remaining terms on the Group's leases range from 1 to 234 years (2022: 1 to 235 years), with approximately 24% of the leases (2022: 30%) having extension options and 69% of these leases (2022: 60%) having termination options. Extension and termination options are included in various leases across the Group and are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

At 31 December 2023 the Group had committed to no additional leases which had not yet commenced (2022: committed to no additional leases).

Income from sub-leasing right-of-use assets is reflected in Rental income within Investment return (see Note 27).

Where the Group is a lessor, the future undiscounted minimum lease receivables under operating lease arrangements are disclosed in Note 38(ii). The future minimum lease payments under finance lease arrangement, together with the present value, are disclosed in Note 13(i).

26 Management of capital resources

Solvency II

The Solvency II financial information in this note is estimated and unaudited.

The Group calculates its Solvency II capital requirements using a Partial Internal Model. The majority of the risk to which the Group is exposed is assessed on the Partial Internal Model basis approved by the Prudential Regulation Authority (PRA). Capital requirements for a few smaller entities are assessed using the Standard Formula basis on materiality grounds. The Group's US insurance businesses and Legal & General Reinsurance Company No. 2 are valued on a local statutory basis, following the PRA's approval to use the Deduction and Aggregation method of including these businesses in the Group solvency calculation.

The table below shows the Group Own Funds, Solvency Capital Requirement (SCR) and Surplus Own Funds, based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP) as at 31 December 2023.

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. The Group complies with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK and measures and monitors its capital resources on this basis. The Solvency II regulations were amended in the UK in December 2023 to introduce a change to the calculation of Risk Margin. All other Solvency II regulations remain unchanged.

As at 31 December 2023, and on the above basis, the Group had a surplus of £9,167m (31 December 2022: £9,915m) over its Solvency Capital Requirement, corresponding to a Solvency II Capital Coverage Ratio of 224% (31 December 2022: 236%). The Solvency II capital position is as follows:

	2023 £m	2022 £m
Unrestricted Tier 1 Own Funds	**12,845**	13,393
Restricted Tier 1 Own Funds[1]	**495**	495
Tier 2 subordinated liabilities	**3,460**	3,448
Eligibility restrictions	**(244)**	(110)
Solvency II Own Funds[2,3]	**16,556**	17,226
Solvency Capital Requirement	**(7,389)**	(7,311)
Solvency II surplus	**9,167**	9,915
Solvency II capital coverage ratio	**224%**	236%

1. Restricted Tier 1 Own Funds represent Perpetual restricted Tier 1 contingent convertible notes.
2. Solvency II Own Funds do not include an accrual for the final dividend of £871m (31 December 2022: £829m) declared after the balance sheet date.
3. Solvency II Own Funds allow for a Risk Margin of £1,191m (31 December 2022: £2,753m) and TMTP of £970m (31 December 2022: £2,136m).

26 Management of capital resources continued

Solvency II continued

A reconciliation of the Group's IFRS shareholders' equity to Solvency II Own Funds is given below:

	2023 £m	Restated 2022 £m
IFRS equity[1]	**4,826**	5,562
CSM net of tax	**10,462**	9,593
IFRS equity plus CSM net of tax	**15,288**	15,155
Remove DAC, goodwill and other intangible assets and associated liabilities	**(525)**	(502)
Add IFRS carrying value of subordinated borrowings[2]	**3,768**	3,823
Insurance contract valuation differences[3]	**(622)**	141
Financial investments valuation differences	**(845)**	(1,111)
Difference in value of net deferred tax liabilities	**(211)**	(145)
Other	**(53)**	(25)
Eligibility restrictions	**(244)**	(110)
Solvency II Own Funds[4]	**16,556**	17,226

1. IFRS equity represents equity attributable to owners of the parent and restricted Tier 1 convertible notes as per the Consolidated Balance Sheet.
2. Treated as available capital on the Solvency II balance sheet as the liabilities are subordinate to policyholder claims.
3. Differences in the measurement of technical provisions between IFRS and Solvency II.
4. Solvency II Own Funds do not include an accrual for the final dividend of £871m (31 December 2022: £829m) declared after the balance sheet date.

Sensitivity analysis

The following sensitivities are provided to give an indication of how the Group's Solvency II surplus as at 31 December 2023 would have changed in a variety of adverse events. These are all independent stresses to a single risk. In practice, the balance sheet is impacted by combinations of stresses and the combined impact can be larger than adding together the impacts of the same stresses in isolation. It is expected that, particularly for market risks, adverse stresses will happen together.

	Impact on net of tax Solvency II capital surplus 2023 £bn	Impact on net of tax Solvency II coverage ratio 2023 %	Impact on net of tax Solvency II capital surplus 2022 £bn	Impact on net of tax Solvency II coverage ratio 2022 %
100bps increase in risk-free rates[1]	**0.1**	**10**	0.5	18
100bps decrease in risk-free rates[1,2]	**(0.2)**	**(11)**	(0.6)	(19)
Credit spreads widen by 100bps assuming an escalating addition to ratings[3,4]	**0.4**	**14**	0.3	13
Credit spreads narrow by 100bps assuming an escalating deduction from ratings[3,4]	**(0.6)**	**(18)**	(0.4)	(16)
Credit spreads widen by 100bps assuming a flat addition to ratings[3]	**0.5**	**15**	0.3	14
Credit spreads of sub investment grade assets widen by 100bps assuming a level addition to ratings[3,5]	**(0.2)**	**(7)**	(0.3)	(7)
Credit migration[6]	**(0.7)**	**(10)**	(0.8)	(10)
25% fall in equity markets[7]	**(0.4)**	**(3)**	(0.4)	(3)
15% fall in property markets[8]	**(0.9)**	**(10)**	(0.9)	(11)
50bps increase in future inflation expectations[1]	**(0.1)**	**(3)**	(0.1)	(3)
10% increase in maintenance expenses[9]	**(0.3)**	**(4)**	(0.3)	(4)

1. Assuming a recalculation of the Transitional Measure on Technical Provisions that partially offsets the impact on Risk Margin.
2. In the interest rate down stress negative rates are allowed, i.e. there is no floor at zero rates.
3. The spread sensitivity applies to the Group's corporate bond (and similar) holdings, with no change in long-term default expectations. Restructured lifetime mortgages are excluded as the underlying exposure is mostly to property.
4. The stress for AA bonds is twice that for AAA bonds, for A bonds it is three times, for BBB four times and so on, such that the weighted average spread stress for the portfolio is 100 basis points. To give a 100bps increase on the total portfolio, the spread stress increases in steps of 32bps, i.e. 32bps for AAA, 64bps for AA etc.
5. No stress for bonds rated BBB and above. For bonds rated BB and below the stress is 100bps. The spread widening on the total portfolio is smaller than 1bps as the Group holds less than 1% in bonds rated BB and below. The impact is primarily an increase in SCR arising from the modelled cost of trading downgraded bonds back to a higher rating in the stress scenarios in the SCR calculation.
6. Credit migration stress covers the cost of an immediate big letter downgrade on 20% of all assets where the capital treatment depends on a credit rating (including corporate bonds, and sale and leaseback rental strips; lifetime mortgage senior notes are excluded). Downgraded assets in our annuities portfolio are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.
7. This relates primarily to equity exposure in LGC but will also include equity-based mutual funds and other investments that receive an equity stress (for example, certain investments in subsidiaries). Some assets have factors that increase or decrease the stress relative to general equity levels via a beta factor.
8. Assets stressed include residual values from sale and leaseback, the full amount of lifetime mortgages and direct investments treated as property.
9. A 10% increase in the assumed unit costs and future costs of investment management across all long-term insurance business lines.

The above sensitivity analysis does not reflect all management actions which could be taken to reduce the impacts. In practice, the Group actively manages its asset and liability positions to respond to market movements. Other than in the interest rate and inflation stresses, we have not allowed for the recalculation of TMTP.

The impacts of these stresses are not linear therefore these results should not be used to interpolate or extrapolate the impact of a smaller or larger stress. The results of these tests are indicative of the market conditions prevailing at the balance sheet date. The results would be different if performed at an alternative reporting date.

Capital management policies and objectives

The Group aims to manage its capital resources to maintain financial strength, policyholder security and relative external ratings advantage. The Group also seeks to maximise its financial flexibility by maintaining strong liquidity and by utilising a range of alternative sources of capital including equity, senior debt, subordinated debt and reinsurance.

Capital measures

The Group measures its capital on a number of different bases, including those which comply with the regulatory frameworks within which the Group operates and those which the directors consider most appropriate for managing the business. The measures used by the Group include:

Accounting and Economic bases

Management use financial information prepared on both an IFRS and risk-based capital basis to manage capital and cash flow usage and to determine dividend paying capacity.

The Group maintains a risk-based capital model that is used to support the management of risk within the Group. This modelling framework, suitably adjusted for regulatory constraints, also meets the needs of the Solvency II regime.

Regulatory bases

The financial strength of the Group's insurance subsidiaries is measured under various local regulatory requirements (see below).

Basis of regulatory capital and corresponding regulatory capital requirements

In each country in which the Group operates, the local insurance regulator specifies rules and guidance for the minimum amount and type of capital which must be held by insurance subsidiaries in excess of their insurance liabilities. The minimum capital requirements have been maintained at all times throughout the year. This helps to ensure that payments to policyholders can be made as they fall due.

The required capital is calculated by either assessing the additional assets which would be required to meet the insurance company's liabilities in specified, stressed financial conditions, or by applying fixed percentages to the insurance company's liabilities and risk exposures. The requirements in the different jurisdictions in which the Group operates are detailed below:

Group regulatory basis

The Group is required to comply with the Solvency II capital requirements calculated using the Group's Partial Internal Model. The vast majority of the risk to which the Group is exposed is assessed on the Internal Model basis approved by the PRA. The Group capital requirements for a handful of smaller entities are assessed using the Standard Formula basis on materiality grounds. The Group's capital requirements in respect of its US insurance businesses and Legal & General Reinsurance Company No. 2 (L&G Re 2) are valued on a local statutory basis, following PRA approval of the Group's application to use the Deduction and Aggregation method of including these businesses in the Group solvency calculation.

UK regulatory basis

At the balance sheet date, required capital for the life business was based on the Solvency II Framework Directive, as adopted by the PRA. All material EEA insurance firms, including Legal and General Assurance Society Limited and Legal and General Assurance (Pensions Management) Limited (LGIM's insurance subsidiary) are required to hold Eligible Own Funds in excess of their Solvency Capital Requirement, calculated on a Partial Internal Model basis. These firms, as well as the non-EEA insurance firm (Legal & General Reinsurance Company Limited based in Bermuda) contribute over 90% of the Group's SCR.

US regulatory basis

Required capital is determined to be the Company Action Level Risk Based Capital (RBC) based on the National Association of Insurance Commissioners RBC model. RBC is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations, taking into account its size and risk profile. The calculation is based on applying factors to various asset, premium, claims, expense and reserve items, with higher factors used for those items with greater underlying risk and lower factors for less risky items.

Bermudan regulatory basis

Bermudan regulated insurers are required to hold sufficient capital to meet the Bermudan Solvency Capital Requirement (BSCR). The BSCR model follows a standard formula framework, capital attributed to each risk is calculated by applying specified stresses to the assets and liabilities.

The individual risk elements (excluding operational risk) are combined using a covariance matrix and then added to an operational risk charge.

27 Investment return

The Group earns an investment return from holdings in financial instruments and property investments, held to either back insurance and investment contracts on behalf of policyholders or to deliver returns on Group capital.

For the year ended 31 December 2023	Annuities £m	Protection £m	Other assets £m	Total £m
Dividend income	11	–	4,149	4,160
Interest income on financial investments at fair value through profit or loss	2,411	49	4,134	6,594
Interest income on financial investments at fair value through other comprehensive income	22	16	–	38
Interest income on financial investments at amortised cost	196	80	–	276
Other investment (expense)/income[1]	(408)	6	270	(132)
Gains on financial investments at fair value through profit or loss[2]	1,194	16	18,933	20,143
Gains on derivative instruments at fair value through profit or loss[2]	2,100	–	239	2,339
Realised (losses)/gains on financial assets measured at fair value through other comprehensive income	–	(2)	12	10
Financial investment return	5,526	165	27,737	33,428
Rental income	237	–	233	470
Net fair value losses on properties	(579)	–	(346)	(925)
Property investment return	(342)	–	(113)	(455)
Total investment return recognised in profit or loss	5,184	165	27,624	32,973
Net movement in financial investments designated at fair value through other comprehensive income	62	13	–	75
Total investment return	5,246	178	27,624	33,048
Finance expense from insurance contracts issued[3]	(5,841)	(62)	–	(5,903)
Of which are recognised in:				
Profit or loss	(5,841)	11	–	(5,830)
Other comprehensive income	–	(73)	–	(73)
Finance income from reinsurance contracts issued[3]	625	2	–	627
Of which are recognised in:				
Profit or loss	625	(41)	–	584
Other comprehensive income	–	43	–	43

1. Other investment (expense)/income primarily comprises interest, gains and losses from derivative and other financial instruments.
2. Mandatorily measured at fair value through profit or loss.
3. The analysis of investment return and finance income/expense has been split between insurance contract portfolios. For annuity insurance liabilities, changes in the discount rate are reflected in profit or loss. The backing portfolio of assets is selected to match the liabilities and is predominantly accounted for as FVTPL. A sub-portfolio of assets backing annuity liabilities are accounted for at amortised cost as they are in surplus to the IFRS 17 best estimate liability and risk adjustment. Protection insurance liabilities have applied the IFRS 17 OCI option. Changes in discount rate are therefore reported in OCI, whilst backing assets are classified as either FVOCI or amortised cost.

For the year ended 31 December 2022 (Restated)	Annuities £m	Protection £m	Other assets £m	Total £m
Dividend income	8	1	4,512	4,521
Interest income on financial investments at fair value through profit or loss	2,066	41	3,281	5,388
Interest income on financial investments at fair value through other comprehensive income	–	3	–	3
Interest income on financial investments at amortised cost	232	47	2	281
Other investment (expense)/income[1]	(2,187)	(4)	693	(1,498)
Losses on financial investments at fair value through profit or loss[2]	(15,946)	(118)	(84,333)	(100,397)
Losses on derivative instruments at fair value through profit or loss[2]	(2,958)	–	(2,399)	(5,357)
Realised (losses)/gains on financial assets measured at fair value through other comprehensive income	–	–	–	–
Financial investment return	(18,785)	(30)	(78,244)	(97,059)
Rental income	197	–	225	422
Net fair value losses on properties	(1,063)	–	(652)	(1,715)
Property investment return	(866)	–	(427)	(1,293)
Total investment return recognised in profit or loss	(19,651)	(30)	(78,671)	(98,352)
Net movement in financial investments designated at fair value through other comprehensive income	–	(132)	–	(132)
Total investment return	(19,651)	(162)	(78,671)	(98,484)
Finance income from insurance contracts issued[3]	18,945	1,922	–	20,867
Of which are recognised in:				
Profit or loss	18,945	169	–	19,114
Other comprehensive income	–	1,753	–	1,753
Finance income/(expense) from reinsurance contracts issued[3]	7	(1,031)	–	(1,024)
Of which are recognised in:				
Profit or loss	7	(1)	–	6
Other comprehensive income	–	(1,030)	–	(1,030)

1. Other investment (expense)/income primarily comprises interest, gains and losses from derivative and other financial instruments.
2. Mandatorily measured at fair value through profit or loss.
3. The analysis of investment return and finance income/expense has been split between insurance contract portfolios. For annuity insurance liabilities, changes in the discount rate are reflected in profit or loss. The backing portfolio of assets is selected to match the liabilities and is predominantly accounted for as FVTPL. A sub-portfolio of assets backing annuity liabilities are accounted for at amortised cost as they are in surplus to the IFRS 17 best estimate liability and risk adjustment. Protection insurance liabilities have applied the IFRS 17 OCI option. Changes in discount rate are therefore reported in OCI, whilst backing assets are classified as either FVOCI or amortised cost.

28 Tax

The table below provides a summary of the standard corporate income tax rates of the main territories we operate in.

	2023	2022
UK	**23.5%**	19.0%
USA	**21.0%**	21.0%
Bermuda	**0.0%**	0.0%
Ireland	**12.5%**	12.5%

The tax shown in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income comprises current and deferred tax.

(i) Implementation of the global minimum tax regime

During the year the UK Government enacted legislation to apply a global minimum tax rate of 15% to multinational businesses headquartered in the UK, as well as a new domestic UK minimum tax rate of 15%, in line with the Model Rules agreed by the Organisation for Economic Co-operation and Development (OECD). These rules apply from 1 January 2024, and will apply to all of the Group's businesses globally.

The Group has applied the temporary mandatory exception from deferred tax accounting for the impacts of the UK top-up tax and will account for it as a current tax when it is incurred.

The Group is expected to be liable to UK top-up tax in 2024 in respect of profits arising in our global reinsurance hub in Bermuda. Our Bermudan businesses act as an internal hub for the Group and also support the growth of our international pension risk transfer business.

28 Tax continued

(i) Implementation of the global minimum tax regime continued

If the global minimum tax rules had applied in 2023, then additional tax of 15% would apply to profits arising in territories at lower tax rates. The reconciliation of the tax expense attributable to equity holders in Note 28 (iii) discloses the impact of overseas profits which are subject to a lower or higher rate of tax than the standard UK rate in 2023, which primarily relates to the Group's Bermudan businesses.

From 2025, we anticipate that the Group will be liable for local Bermudan corporate income tax at 15%, instead of top-up tax under the global minimum tax rules, on Bermudan profits.

We do not anticipate any other significant liabilities under the global minimum tax rules based on the Group's current profile. Further guidance on the implementation of these new rules is expected in due course and will be kept under review.

(ii) Implementation of the Bermuda corporate income tax regime

During 2023 the Bermudan Government consulted on introducing a local corporate income tax with effect from 1 January 2025, which would apply to our Bermudan reinsurance businesses. This has been substantively enacted as at 31 December 2023 and deferred tax on temporary differences and unused tax losses relating to our Bermudan businesses have been re-valued from 0% to 15%.

This has resulted in a deferred tax asset of £340m as at 31 December 2023. The deferred tax asset is recognised in respect of tax reliefs permitted under the Bermuda corporate income tax regime which give rise to deductible temporary differences. The majority of these reliefs are expected to unwind from 2025 over 10 years on a straight line basis. The Group expects to have sufficient future taxable profits to offset the unwind of these deductible temporary differences.

The deferred tax asset of £340m is included within the deferred tax disclosure in Note 28 (iv) and is within the line item for the difference between tax and accounting value of insurance contracts.

Further guidance on the implementation of these new rules is expected in due course. This and the interaction with the UK rules will be kept under review as guidance emerges for any impact.

(iii) Tax (credit)/expense in the Consolidated Income Statement

	2023 £m	Restated 2022 £m
Current tax	**120**	446
Deferred tax		
– Origination or reversal of temporary differences in the year	**(356)**	(209)
– Impact of revaluation of deferred tax balances	**(1)**	(59)
Total deferred tax	**(357)**	(268)
Adjustment to equity holders' tax in respect of prior years	**(11)**	(21)
Total tax (credit)/expense	**(248)**	157
Less: tax attributable to policyholder returns	**(119)**	(71)
Total tax (credit)/expense attributable to equity holders	**(367)**	86

The tax expense attributable to equity holders differs from the tax calculated on profit before tax at the standard UK corporation tax rate as follows:

	2023 £m	Restated 2022 £m
Profit before tax attributable to equity holders	**76**	868
Tax calculated at 23.5%[1]	**18**	165
Adjusted for the effects of:		
Recurring reconciling items:		
Different rate of tax on profits and losses taxed overseas[2]	**(68)**	12
Income not subject to tax	**(4)**	(3)
Non-deductible expenses	**27**	(2)
Differences between taxable and accounting investment gains	**(9)**	(9)
Other taxes on property and foreign income	**4**	6
Unrecognised tax losses	**19**	17
Double tax relief[3]	**(2)**	(20)
Non-recurring reconciling items:		
Adjustments in respect of prior years[4]	**(11)**	(21)
Impact of the revaluation of deferred tax balances	**(1)**	(59)
Impact of law changes on deferred tax balances[5]	**(340)**	–
Tax (credit)/expense attributable to equity holders[6]	**(367)**	86
Equity holders' effective tax rate[7]	**(483)%**	10%

1. The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year has increased to 23.5% (2022: 19.0%). The enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.
2. The lower rate of tax on overseas profits and losses is principally driven by the 0% rate of taxation arising in our Bermudan reinsurance company, which provides the Group with regulatory capital flexibility for both our PRT business and our US term insurance business. This also includes the impact of our US operations which are taxed at 21%.
3. Double tax relief represents a UK tax credit available for overseas withholding tax suffered on dividend income.
4. Adjustments in respect of prior years relate to revisions of prior estimates.
5. The tax credit relates to the introduction of a new corporate income tax regime in Bermuda, which was enacted in December 2023.
6. The tax credit for the year includes a material one-off tax credit arising from the recognition of a deferred tax asset relating to the introduction of a new Bermuda corporate income tax regime. The net tax credit for the year excluding this one-off credit is £27m and reflects the varying rates of tax that we pay on our businesses in different territories and the mixture of profits and losses across those territories.
7. The equity holders' effective tax rate excluding the impact of expenses arising from rate differences on longevity assumption changes, the one-off settlement cost associated with the buy-out of the Group's UK defined benefit pension schemes and the one-off Bermuda tax credit is 11.9%.

28 Tax continued

(iv) Deferred tax – Consolidated Balance Sheet

Deferred tax assets and liabilities have been recognised/(provided) for temporary differences and unused tax losses. The recognition of deferred tax assets in respect of temporary differences and tax losses is supported by management's best estimate of future taxable profits to absorb the losses in future years. Deferred tax assets and liabilities presented on the Consolidated Balance Sheet have been offset to the extent it is permissible under the relevant accounting standards. The net movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets/(liabilities)	Net tax asset as at 1 January 2023 £m	Tax (charged)/ credited to the income statement £m	Tax (charged)/ credited to OCI or equity £m	Acquisitions/ disposals/ transfers £m	Net tax asset as at 31 December 2023 £m
Overseas deferred acquisition expenses[1]	116	11	(6)	–	121
Difference between the tax and accounting value of insurance contracts	458	248	6	24	736
– UK[2]	1,237	(71)	(41)	24	1,149
– US	(779)	(21)	47	–	(753)
– Bermuda[3]	–	340	–	–	340
Realised and unrealised gains on investments	145	(49)	(24)	–	72
Excess of depreciation over capital allowances	21	(4)	–	–	17
Accounting provisions and other	59	8	9	(24)	52
Trading losses	463	172	(26)	–	609
– UK	–	76	–	–	76
– US[4]	463	96	(26)	–	533
Pension fund deficit	(26)	(15)	44	–	3
Acquired intangibles	(2)	(1)	–	–	(3)
Net deferred tax assets/(liabilities)	**1,234**	**370**	**3**	**–**	**1,607**
– Deferred tax assets	1,440	265	9	–	1,714
– Deferred tax liabilities[5]	(206)	105	(6)	–	(107)
Net deferred tax assets/(liabilities)	**1,234**	**370**	**3**	**–**	**1,607**

Deferred tax assets/(liabilities)	Restated Net tax asset as at 1 January 2022 £m	Restated Tax (charged)/ credited to the income statement £m	Restated Tax (charged)/ credited to OCI or equity £m	Restated Acquisitions/ disposals/ transfers £m	Restated Net tax asset as at 31 December 2022 £m
Overseas deferred acquisition expenses[1]	95	9	12	–	116
Difference between the tax and accounting value of insurance contracts	669	(44)	(208)	41	458
– UK[2]	1,032	288	(87)	4	1,237
– Overseas	(363)	(332)	(121)	37	(779)
Realised and unrealised gains on investments	(77)	237	26	(41)	145
Excess of depreciation over capital allowances	22	(1)	–	–	21
Accounting provisions and other	41	15	(1)	4	59
Trading losses[4]	348	72	43	–	463
Pension fund deficit	9	(15)	(19)	(1)	(26)
Acquired intangibles	–	1	–	(3)	(2)
Net deferred tax assets/(liabilities)	1,107	274	(147)	–	1,234
Presented on the Consolidated Balance Sheet as:					
– Deferred tax assets	1,167	39	(173)	407	1,440
– Deferred tax liabilities[5]	(60)	235	26	(407)	(206)
Net deferred tax assets/(liabilities)	1,107	274	(147)	–	1,234

1. Deferred tax assets arising on deferred acquisition expenses relate solely to US balances.
2. The UK deferred tax asset reflects the impact of transition to IFRS 17 (see Note 1 for further details).
3. The Bermuda deferred tax asset relates to the introduction of a new corporate income tax regime in Bermuda, which was enacted in December 2023 (see Note 28 (ii)).
4. This deferred tax asset relates to US operating losses. The losses are not time restricted, and we expect to recover them over a period of 15 to 20 years, commensurate with the lifecycle of the underlying insurance contracts. In reaching this conclusion, we have considered past results, the different basis under which US companies are taxed, temporary differences that are expected to generate future profits against which the deferred tax can be offset, management actions, and future profit forecasts. The recoverability of deferred tax assets is routinely reviewed by management.
5. The deferred tax liability is comprised of balances of £107m relating to the US (2022: £206m) that are not capable of being offset against other deferred tax assets.

Unrecognised deferred tax assets

The Group has the following unrelieved tax losses and deductible temporary differences carried forward as at 31 December 2023. No deferred tax asset has been recognised in respect of these as at 31 December 2023 (or 31 December 2022), as it is not probable that there will be suitable taxable profits emerging in future periods against which to relieve them. These tax assets will only be recognised if it becomes probable that suitable taxable profits will arise in future periods.

	Gross 2023 £m	Tax 2023 £m	Restated Gross 2022 £m	Restated Tax 2022 £m
Trading losses[1]	**330**	**67**	272	61
Capital losses	**157**	**34**	67	14
Excess management expense	**9**	**2**	9	2
Unrelieved interest payments on debt instruments	**14**	**4**	14	4
Other unrecognised deferred tax	**3**	**1**	–	–
Unrecognised deferred tax assets	**513**	**108**	362	81

1. Trading losses includes £68m (2022: £57m) related to the US business which are expected to expire between 2026 and 2032.

(v) Current tax – Consolidated Balance Sheet

	2023 £m	2022 £m
Tax recoverable within 12 months	**75**	52
Tax recoverable after 12 months	**810**	750
Current tax assets[1]	**885**	802

1. Of the total current tax asset, £805m (2022: £745m) relates to amounts recoverable in respect of withholding tax reclaims attributable to unit linked funds.

	2023 £m	2022 £m
Tax due within 12 months	**2**	1
Tax due after 12 months	**75**	68
Current tax liabilities	**77**	69

(vi) Tax charged directly in equity

	2023 £m	Restated 2022 £m
Current tax	**(7)**	(6)
Deferred tax	**(1)**	1
Tax (credit)/charge recognised directly in equity	**(8)**	(5)

29 Auditors' remuneration

	2023 £m	2022 £m
Remuneration receivable by the Company's auditors for the audit of the consolidated and Company financial statements	**3.5**	3.0
Remuneration receivable by the Company's auditors and its associates for the supply of other services to the Company and its associates, including remuneration for the audit of the financial statements of the Company's subsidiaries:		
The audit of the Company's subsidiaries	**16.1**	11.2
Audit related assurance services – required by national or EU legislation	**1.6**	1.6
Audit related assurance services – other	**1.0**	0.9
Other assurance services	**0.9**	0.8
Total remuneration	**23.1**	17.5

30 Employee information

	2023	2022
Monthly average number of staff employed during the year:		
UK	**10,670**	10,333
USA	**1,132**	1,032
Europe	**66**	59
Other	**88**	74
Worldwide employees	**11,956**	11,498

	Notes	2023 £m	2022 £m
Wages and salaries		**1,004**	917
Social security costs		**111**	105
Share-based incentive awards	31	**59**	54
Defined benefit pension costs	23	**33**	25
Defined contribution pension costs	23	**102**	93
Total employee related expenses		**1,309**	1,194

31 Share-based payments

(i) Description of plans

The Group provides a number of equity settled share-based long-term incentive plans for directors and eligible employees.

The Savings Related Share Option Plan (ShareSave) allows employees to enter into a regular savings contract over three and/or five years, coupled with a corresponding option over shares of the Group. The grant price is equal to 80% of the quoted market price of the Group shares on the invitation date.

Nil-cost options can be granted to senior managers under the Performance Share Plan (PSP), based upon individual and Company performance. Performance conditions attached to awards before 2018 result in the number of options that vest being equally dependent on the Group's relative total shareholder return (TSR) and Earnings per Share (EPS)/Dividend per Share (DPS) growth. In addition, the awards vest after the end of the three year performance period and become exercisable in thirds over three, four and five years. Starting from awards granted in 2018, the number of options that vest is equally dependent on the Group's relative TSR and EPS growth (subject to Solvency II objectives). The majority of awards vest after the end of the three year performance period and become exercisable in thirds in year three, four and five. Awards granted to Executive Directors and Persons Delivering Managerial Responsibilities vest after three years but any options that vest will not become exercisable until year five.

The Share Bonus Plan (SBP) awards conditional shares, restricted shares, combined awards of CSOP options and restricted shares and combined awards of CSOP options and nil-cost options. Recipients of restricted shares are entitled to both vote and receive dividends. Fair value is calculated as the market value on the grant date, adjusted to reflect the eligibility for dividend payments. Conditional Share awards, which include awards to Executive Directors, do not have voting or dividend rights.

Under the HMRC tax-advantaged Employee share plan (ESP), UK employees may elect to purchase Group shares from the market at the prevailing market price on a monthly basis. The Group supplements the number of shares purchased by giving employees one free matching share for every one share purchased up to the first £20 of the employees' contributions and one free matching share for every two shares purchased with contributions between £20 and £125. There is currently no match on contributions between £125 and £150. From time to time, the Group may make an award of free shares. Both the free and matching shares must be held in trust for three years. The fair value of awarded shares is equal to the market value on award date.

The weighted average fair value of ShareSave options calculated by using the Black-Scholes model were 44.9p and PSP awards estimated by using Monte Carlo simulations were 162.8p.

The fair values of the share awards made during the year have been calculated using the following assumptions:

	ShareSave	PSP
Award date	**6 April 2023**	**6 April 2023**
Weighted average share price (pence)	**242.0**	**238.1**
Weighted average exercise price (pence)	**211.0**	**N/A**
Expected volatility	**33%**	**31%**
Expected life	**3 – 5 years**	**3 – 5 years**
Risk free investment rate	**3.29% – 3.44%**	**3.49%**
Dividend yield	**7.5%**	**N/A**

(ii) Total recognised expense

The total recognised expense relating to share-based payments in 2023 was £59m (2022: £54m) before tax, all of which related to equity settled share schemes. This is broken down between the Group's plans as detailed below:

	2023 £m	2022 £m
Share bonus plan (SBP)	**42**	38
Performance share plan (PSP)	**13**	12
Employee share plan (ESP)	**2**	2
Savings related share option plan (ShareSave)	**2**	2
Total share-based payment expense	**59**	54

(iii) Outstanding share options

	ShareSave options 2023	Weighted average exercise price 2023 p	CSOP options 2023	Weighted average exercise price 2023 p	Nil-cost options 2023	Weighted average exercise price 2023 p
Outstanding at 1 January	**23,983,860**	**207**	**5,513,503**	**258**	**35,717,751**	**–**
Granted during the year	**7,740,104**	**211**	**–**	**–**	**6,685,541**	**–**
Forfeited during the year	**(2,613,099)**	**211**	**(262,301)**	**263**	**(30,066)**	**–**
Exercised during the year	**(6,324,780)**	**200**	**(1,296,635)**	**204**	**(3,819,125)**	**–**
Expired during the year	**(982,127)**	**210**	**(305,272)**	**227**	**(6,148,070)**	**–**
Outstanding at 31 December	**21,803,958**	**210**	**3,649,295**	**280**	**32,406,031**	**–**
Exercisable at 31 December	**75,957**	**199**	**–**	**–**	**1,088,693**	**–**
Weighted average remaining contractual life (years)	**2**		**1**		**4**	

	ShareSave options 2022	Weighted average exercise price 2022 p	CSOP options 2022	Weighted average exercise price 2022 p	Restated Nil-cost options 2022	Weighted average exercise price 2022 p
Outstanding at 1 January	19,206,594	212	3,963,756	256	34,790,116	–
Granted during the year	11,768,715	205	2,719,728	272	6,356,257	–
Forfeited during the year	(3,494,833)	219	–	–	–	–
Exercised during the year	(2,837,683)	214	–	–	(3,210,499)	–
Expired during the year	(658,933)	211	(1,169,981)	281	(2,218,123)	–
Outstanding at 31 December	23,983,860	207	5,513,503	258	35,717,751	–
Exercisable at 31 December	3,151	217	–	–	847,559	–
Weighted average remaining contractual life (years)[1]	3		2		5	

1. Weighted average remaining contractual life for CSOP options have been restated for 31 December 2022.

(iv) Total options

Options over 57,859,284 shares are outstanding under ShareSave, CSOP and PSP as at 31 December 2023 (2022: 65,215,114 shares). These options have a range of exercise prices between 0p and 295p (2022: 0p and 295p) and maximum remaining contractual life up to 2032 (2022: 2032).

32 Share capital, share premium and employee scheme treasury shares

(i) Share capital and share premium

Authorised share capital	2023 Number of shares	2023 £m	2022 Number of shares	2022 £m
At 31 December: ordinary shares of 2.5p each	**9,200,000,000**	**230**	9,200,000,000	230

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2023	**5,973,253,500**	**149**	**1,018**
Options exercised under share option schemes	**6,324,780**	**–**	**12**
As at 31 December 2023	**5,979,578,280**	**149**	**1,030**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2022	5,970,415,817	149	1,012
Options exercised under share option schemes	2,837,683	–	6
As at 31 December 2022	5,973,253,500	149	1,018

There is one class of ordinary shares of 2.5p each. All shares issued carry equal voting rights.

The holders of the Company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

(ii) Employee share plans

The Group uses the Employees' Share Ownership Trust (ESOT) and the Legal & General Group Employee Share Plan (ESP) to purchase and hold shares of the Group for delivery to employees under various employee share plans. Shares owned by these vehicles are included at cost in the Consolidated Balance Sheet and are shown as a deduction from shareholders' equity. They are disclosed as employee plan shares until they vest to employees. Share-based liabilities to employees may also be settled via purchases directly from the market or by the issue of new shares.

The ESOT has waived its voting rights and its rights to some of the dividends payable on the shares it holds. Employees are entitled to dividends on the shares held on their behalf within the ESP.

	2023 Number of shares	2023 £m	2022 Number of shares	2022 £m
As at 1 January	**60,807,213**	**144**	42,700,058	99
Shares purchased	**8,093,113**	**18**	23,424,103	59
Shares vested	**(6,721,535)**	**(15)**	(5,316,948)	(14)
As at 31 December	**62,178,791**	**147**	60,807,213	144

33 Restricted Tier 1 convertible notes

On 24 June 2020, Legal & General Group Plc issued £500m of 5.625% perpetual restricted Tier 1 contingent convertible notes. The notes are callable at par between 24 March 2031 and 24 September 2031 (the First Reset Date) inclusive and every 5 years after the First Reset Date. If not called, the coupon from 24 September 2031 will be reset to the prevailing five year benchmark gilt yield plus 5.378%.

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The Tier 1 notes are therefore treated as equity and coupon payments are recognised directly in equity when paid. During the year coupon payments of £28m were made (2022: £28m). The notes rank junior to all other liabilities and senior to equity attributable to owners of the parent. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the issuer at the prevailing conversion price.

The notes are treated as restricted Tier 1 own funds for Solvency II purposes.

34 Non-controlling interests

Non-controlling interests represent third party interests in direct equity investments, including private equity, which are consolidated in the Group's results.

As at 31 December 2023, non-controlling interests primarily represent third party ownership in Thorpe Park Holdings, a mixed residential/commercial retail space in which the Group holds 50%.

35 Other liabilities

	2023 £m	Restated 2022 £m
Accruals	**508**	517
Deferred income	**29**	14
Other	**143**	232
Total other liabilities	**680**	763
Due within 12 months	**673**	708
Due after 12 months	**7**	55

36 Related party transactions

(i) Key management personnel transactions and compensation

There were no material transactions between key management and the Legal & General group of companies during the period. All transactions between the Group and its key management are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment defined benefit plans were £134m (31 December 2022: £105m) for all employees.

At 31 December 2023 and 31 December 2022 there were no loans outstanding to officers of the Company.

The aggregate compensation for key management personnel, including executive and non-executive directors, is as follows:

	2023 £m	2022 £m
Salaries	**12**	11
Share-based incentive awards	**8**	6
Key management personnel compensation	**20**	17

(ii) Services provided to and by related parties

All transactions between the Group and associates, joint ventures and other related parties during the year are on commercial terms which are no more favourable than those available to companies in general.

The Group has the following material related party transactions:

- A number of transactions between the Group's UK defined benefit pension schemes and Legal and General Assurance Society Limited (LGAS) occurred during the year. These include the surrender of Assured Payment Policies (APPs) and their conversion into annuities, as well as a buy-out of the schemes completed by the Trustees, where existing annuity policies were exchanged for individual policies between LGAS and members. Further details are provided in Note 23; and
- Total payments by LGAS to the pension schemes for insured pension benefits were £55m (2022: £56m).

Loans and commitments to related parties are made in the normal course of business. As at 31 December 2023, the Group had:

- Loans outstanding from related parties of £49m (2022: £58m), with a further commitment of £7m (2022: £6m); and
- Total other commitments of £1,347m to related parties (2022: £1,265m), of which £1,108m has been drawn (2022: £1,010m).

37 Contingent liabilities, guarantees and indemnities
Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the PRA, FCA, ombudsman rulings, industry compensation schemes and court judgments.

Various Group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. The relevant members of the Group ensure that they make prudent provision as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet reasonably foreseeable eventualities. The provisions made are regularly reviewed. It is not possible to predict, with certainty, the extent and the timing of the financial impact of these claims, litigation or issues.

Group companies have given warranties, indemnities and guarantees as a normal part of their business and operating activities or in relation to capital market transactions or corporate disposals. Legal & General Group Plc has provided indemnities and guarantees in respect of the liabilities of Group companies in support of their business activities. Legal and General Assurance Society Limited has provided indemnities, a liquidity and expense risk agreement, a deed of support and a cash and securities liquidity facility in respect of the liabilities of Group companies to facilitate the Group's matching adjustment reorganisation pursuant to Solvency II.

38 Commitments
(i) Capital commitments

	2023 £m	2022 £m
Authorised and contracted commitments not provided for in respect of investment property development, payable after 31 December:		
– Long-term business	720	640

(ii) Lease commitment receivable – payments to be received under operating leases
Where the Group is a lessor, the future undiscounted minimum lease payments under operating lease arrangements are disclosed below:

	Total future payments 2023 £m	Total future payments 2022 £m
Within 1 year	418	392
1-2 years	401	374
2-3 years	381	360
3-4 years	366	347
4-5 years	354	334
After 5 years	4,459	4,110
Total lease commitment receivable	6,379	5,917

Lease commitments payable are disclosed as part of the leases disclosure in Note 25.

39 Associates and joint ventures
Summarised financial information for associates and joint ventures accounted for under the equity method is shown below:

	Associates 2023 £m	Joint ventures 2023 £m	Associates 2022 £m	Joint ventures 2022 £m
Current assets	106	486	32	486
Non-current assets	1,638	403	112	1,212
Current liabilities	216	133	6	171
Non-current liabilities	867	24	113	597
(Loss)/profit from continuing operations – total	(76)	(88)	(20)	99
(Loss)/profit from continuing operations – Group's share	(28)	(34)	(2)	49
Total comprehensive income – total	(76)	(88)	(20)	99
Total comprehensive income – Group's share	(28)	(34)	(2)	49

The associates and joint ventures have no significant contingent liabilities to which the Group is exposed. The Group has no commitments to provide funding to associates and joint ventures other than the ones included in Note 38.

During the year, the total value of Investment in associates and joint ventures accounted for using the equity method on the Group's Consolidated Balance Sheet increased to £616m (2022: £554m), reflecting a number of additions and disposals, as well as the Group's share of the profits and losses of the respective associates and joint ventures.

40 Related undertakings

The Companies Act 2006 requires disclosure of information about the Group's subsidiaries, associates, joint ventures and other significant holdings. Significant holdings are entities in which the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

(i) Subsidiaries

The particulars of the Company's subsidiaries, mutual funds and partnerships that have been consolidated as at 31 December 2023 are listed below. The main territory of operation of subsidiaries incorporated in England and Wales is the UK. For overseas subsidiaries the principal country of operation is the same as the country of incorporation. All subsidiaries have a 31 December year end reporting date and are 100% owned, unless stated otherwise. The registered office of all subsidiaries in England and Wales is One Coleman Street, London EC2R 5AA, United Kingdom, and in Ireland is Dillon Eustace, 33 Sir John Rogerson's Quay, Dublin 2, Ireland, unless otherwise noted. All subsidiaries are held through intermediate holding companies unless noted that they are held direct by the Company. Subsidiaries that are consolidated where the Group owns less than 50% of the ordinary share capital, are consolidated based on an assessment of control normally arising from special rights attaching to the class of share owned, other contractual arrangements and factors such as the purpose of the investee, the nature of its relevant activities, voting rights (including potential voting rights) and substantive and protective rights.

The Group reassesses the appropriateness of the consolidation of an investee whenever facts and circumstances indicate that there has been a change in the relationship between the Group and the investee which affects control.

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
Country of incorporation: Bermuda				
Legal & General America Reinsurance Limited[1]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General Reinsurance Company Limited[1]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General Reinsurance Company No.2 Limited[1]	Reinsurance	Ordinary	31–Dec	100.0
Legal & General Resources Bermuda Limited[1]	Provision of services	Ordinary	31–Dec	100.0
Country of incorporation: China				
Legal & General Business Consulting (Shanghai) Limited[2]	Business information consultancy	Ownership dictated by subscribed capital	31–Dec	100.0
Country of incorporation: England and Wales				
Alfreton Solar Limited[3]	Production of electricity	Ordinary	31–Dec	100.0
Antham 1 Limited	Investment vehicle	Ordinary	31–Dec	100.0
Atelier Management Company Limited	ECF Manco[4]	Ordinary	31–May	–
Banner (Spare) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Construction Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Developments Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Freehold Limited[5]	Letting and operating of leased real estate	Ordinary	31–Dec	100.0
Banner Homes Bentley Priory Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Central Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Group Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Limited[5]	Dormant company	Ordinary	31–Dec	100.0
Banner Homes Midlands Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Southern Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Homes Ventures Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Banner Management Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Beavor Grange Solar Farm Limited[3]	Production of electricity	Ordinary	31–Dec	100.0
Begbroke Oxford Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Bonnington Residents Management Company Limited	Residential property management	Ordinary	31–Mar	100.0
BQN Limited	Development of building projects	Ordinary	31–Dec	100.0
Bucklers Park Estate Management Company Limited	Management of real estate	Limited by guarantee	31–May	100.0
C1 Plot Management Company Limited	Residential property management	Limited by guarantee	31–Dec	33.3
CALA (ESOP) Trustees Limited[5]	Financial intermediation	Ordinary	31–Dec	100.0
CALA 1 Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0

1. Registered office: 19 Par-La-Ville Road, Hamilton, HM11, Bermuda
2. Registered office: Southwest ROOM, Floor 3, No. 2123 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone (Bonded Area), Pudong District, Shanghai
3. Registered office: 5 New Street Square, London, England, EC4A 3TW
4. English Cities Fund Management Company
5. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX

40 Related undertakings continued
(i) Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
CALA Group (Holdings) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Chiltern) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Cotswolds) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (North Home Counties) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (South Home Counties) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Southern) Limited[5]	Non-trading company	Ordinary	31–Dec	100.0
CALA Homes (Thames) Limited[5]	Non-trading company	Ordinary	31–Dec	100.0
CALA Homes (Yorkshire) Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Cardiff Interchange Limited	Development of building projects	Ordinary	31–Dec	100.0
Cardiff Interchange ManCo Limited	Management company	Ordinary	31–Jan	33.0
Cardiff Interchange NomineeCo Limited	Fund management activities	Ordinary	31–Dec	99.0
Care Secured Limited[5]	Dormant company	Ordinary	31–Dec	100.0
City & Urban Developments Limited	Holding company	Ordinary	31–Dec	100.0
Court Place Gardens Holdings LLP	Holding company	Partnership	31–Dec	100.0
Court Place Gardens Oxford Limited	Domestic building construction	Ordinary	31–Dec	100.0
Cross Trees Park (Shrivenham) Management Company Limited	Residential property management	Limited by guarantee	31–Dec	100.0
Euro Liquidity Fund	OEIC[6]	Ordinary	31–Dec	46.2
Finchwood Park Management Company Limited[7]	Residential property management	Limited by guarantee	31–Dec	100.0
Finovation UK Limited	Dormant company	Ordinary	31–Dec	100.0
Haut Investments 2 Limited	Holding company	Ordinary	31–Dec	100.0
Haut Investments Limited	Holding company	Ordinary	30–Dec	100.0
Inspired Villages Group Limited	Activities of other holding companies not elsewhere classified	Ordinary	31–Dec	46.5
Interchange Central Square (General Partner) Limited	General partner	Partnership	31–Dec	100.0
Interchange Central Square Limited Partnership	Limited liability partnership	Partnership	31–Dec	100.0
Investment Discounts On Line Limited	Insurance agents and brokers	Ordinary	31–Dec	100.0
IPIF Trade General Partner Limited	Fund general partner	Partnership	31–Dec	100.0
IPIF Trade Nominee Limited	Nominee	Ordinary	31–Dec	100.0
IXDS Limited	Other information technology services	Ordinary	31–Dec	70.0
Jimcourt Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Low Farm Solar Limited[3]	Production of electricity	Ordinary	31–Dec	100.0
L&G Cash Trust	Unit trust	Unit	05–Feb	43.0
L&G Future World ESG Japan Index Fund	Unit trust	Unit	30–Sep	59.2
L&G Future World ESG Multi-Index 7 Fund	Unit trust	Unit	15–Feb	39.2
L&G Future World ESG UK Index Fund	Unit trust	Unit	30–Sep	31.6
L&G Future World Sustainable Global Equity Focus	Unit trust	Unit	15–May	99.8
L&G Multi-Asset Target Return Fund	Unit trust	Unit	14–Apr	44.1
L&G UK Smaller Companies Trust	Unit trust	Unit	31–Dec	30.5
Legal & General (Portfolio Management Services) Limited	Institutional fund management	Ordinary	31–Dec	100.0
Legal & General (Portfolio Management Services) Nominees Limited	Dormant company	Ordinary	31–Dec	100.0
Legal & General (Residential) Holdco Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General (Strategic Land Harpenden) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General (Strategic Land North Horsham) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General (Strategic Land) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General (Unit Trust Managers) Limited	Unit trust management	Ordinary	31–Dec	100.0
Legal & General (Unit Trust Managers) Nominees Limited	Non-trading company	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (AR) LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General Affordable Homes (Development 2) Limited	Domestic building construction	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (Development 4) Limited	Construction of domestic buildings	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (Development) Limited	Domestic building construction	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (Investment 1) Limited	Other letting and operating of own or leased real estate	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (Investment 2) Limited	Other letting and operating of own or leased real estate	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (Investment 3) Limited	Other letting and operating of own or leased real estate	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (Operations) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Affordable Homes (SO) LLP	Limited liability partnership	Partnership	31–Dec	100.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
Legal & General Affordable Homes Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Bristol Temple Island Estate Management Company Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Capital Investments Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Co Sec Limited	Dormant company	Ordinary	31–Dec	100.0
Legal & General Development Assets Holdings Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Digital Solutions Limited	Technology services	Ordinary	31–Dec	100.0
Legal & General Employee Benefits Administration Limited	Non-trading company	Ordinary	31–Dec	100.0
Legal & General Estate Agencies Limited	Management of dilapidation liabilities	Ordinary	31–Dec	100.0
Legal & General Euro Mortgage No.1 SPV Limited	Special purpose vehicle	Ordinary	31–Dec	100.0
Legal & General Finance PLC	Treasury operations	Ordinary	31–Dec	100.0
Legal & General Financial Advice Limited	Provision of services	Ordinary	31–Dec	100.0
Legal & General FX Structuring (SPV) Limited	Special purpose vehicle	Ordinary	31–Dec	100.0
Legal & General GP LLP	Dormant company	Partnership	31–Dec	100.0
Legal & General Heat Pumps Limited	Activities of other holding companies not elsewhere classified	Ordinary	31–Dec	100.0
Legal & General Home Finance Holding Company Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Home Finance Limited	Mortgage finance companies	Ordinary	31–Dec	100.0
Legal & General Homes (Services Co) Limited	Human resource management	Ordinary	31–Dec	100.0
Legal & General Homes Communities (Arborfield) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Homes Communities (Crowthorne) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Homes Communities (Didcot) Limited	Other specialised construction activities not elsewhere classified	Ordinary	31–Dec	100.0
Legal & General Homes Communities (Shrivenham) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Homes Communities Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Homes Holdings Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Homes Modular JV Holdco Limited	Development of modular housing	Ordinary	31–Dec	100.0
Legal & General Homes Modular JV Limited	Development of modular housing	Ordinary	31–Dec	100.0
Legal & General Homes Modular Limited	Development of modular housing	Ordinary	31–Dec	100.0
Legal & General Insurance Holdings Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Insurance Holdings No. 2 Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Investment Management (Holdings) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Investment Management Funds ICVC	OEIC[6]	Ordinary	31–Dec	100.0
Legal & General Investment Management Limited	Institutional fund management	Ordinary	31–Dec	100.0
Legal & General Later Living Limited	Holding company	Ordinary	31–Oct	100.0
Legal & General Leisure Fund Trustee Limited	Trustee	Ordinary	31–Dec	100.0
Legal & General Life Fund Limited Partnership	Limited Partnership	Partnership	31–Dec	100.0
Legal & General LTM Structuring (SPV) Limited	Special purpose vehicle	Ordinary	31–Dec	100.0
Legal & General Middle East Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Overseas Operations Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Partnership Holdings Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Partnership Services Limited	Provision of services	Ordinary	31–Dec	100.0
Legal & General Pension Fund Trustee Limited	Dormant company	Ordinary	31–Dec	100.0
Legal & General Pension Scheme Trustee Limited	Dormant company	Ordinary	31–Dec	100.0
Legal & General Pensions Limited	Limited company	Ordinary	31–Dec	100.0
Legal & General Property Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Property Partners (Industrial Fund) Limited	Limited company	Ordinary	31–Dec	100.0
Legal & General Property Partners (Industrial) Nominees Limited	Limited company	Ordinary	31–Dec	100.0
Legal & General Property Partners (IPIF GP) LLP	General partner	Partnership	31–Dec	100.0
Legal & General Property Partners (Leisure GP) LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General Property Partners (Leisure) Limited	General Partner	Ordinary	31–Dec	100.0
Legal & General Property Partners (Life Fund) Limited	Limited company	Ordinary	31–Dec	100.0
Legal & General Property Partners (Life Fund) Nominee Limited	Limited company	Ordinary	31–Dec	100.0
Legal & General Property Partners (UK PIF Geared) Limited	General Partner	Ordinary	31–Dec	100.0
Legal & General Property Partners (UK PIF) Limited	General Partner	Ordinary	31–Dec	100.0
Legal & General Property Partners (UKPIF Geared Two) Limited	Limited company	Ordinary	31–Dec	100.0

3. Registered office: 5 New Street Square, London, England, EC4A 3TW
5. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
6. Open Ended Investment Company
7. Registered office: Discovery House, Crossley Road, Stockport, Greater Manchester, England, SK4 5BH

40 Related undertakings continued
(i) Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
Legal & General Property Partners (UKPIF Two) Limited	Investment in UK real estate	Ordinary	31–Dec	100.0
Legal & General Re Holdings Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Residential (BTR) 1 LLP	Investment management	Partnership	31–Dec	100.0
Legal & General Residential (BTR) 2 LLP	Investment management	Partnership	31–Dec	100.0
Legal & General Resources Limited	Provision of services	Ordinary	31–Dec	100.0
Legal & General Retail Investments (Holdings) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General SBTR (Crowthorne 1) Limited	Construction of domestic buildings	Ordinary	31–Dec	100.0
Legal & General SBTR (Crowthorne 2) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General SBTR (Sandy Lane 1) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General SBTR (Sandy Lane 2) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General SBTR (St Neots) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General SBTR (Stanton Cross 1) Limited	Construction of domestic buildings	Ordinary	31–Dec	100.0
Legal & General SBTR (Stanton Cross 2) Limited	Construction of domestic buildings	Ordinary	31–Dec	100.0
Legal & General SBTR (Stanton Cross 3) Limited	Construction of domestic buildings	Ordinary	31–Dec	100.0
Legal & General SBTR (Stanton Cross 4) Limited	Construction of domestic buildings	Ordinary	31–Dec	100.0
Legal & General Science and Tech (Holdings) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Senior Living Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Development 2) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Development) Limited	Domestic building construction	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Operations) Limited	Development of building projects	Ordinary	31–Dec	100.0
Legal & General Suburban BTR (Property) LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General Surveying Services Limited	Provision of services	Ordinary	31–Dec	100.0
Legal & General Trustees Limited	Fund trustee	Ordinary	31–Dec	100.0
Legal & General UK BTR GP Four LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP Six LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR GP Three LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR Investment GP LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal & General UK BTR Investment LP	Limited partnership	Partnership	31–Dec	100.0
Legal & General UK BTR Investment Nominee Limited	Fund management activities	Ordinary	31–Dec	100.0
Legal & General UK Solar Investments (Holdings) Limited	Holding company	Ordinary	31–Dec	100.0
Legal & General UKPIF Two GP LLP	Limited liability partnership	Partnership	31–Dec	100.0
Legal and General Affordable Homes (Capital) Limited	Dormant company	Ordinary	31–Dec	100.0
Legal and General Affordable Homes (Development 3) Limited	Domestic building construction	Ordinary	31–Dec	100.0
Legal and General Assurance (Pensions Management) Limited	Limited company	Ordinary	31–Dec	100.0
Legal and General Assurance Society Limited	Long-term and general insurance	Ordinary	31–Dec	100.0
Legal and General Bristol Temple Island Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Legal and General Capital IM Company Limited	Fund management activities	Ordinary	31–Dec	100.0
LGC 150 Richmond UK Holdco Limited	Activities of construction holding companies	Ordinary	31–Dec	100.0
LGC 265 S. Orange UK Holdco Limited	Activities of construction holding companies	Ordinary	31–Dec	100.0
LGC Overseas Holdco Limited	Holding company	Ordinary	31–Dec	100.0
LGC TEP UK Holdco Limited	Activities of construction holding companies	Ordinary	31–Dec	100.0
LGGP ECF (GP) LLP	Limited liability partnership	Partnership	31–Dec	100.0
LGGP ECF 1 L.P.	Limited partnership	Partnership	31–Dec	100.0
LGGP Holdings Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
LGGP Investments 1 Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
LGGP Management Limited	Fund management activities	Ordinary	31–Dec	100.0
LGGP Nominee 1 Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
LGGP Nominee 2 Limited	Activities of venture and development capital companies	Ordinary	31–Dec	100.0
LGIM Commercial Lending Limited	Commercial lending	Ordinary	31–Dec	100.0
LGIM International Limited	Institutional fund management	Ordinary	31–Dec	100.0
LGIM LGAS Property Fund	Management of unlisted and segregated pension funds via investment in property	Ordinary	31–Dec	100.0
LGIM Real Assets (Operator) Limited	Development of building projects	Ordinary	31–Dec	100.0
LGIM Real Assets Limited	Development of building projects	Ordinary	31–Dec	100.0
LGP Newco Limited	Dormant company	Ordinary	31–Dec	100.0
LGPL No 2 Limited	Limited company	Ordinary	30–Sep	100.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
Life and Mind Building Oxford Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Life Fund Limited Partnership	Hold investment property	Limited partnership	31–Dec	100.0
London Distribution Park Management Company Limited[8]	Management of real estate	Ordinary	31–Dec	68.0
LPI Fund	Management of unlisted and segregated pension funds via investment in property	Ordinary	31–Dec	100.0
Maltby Street Properties Limited	Limited company	Ordinary	31–Dec	100.0
Managed Property Fund	Management of unlisted and segregated pension funds via investment in property	Ordinary	31–Dec	100.0
Millbay Estate Management Company Limited[9]	Non-trading company	Limited by guarantee	31–Dec	–
Novella Building Management Company Limited	ECF Manco[4]	Ordinary	03–Mar	–
NSC Building A Limited	Limited company	Ordinary	31–Dec	100.0
NSC Building B Limited	Limited company	Ordinary	31–Dec	100.0
Portholme Residents Management Company Limited	Residential property management	Ordinary	30–Nov	100.0
Rowley Lane Borehamwood Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Senior Living Medici Holdco Limited[10]	Dormant company	Ordinary	31–Dec	100.0
Senior Living Medici Limited[10]	Dormant company	Ordinary	31–Dec	100.0
Senior Living Urban (Bath) Limited	Buying and selling of own real estate	Ordinary	31–Oct	100.0
Senior Living Urban (Epsom) Limited	Buying and selling of own real estate	Ordinary	31–Dec	100.0
Senior Living Urban (Uxbridge) Limited	Buying and selling of own real estate	Ordinary	31–Oct	100.0
Senior Living Urban (Walton) Limited	Buying and selling of own real estate	Ordinary	31–Dec	100.0
Siddington Solar Farm Limited[3]	Production of electricity	Ordinary	31–Dec	100.0
Stratford City Offices (No. 2) General Partner Limited	Limited company	Partnership	31–Dec	100.0
Stratford City Offices (No. 2) Limited Partnership	Limited partnership	Partnership	31–Dec	100.0
Stratford City Offices Jersey Unit Trust (No. 2)	Unit Trust	Ordinary	31–Dec	99.8
Stratford City Offices LP[11]	Limited partnership	Partnership	31–Dec	100.0
Sunderland Vaux 1 Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Swindon (The Hub) Management Company Limited[12]	Management of real estate	Ordinary	31–Mar	82.8
Taylor Lane (Wales) Limited[5]	Other specialised construction activities not elsewhere classified	Called up Ordinary share capital	31–Dec	100.0
Taylor Lane Timber Frame Limited[5]	Other specialised construction activities not elsewhere classified	Called up Ordinary share capital	31–Dec	100.0
The Advantage Collection Limited[5]	Domestic building construction	Ordinary	31–Dec	100.0
Thorpe Park 3175 Limited[13]	Buying and selling of own real estate	Ordinary	31–Dec	50.0
Thorpe Park A2 Limited[13]	Other letting and operating of own or leased real estate	Ordinary	31–Dec	50.0
Thorpe Park Developments Limited[13]	Property development company	Ordinary	31–Dec	50.0
Thorpe Park Holdings Limited[13]	Holding company	Ordinary	31–Dec	50.0
TP Property Services Limited[13]	Property services	Ordinary	31–Dec	50.0
Valette Square Management Company Limited	Other service activities not elsewhere classified	Ordinary	30–Nov	33.0
West Bar Square Limited	Construction of commercial buildings	Ordinary	31–Dec	100.0
Willington Down Estate Management Company Limited[14]	Residential property management	Ordinary	31–Dec	100.0
Country of incorporation: Hong Kong				
Legal & General Investment Management Asia Limited[15]	Investment management	Ordinary	31–Dec	100.0
Country of incorporation: Ireland				
Finovation Limited[16]	Pension tracing and transfer service	Ordinary and convertible	31–Dec	100.0
L&G ESG China CNY Bond UCITS ETF[17]	ETF	Ordinary	31–Dec	51.4
L&G ESG GBP Corporate Bond 0-5 Year UCITS ETF[17]	ETF	Ordinary	31–Dec	47.5
L&G ESG GBP Corporate Bond UCITS ETF[17]	ETF	Ordinary	31–Dec	31.5
L&G ESG Global High Yield Bond Index Fund	ICAV[18]	Ordinary	31–Dec	41.9
L&G ESG Paris Aligned World Equity Index Fund[16]	CCF	Ordinary	31–Dec	93.3

3. Registered office: 5 New Street Square, London, England, EC4A 3TW
4. English Cities Fund Management Company
5. Registered office: Cala House, 54 The Causeway, Surrey, TW18 3AX
8. Registered office: The Old Post Office Station Road, Congresbury, Bristol, England, BS49 5DY
9. Registered office: Whittington Hall, Whittington Road, Worcester, Worcestershire, United Kingdom, WR5 2ZX
10. Registered office: The Stanley Building, 7 St Pancras Square, London, N1C 4AG
11. Registered office: 4th Floor 1 Ariel Way, London, W12 7SL
12. Registered office: 6th Floor Lansdowne House, Berkeley Square, London, United Kingdom, W1J 6ER
13. Registered office: Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ
14. Registered office: Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, United Kingdom, HP2 7DN
15. Registered office: Room 902, 9th Floor, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong
16. Registered office: 70 Sir John Rogerson Quay, Dublin 2, D02 XK09, Ireland
17. Registered office: 2 Grand Canal Square, Dublin 2, D02 A342, Ireland
18. Irish Collective Asset-management Vehicle

40 Related undertakings continued
(i) Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
L&G ESG USD Corporate Bond UCITS ETF[17]	ETF	Ordinary	31–Dec	63.9
L&G Frontier Markets Equity Fund	ICAV[18]	Ordinary	31–Dec	45.9
L&G Future World Global Credit Fund – UK	QIAIF[19]	Ordinary	31–Dec	100.0
L&G Future World Net Zero Maturing Buy & Maintain Fund 23-32	QIAIF[19]	Ordinary	31–Dec	75.0
L&G Future World Net Zero Maturing Buy & Maintain Fund 33-42	QIAIF[19]	Ordinary	31–Dec	25.0
L&G Net Zero Sterling Corporate Bond Fund	QIAIF[19]	Ordinary	31–Dec	100.0
L&G Rafi Multi-Factor Climate Transition Index Fund	CCF	Ordinary	31–Dec	99.4
Legal & General Fund Managers (Ireland) Limited[20]	Institutional fund management	Ordinary	31–Dec	100.0
Legal & General QIAIF ICAV	QIAIF[19]	Ordinary	31–Dec	100.0
Legal & General UCITS Managers (Ireland) Limited	Institutional fund management	Ordinary	31–Dec	100.0
LGIM (Ireland) Risk Management Solutions Plc	Management company	Ordinary	31–Dec	100.0
LGIM 2024 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2025 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2025 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2025 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2030 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2030 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2030 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2030 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2034 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2035 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2035 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2035 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2037 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2038 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2040 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2040 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2040 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2040 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2042 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2042 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2045 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2045 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2045 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2045 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2047 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2049 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2050 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2050 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2050 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2050 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2055 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2055 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2055 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2055 Real Fund	QIAIF[19]	Ordinary	31–Dec	50.0
LGIM 2060 Fixed Fund	QIAIF[19]	Ordinary	31–Dec	50.0
LGIM 2060 Inflation Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2060 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2060 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2062 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2068 Leveraged Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM 2068 Leveraged Index Linked Gilt Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Credit and Liquidity – Fund BM	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Credit and Liquidity – Fund BN	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Euro 2030 Real Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Fixed Long Duration Fund	QIAIF[19]	Ordinary	31–Dec	100.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
LGIM Fixed Short Duration Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund A	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AC	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AE	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AI	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AO	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AR	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AS	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AT	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AW	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AY	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund AZ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund B	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BG	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BH	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BJ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BL	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BT	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BU	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund BV	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund C	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CJ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CK	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund CL	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DC	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DJ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DK	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund DO	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund L	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund O	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund Q	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund V	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund WH	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund WS	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund WT	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Hedging Fund ZZ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Leveraged Gilt Plus Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Leveraged Index Linked Gilt Plus Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Leveraged Synthetic Equity Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Leveraged Synthetic Equity Fund – GBP Currency Hedged Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2020-2024	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2025-2029	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2030-2034	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2035-2039	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Maturing Buy & Maintain Credit Fund 2040-2054	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Real Long Duration Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Real Short Duration Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund AO	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BB	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BF	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BK	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BW	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund BX	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CA	QIAIF[19]	Ordinary	31–Dec	100.0

17. Registered office: 2 Grand Canal Square, Dublin 2, D02 A342, Ireland
18. Irish Collective Asset-management Vehicle
19. Qualifying Investor Alternative Investment Fund
20. Registered office: Grand Canal House, 1 Upper Grand Canal Street, Dublin 4, Ireland

40 Related undertakings continued
(i) Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
LGIM Solutions Fund CB	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CC	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CF	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CG	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CH	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CP	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CQ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CS	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CT	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund CW	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DB	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DE	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DF	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DH	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DI	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DM	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DN	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DQ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DR	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DU	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DV	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DW	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DY	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund DZ	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund EA	QIAIF[19]	Ordinary	31–Dec	25.0
LGIM Solutions Fund EG	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Solutions Fund EH	QIAIF[19]	Ordinary	31–Dec	25.0
LGIM Solutions Fund EI	QIAIF[19]	Ordinary	31–Dec	50.0
LGIM Solutions Fund M	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Synthetic Leveraged Credit Fund	QIAIF[19]	Ordinary	31–Dec	100.0
LGIM Unleveraged Defensive Synthetic Equity Fund	QIAIF[19]	Ordinary	31–Dec	100.0
Sterling Liquidity Fund	OEIC[6]	Ordinary	31–Dec	51.2
US Dollar Liquidity Fund	OEIC[6]	Ordinary	31–Dec	43.5
Country of incorporation: Japan				
Legal & General Investment Management Japan KK[21]	Investment management	Ordinary	31–Dec	100.0
Country of incorporation: Jersey				
Access Development General Partner Limited[22]	Fund general partner	Partnership	31–Dec	100.0
Bishopsgate Long Term Property Fund General Partner Limited[23]	Fund general partner	Partnership	31–Dec	100.0
Bishopsgate Long-term Property Fund Limited Partnership[23]	Limited partnership	Partnership	31–Dec	25.0
Bishopsgate Long-term Property Fund Nominees No 1 Limited[23]	Real estate operator	Ordinary	31–Dec	25.0
Bishopsgate Long-term Property Fund Nominees No 2 Limited[23]	Real estate operator	Ordinary	31–Dec	25.0
Borehamwood Property Unit Trust[23]	Unit trust	Unit	31–Dec	100.0
SCBD S6 Trust[24]	Unit trust	Unit	31–Dec	100.0
Stratford City Offices Jersey Unit Trust[24]	Unit trust	Unit	31–Dec	100.0
Vantage General Partner Limited[22]	Fund general partner	Partnership	31–Dec	100.0
Vantage London Limited Partnership[22]	Limited partnership	Partnership	31–Dec	11.1
Country of incorporation: Luxembourg				
L&G Absolute Return Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	87.6
L&G Absolute Return Bond Plus Fund[25]	SICAV[26]	Ordinary	31–Dec	35.1
L&G Alternative Risk Premia Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
L&G Buy & Maintain Credit Fund[25]	SICAV[26]	Ordinary	31–Dec	97.9
L&G Commodity Index Fund[25]	SICAV[26]	Ordinary	31–Dec	71.1
L&G Emerging Markets High Yield Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
L&G Emerging Markets Investment Grade Hard Currency Corporate Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
L&G Euro High Yield Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
L&G Future World Global Equity Focus Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
L&G Global Diversified Credit Fund[25]	SICAV[26]	Ordinary	31–Dec	71.5
L&G Net Zero Global Corporate Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	61.2
L&G Net Zero Short Dated Corporate Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
L&G UK Core Plus Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
L&G US High Yield Bond Fund[25]	SICAV[26]	Ordinary	31–Dec	100.0
Country of incorporation: Scotland				
CALA 1999 Limited[27]	Holding company	Ordinary	31–Dec	100.0
CALA Group Limited[27]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (East) Limited[28]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (North) Limited[28]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes (Scotland) Limited[28]	Non-trading company	Ordinary	31–Dec	100.0
CALA Homes (West) Limited[28]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Homes Limited[28]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Land Investments (Bearsden) Limited[27]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Land Investments Limited[27]	Development of building projects	Ordinary	31–Dec	100.0
CALA Limited[27]	Head office	Ordinary	31–Dec	100.0
CALA Management Limited[27]	Domestic building construction	Ordinary	31–Dec	100.0
CALA Ventures Limited[27]	Domestic building construction	Ordinary	31–Dec	100.0
L&G UK Universities Ventures (Carry) GP LLP[29]	Limited liability partnership	Partnership	31–Dec	100.0
L&G UK Universities Ventures (Carry) LP[29]	Limited partnership	Partnership	31–Dec	100.0
L&G UK Universities Ventures GP LLP[29]	Limited liability partnership	Partnership	31–Dec	100.0
L&G UK Universities Ventures LP[29]	Limited partnership	Partnership	31–Dec	100.0
UK PIF FGP LLP[29]	Fund general partner	Partnership	31–Dec	100.0
UK PIF Two Founder LP	Fund general partner	Partnership	31–Dec	100.0
UK PIF Two Founder GP Limited[29]	Fund general partner	Partnership	31–Dec	100.0
Country of incorporation: USA				
Ancora 150 Richmond Holdings, LLC[30]	Holding company	Membership interests	31–Dec	98.5
Ancora 150 Richmond JV, LLC[30]	Holding company	Class A and B	31–Dec	98.5
Ancora 265 S. Orange Holdings, LLC[30]	Holding company	Membership interests	31–Dec	99.0
Ancora 265 S. Orange JV, LLC[30]	Holding company	Class A and B Membership Interests	31–Dec	99.0
Ancora Community Impact CDE LLC[31]	Dormant company	Ordinary	31–Dec	50.0
Ancora Investments LLC[31]	Management of real estate investments	Ordinary	31–Dec	50.0
Ancora L&G, LLC[30]	Holding company	Ordinary	31–Dec	50.0
Ancora Partners, LLC[31]	Provision of management services	Ordinary	31–Dec	50.0
Ancora TEP Holdings LLC[30]	Holding company	Ordinary share capital	31–Dec	99.8
Ancora TEP JV LLC[30]	Holding company	Class A and Class B shares	31–Dec	99.8
Banner Life Insurance Company[32]	Long-term business	Ordinary	31–Dec	100.0
Chesapeake Ventures, LLC[31]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-1, LLC[31]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-2, LLC[31]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-3, LLC[31]	Limited company	Ordinary	31–Dec	100.0
FBV Financing-4, LLC[31]	Funding vehicle	Membership interests	31–Dec	100.0
FBV Financing-5, LLC[31]	Funding vehicle	Membership interests	31–Dec	100.0

6. Open Ended Investment Company
19. Qualifying Investor Alternative Investment Fund
21. Registered office: 22F Toranomon Kotohira Tower, 1-2-8 Toranomon, Minato-ku, Tokyo, 105-0001, Japan
22. Registered office: 11-15 Seaton Place St Helier, Jersey, JE4 0QH
23. Registered office: 12 Castle Street St Helier Jersey, JE2 3RT
24. Registered office: Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST
25. Registered office: 2-4, Rue Eugene Ruppert, Luxembourg, L-2453 Luxembourg
26. Société d'investissement à capital variable
27. Registered office: Adam House, 5 Mid New Cultins, Edinburgh, EH11 4DU
28. Registered office: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
29. Registered office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
30. Registered office: 108 Lakeland Avenue, Dover, Kent County, DE 19901, USA
31. Registered office: 850 New Burton Road, Suite 201, Dover, Delaware, 19904, USA
32. Registered office: 1701 Research Boulevard, Rockville, Maryland, 20850, USA

40 Related undertakings continued
(i) Subsidiaries continued

Company name	Nature of business	Share class	Year end reporting date	% of equity shares held by the Group
First British Vermont Reinsurance Company II, Limited[33]	Reinsurance	Ordinary	31–Dec	100.0
First British Vermont Reinsurance Company III, Limited[31]	Reinsurance	Ordinary	31–Dec	100.0
First British Vermont Reinsurance Company IV Limited[34]	Reinsurance	Ordinary	31–Dec	100.0
Global Index Advisors Inc.[35]	Investment advisory	Ordinary	31–Dec	100.0
Legal & General America Inc.[36]	Holding company	Ordinary	31–Dec	100.0
Legal & General Investment Management America Inc.[36]	Institutional fund management	Ordinary	31–Dec	100.0
Legal & General Investment Management United States (Holdings), Inc.[36]	Holding company	Ordinary	31–Dec	100.0
LGC 150 Richmond US Holdco, LLC[30]	Holding company	Membership interests	31–Dec	100.0
LGC 265 S. Orange US Holdco, LLC[30]	Holding company	Membership interests	31–Dec	100.0
LGC US Holdco 1 Inc.[36]	Holding company	Ordinary	31–Dec	100.0
LGC US Holdco 2 LLC[30]	Holding company	Ordinary	31–Dec	100.0
Potomac Ventures Number 1 Inc.[37]	Holding company	Ordinary	31–Dec	100.0
William Penn Life Insurance Company of New York Inc[38]	Long-term business	Ordinary	31–Dec	100.0

30. Registered office: 108 Lakeland Avenue, Dover, Kent County, DE 19901, USA
31. Registered office: 850 New Burton Road, Suite 201, Dover, Delaware, 19904, USA
33. Registered office: Marsh Management Services, 100 Bank Street, Suite 610, Burlington, VT, 05402, USA
34. Registered office: Marsh Management Services Inc., 463 Mountain View Drive, Suite 301, 3rd Floor, Colchester, Vermont 05446
35. Registered office: 29 North Park Square, Ste.201, Marietta, GA, 30060, USA
36. Registered office: Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE, 19801, USA
37. Registered office: 3500 South Dupont Highway, City of Dover, County of Kent, Delaware 19901
38. Registered office: 100 Quentin Roosevelt Blvd, PO Box 519, Garden City New York, 11530, USA

(ii) Associates and Joint Ventures
The Group has the following significant holdings classified as associates and joint ventures which have been included as financial investments, and investments in associates and joint ventures accounted for using the equity method. The gross assets of these companies are in part funded by borrowings which are non-recourse to the Group.

Company name	Country of incorporation	Accounting treatment	Investment type	Year end reporting date	Share class	% of equity shares held by the Group
245 Hammersmith Road (General Partner) Limited[1]	England and Wales	FVTPL	Joint Venture	31–Dec	Partnership	50.0
245 Hammersmith Road Limited Partnership[1]	England and Wales	FVTPL	Joint Venture	31–Dec	Partnership	50.0
245 Hammersmith Road Nominee 1 Limited[1]	England and Wales	FVTPL	Joint Venture	31–Dec	Ordinary	50.0
245 Hammersmith Road Nominee 2 Limited[1]	England and Wales	FVTPL	Joint Venture	31–Dec	Ordinary	50.0
245 HR GP LLP[1]	England and Wales	FVTPL	Joint Venture	31–Dec	Partnership	50.0
Access Development Limited Partnership[2]	Jersey	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Ampfield Meadows Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Aug	Ordinary	50.0
Austin Heath Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Blendworth Hills Management Limited[3]	England and Wales	Equity Method	Joint Venture	01–Sep	Ordinary	50.0
Bracknell Property Unit Trust[4,5]	Jersey	FVTPL	Joint Venture	31–Dec	Units	50.9
Bruntwood Science Management Services Limited[6]	England and Wales	FVTPL	Joint Venture	30–Sep	Ordinary	50.0
Bruntwood SciTech Limited[6]	England and Wales	Equity Method	Associate	30–Sep	Ordinary	42.0
CALA Evans Restoration Limited[7]	Scotland	Equity Method	Joint Venture	30–Jun	Ordinary	50.0
Congenica Limited[8]	England and Wales	Equity Method	Associate	31–Dec	Ordinary	7.5
ECV Partnerships Tattenhall Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
ECV Partnerships Warwick Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Elderswell Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
English Cities Fund[1]	England and Wales	FVTPL	Associate	31–Dec	Partnership	35.4
Gifford Lea Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Great Alne Park Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Household Capital Pty Limited[9]	Australia	Equity Method	Associate	30–Jun	Ordinary	38.1
IDLG GP[10]	Singapore	FVTPL	Associate	31–Dec	Ordinary	35.0
ImpactA GP[11]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	40.0
Imagine Mortgages Limited (Generation Home)[12]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	18.9
Kao Data Limited[13]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	30.0
Kensa Group Limited[14]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	37.6
Ledian Gardens Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
LGHM-VIVID JV LLP[1]	England and Wales	Equity Method	Joint Venture	31–Mar	Ordinary	50.0
Millfield Green Management Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0

Company name	Country of incorporation	Accounting treatment	Investment type	Year end reporting date	Share class	% of equity shares held by the Group
MoneyHub Financial Technology Limited[15]	England and Wales	FVTPL	Associate	28–Feb	Ordinary	12.6
Newcastle Science Central Developments LLP[16]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	33.3
NTR Wind Management Limited[17]	Ireland	FVTPL	Associate	31–Mar	Ordinary	25.0
Onto Holdings Limited[18]	England and Wales	FVTPL	Associate	31–Dec	Ordinary	10.0
Oxford University Property Development Limited[19]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Pemberton Asset Management Holdings Limited[20]	Jersey	FVTPL	Associate	31–Dec	Ordinary	40.0
Salary Direct Holdings Limited[21]	Jersey	FVTPL	Associate	31–Dec	Ordinary	53.5
Senior Living (Albourne) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Boston Spa) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Broadbridge Heath) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Caddington) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Chandlers Ford) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Comberton) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Dore) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Edenbridge) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Elstree) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Farnhams) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Freelands) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Great Leighs) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Halstead) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Hemel Hempstead) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Horndean) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Knowle) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Ledian Farm) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Liphook) Limited[22]	Jersey	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Matchams) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Sonning Common) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Stamford) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Sunbury-on-Thames) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Tattenhall) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Tunbridge Wells) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Turvey) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Walkern) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living (Warwick Gates) Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Senior Living Finance 1 Limited[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Sennen Finance Designated Activity Company[23]	Ireland	Equity Method	Joint Venture	31–Dec	–	–
Smartr365 Finance Limited[24]	England and Wales	FVTPL	Associate	31–Mar	Ordinary	48.7
SOJV LLP[1]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Tattenhall Care Village LLP[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Warwick Gates LLP[3]	England and Wales	Equity Method	Joint Venture	31–Dec	Ordinary	50.0
Winchburgh Developments (Holdings) Limited[25]	Scotland	Equity Method	Joint Venture	31–Dec	Ordinary	50.0

1. Registered office: One Coleman Street, London, EC2R 5AA
2. Registered office: 11-15 Seaton Place, St Helier, Jersey, JE4 0QH
3. Registered office: Unit 3 Edwalton Business Park, Landmere Lane, Edwalton, Nottingham, United Kingdom, NG12 4JL
4. Registered office: 47 Esplanade, St. Helier, Jersey, JE1 0BD
5. Bracknell Property Unit Trust is classified as a Joint Venture because the Group does not control the entity
6. Registered office: Union, Albert Square, Manchester, England, M2 6LW
7. Registered office: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
8. Registered office: Biodata Innovation Centre, Wellcome Genome Campus, Hinxton, Cambridge, CB10 1DR
9. Registered office: Level 12/1 Nicholson St, East Melbourne VIC 3000
10. Registered office: 8 Marina View, Asia Square Tower 1 Singapore
11. Registered office: 3 Orchard Place London, SW1H 0BF
12. Registered office: Unit 80, Exmouth House, Pine Street, London, England, EC1R 0JH
13. Registered office: Kao Data Campus, London Road, Harlow, United Kingdom, CM17 9NA
14. Registered office: Mount Wellington, Fernsplatt, Chacewater, Truro, Cornwall, TR4 8RJ
15. Registered office: C/O Roxburgh Milkins Limited Merchants House North, Wapping Road, Bristol, United Kingdom, BS1 4RW
16. Registered office: Finance And Planning Newcastle University, King's Gate, Newcastle Upon Tyne, United Kingdom, NE1 7RU
17. Registered office: Burton Court, Burton Hall Drive, Sandyford, Dublin, D18 Y2T8
18. Registered office: Ailsa House, Wedgnock Lane, Warwick, United Kingdom, CV34 5YA
19. Registered office: University Offices, Wellington Square, Oxford, United Kingdom, OX1 2JD
20. Registered office: 44 Esplanade, St Helier, Jersey, JE4 9WG
21. Registered office: 35-37 New Street, St Helier, Jersey, JE2 3RA
22. Registered office: 3rd Floor, One The Esplanade, St Helier, Jersey, JE2 3QA
23. Registered office: 1-2 Victoria Buildings, Haddington Road, Dublin, Ireland, 4 D04 XN32
24. Registered office: 1 Queen Caroline Street, Hammersmith, London, United Kingdom, W6 9YN
25. Registered office: 1a Canal View, Winchburgh, Broxburn, West Lothian, EH52 6FE

41 Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominating factor in deciding who controls the entity, such as when voting rights might relate to administrative tasks only and the relevant activities are directed by means of contractual arrangement. The Group has interests in investment vehicles which, depending upon their status, are classified as either consolidated or unconsolidated structured entities as described below:

- Debt securities, consisting of traditional asset backed securities, together with securitisation and debentures and Collateralised Debt Obligations (CDOs);
- Investment funds, largely being unit trusts; and
- Specialised investment vehicles, analysed between Irish Collective Asset-management Vehicles (ICAVs), Open Ended Investment Companies (OEICs), Sociétés d'Investissement à Capital Variables (SICAVs), Specialised Investment Funds (SIFs), Authorised Contractual Schemes (ACSs), Qualifying Investor Alternative Investment Fund (QIAIF), Liquidity funds, Common Contractual Fund (CCF) and Property unit trusts.

All of the Group's holdings in the above vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. The investment manager makes investment decisions after extensive due diligence of the underlying investment vehicle, including consideration of its strategy and the overall quality of the underlying investment vehicle's manager.

All of the investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance related incentive fee, and is reflected in the valuation of the investment vehicles.

(a) Interests in consolidated structured entities

The Group has determined that where it has control over an investment vehicle, that investment is a consolidated structured entity. The Group has not provided, and has no intention to provide, financial or other support to any other structured entities which it does not consolidate.

(b) Interests in unconsolidated structured entities

As part of its investment activities, the Group also invests in unconsolidated structured entities. As at 31 December 2023, the Group's interest in such entities reflected on the Group's Consolidated Balance Sheet and classified as financial investments held at fair value through profit or loss was £23,454m (2022: £19,867m). A summary of the Group's interests in unconsolidated structured entities is provided below:

	Financial investments 2023 £m	Financial investments 2022 £m
Debt securities		
Analysed as:		
Asset backed securities	**3,575**	3,075
Securitisations and debentures	**150**	203
CDOs	**69**	66
Investment funds and Specialised investment vehicles		
Analysed as:		
Unit trusts	**12,382**	12,160
Property limited partnerships	**881**	899
Exchange traded funds	**385**	185
Liquidity funds	**750**	744
ICAVs	**189**	83
OEICs	**481**	245
SICAVs	**386**	260
QIAIF ICAVs	**–**	1
SIFs	**4,100**	1,818
Property unit trusts	**106**	128
Total	**23,454**	19,867

Management fees received for investments that the Group manages also represent interests in unconsolidated structured entities, and the Group always maintains an interest in those funds which it manages. Where the Group does not manage the investments, its maximum exposure to loss is the carrying amount in the Group Consolidated Balance Sheet. Where the Group does manage these investments, the maximum exposure is the underlying balance sheet value, together with future management fees.

The table below shows the assets under management of those structured entities which the Group manages, together with investment management fees received from external parties.

	AUM 2023 £m	Investment management fees 2023 £m	AUM 2022 £m	Investment management fees 2022 £m
Investment funds	**91,256**	**124**	86,037	138
Specialised investment vehicles	**30,624**	**61**	23,325	60
Analysed as:				
ACSs	**2,530**	**1**	–	–
OEICs	**276**	**2**	174	–
SICAVs	**1,960**	**2**	891	2
Property limited partnerships	**3,380**	**16**	4,305	21
Exchange traded funds	**11,127**	**29**	7,639	25
ICAVs	**7,434**	**8**	7,750	8
QIAIF	**852**	**1**	715	1
Liquidity funds	**303**	**1**	270	1
CCF	**2,762**	**1**	1,581	2
Total	**121,880**	**185**	109,362	198

No significant sponsorship has been provided to any of the above entities. The Group has not, and has no intention, to provide any significant financial or other support to any other structured entities which it does not consolidate.

In addition to the above, the Group has an exposure of £239m (2022: £188m) related to special purpose vehicles classified as joint ventures and accounted for using the equity method, with a carrying value on the Group Consolidated Balance Sheet as at 31 December 2023 of £nil (2022: £nil).

Company financial statements

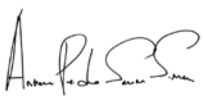
Company Balance Sheet

As at 31 December 2023	Notes	2023 £m	2022 £m
Non-current assets			
Investments in subsidiaries	6	**10,982**	10,740
Receivables: amounts due after more than one year	6	**337**	244
Current assets			
Receivables: amounts due within one year	7	**847**	1,265
Derivative assets	10	**120**	297
Other financial investments		**26**	29
Cash and cash equivalents		**4**	4
Total assets		**12,316**	12,579
Non-current liabilities			
Payables: amounts falling due after more than one year	8	**4,650**	4,704
Current liabilities			
Payables: amounts falling due within one year	9	**483**	532
Derivative liabilities	10	**114**	204
Total liabilities		**5,247**	5,440
Net assets		**7,069**	7,139
Equity			
Share capital	12	**149**	149
Share premium	12	**1,030**	1,018
Revaluation reserve		**2,459**	2,459
Capital redemption and other reserves		**152**	194
Retained earnings		**2,784**	2,824
Attributable to ordinary shareholders		**6,574**	6,644
Restricted Tier 1 convertible notes	13	**495**	495
Total equity		**7,069**	7,139

The notes on pages 258 to 262 form an integral part of these financial statements.

The financial statements on pages 256 to 262 were approved by the directors on 5 March 2024 and were signed on their behalf by:

Sir John Kingman
Chairman



António Simões
Group Chief Executive Officer

Stuart Jeffrey Davies
Group Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December 2023	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Share-based payment reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity attributable to ordinary shareholders £m	Restricted Tier 1 convertible notes £m	Total equity £m
As at 1 January 2023	**149**	**1,018**	**17**	**78**	**99**	**2,459**	**2,824**	**6,644**	**495**	**7,139**
Profit for the financial year	–	–	–	–	–	–	1,130	1,130	–	1,130
Net movement in cross-currency hedge	–	–	–	(32)	–	–	–	(32)	–	(32)
Options exercised under share option schemes	–	12	–	–	–	–	–	12	–	12
Shares vested and transferred from share-based payment reserve	–	–	–	–	(69)	–	24	(45)	–	(45)
Employee scheme treasury shares: – Value of employee services	–	–	–	–	59	–	–	59	–	59
Dividends	–	–	–	–	–	–	(1,172)	(1,172)	–	(1,172)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	–	–	(22)	(22)	–	(22)
As at 31 December 2023	**149**	**1,030**	**17**	**46**	**89**	**2,459**	**2,784**	**6,574**	**495**	**7,069**

For the year ended 31 December 2022	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Share-based payment reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity attributable to ordinary shareholders £m	Restricted Tier 1 convertible notes £m	Total equity £m
As at 1 January 2022	149	1,012	17	48	86	2,459	2,989	6,760	495	7,255
Profit for the financial year	–	–	–	–	–	–	964	964	–	964
Net movement in cross-currency hedge	–	–	–	30	–	–	–	30	–	30
Options exercised under share option schemes	–	6	–	–	–	–	–	6	–	6
Shares vested and transferred from share-based payment reserve	–	–	–	–	(41)	–	10	(31)	–	(31)
Employee scheme treasury shares: – Value of employee services	–	–	–	–	54	–	–	54	–	54
Dividends	–	–	–	–	–	–	(1,116)	(1,116)	–	(1,116)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	–	–	(23)	(23)	–	(23)
As at 31 December 2022	149	1,018	17	78	99	2,459	2,824	6,644	495	7,139

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income, and certain assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

There were no material critical accounting estimates used or judgements made by management in the preparation of these financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise price of share options, and how the fair value of goods or services received was determined);
- The requirement of paragraphs 91 to 99 of IFRS 13 'Fair value measurement', where equivalent disclosures are included in the consolidated financial statements of the Group;
- The following paragraphs of IAS 1, 'Presentation of financial statements':

  - 10(d), (statement of cash flows);
  - 10 (f) and 40A (presentation of a 3rd balance sheet);
  - 16 (a statement of compliance with all IFRS);
  - 38 in respect of paragraph 79(a)(iv) (outstanding shares comparative);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).

- IAS 7, 'Statement of cash flows';
- IFRS 7, 'Financial Instrument Disclosures';
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a Group and key management compensation.

The Company's financial statements have been prepared in compliance with Section 394 and 396 of the Companies Act 2006 adopting the exemption of omitting the income statement conferred by Section 408 of that Act.

The Company's financial statements have been prepared on a going concern basis. See Note 1 of the Group consolidated financial statements for further information on the Directors' assessment of the going concern basis.

Financial assets

On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on two criteria:

(i) the business model within which financial assets are managed; and
(ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

A debt instrument is measured at amortised cost, using the effective interest method, if it meets the following conditions:

(i) it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and
(ii) the contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

A debt security is measured at FVOCI if it meets the following conditions:

(i) it is held for collection of contractual cash flows and for selling the financial assets; and
(ii) the asset's cash flows represent solely payments of principal and interest.

Interest income on these debt securities is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

All other assets, including derivative assets which are held for trading are measured at FVTPL. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in cash flow hedges.

The Company has no equity instruments other than investments in subsidiaries.

Receivables are initially recognised at fair value and subsequently accounted for at amortised cost.

Impairment of financial assets
For financial assets held at amortised cost or FVOCI the Company reviews the carrying value of its assets at each balance sheet date. For such assets, the Company determines forward looking expected credit losses (ECL), based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities for which credit risk has not increased significantly since initial recognition. In these cases, ECLs are based on the 12-month ECL, which is the ECL that results from a possible default up to 12 months after the reporting date. The Company uses relevant quantitative and qualitative information and analysis based on historical experience, and informed credit assessment including forward-looking information in order to evaluate the credit-worthiness of each security at each reporting date, to determine whether a significant increase in credit risk since origination occurred. Should this be the case, the allowance will be based on the lifetime ECL.

ECLs are calculated by considering the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The PD is determined by reference to third party information on available companies, or using qualitative information available to the Company, and depends on whether a financial asset requires determination of a 12-month ECL or lifetime ECL. The LGD is determined with reference to any exposure reducing instruments such as collateral or liquid assets that the counterparty may have. The EAD is determined as the amount of the loan balance outstanding at the reporting date. The Company has adopted a simplified approach for receivables, which allows measurement of lifetime ECLs only, thereby removing the need to identify significant increase in credit risk (SICR). For these balances, the Company makes use of provision matrices in order to calculate such lifetime ECLs.

Investment income
Investment income includes unrealised fair value gains and losses on financial investments at fair value through profit or loss, realised gains and losses, dividends, rent and interest. Dividends are accrued on an ex-dividend basis. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Interest income for financial assets which are not classified as FVTPL is recognised using the effective interest method.

Distributions
Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company.

Interest expense
Interest expense reflects the underlying cost of borrowing, based on the effective interest method and includes payments and receipts made under derivative instruments which are amortised over the interest period to which they relate.

Investment in subsidiary undertakings
Investments in subsidiaries are held at cost less accumulated impairment losses. Where the carrying amount of an investment in subsidiary is greater than recoverable amount, an impairment loss is recognised in profit and loss.

Derivatives and hedge accounting
The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivatives such as foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Changes in the fair value of derivative instruments, other than those designated as hedging instruments in cash flow or net investment hedges, are recognised immediately in the income statement. Currently, the Company hedges foreign exchange translation and interest rate risks on its fixed rate USD denominated borrowings (the hedged items), using cross currency interest rate swaps (the hedging items). It recognises the effective portion of the gain or loss on the hedging items in a separate reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

Deferred tax
Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

1 Accounting policies continued

Deferred tax continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary items are maintained at historic rates. Exchange gains or losses are recognised in the income statement.

Pension costs

The Company contributes to defined contribution schemes. The Company charges the costs of its pension schemes against profit as incurred. Any difference between the cumulative amounts charged against profits and contribution amounts paid is included as a provision or prepayment in the balance sheet.

The assets of the defined contribution schemes are held in separate trustee administered funds, which have been subject to regular valuation every three years and updated by formal reviews at reporting dates by qualified actuaries.

Share-based payments

The Company operates a number of share-based payment plans on behalf of its subsidiaries. Full disclosure of these plans is given in Note 31 of the Group consolidated financial statements. The costs associated with these plans are borne by all the participating Group businesses where they relate to their employees and, where relevant, the Company bears an appropriate charge. As the majority of the charge to the Company relates to awards and options issued to the directors, for which full disclosure is made in the Directors' report on remuneration, no further disclosure is provided here.

2 Dividends

	Dividend 2023 £m	**Per share[1] 2023 p**	Dividend 2022 £m	Per share[1] 2022 p
Ordinary dividends paid and charged to equity in the year:				
– Final 2021 dividend paid in June 2022	**–**	**–**	792	13.27
– Interim 2022 dividend paid in September 2022	**–**	**–**	324	5.44
– Final 2022 dividend paid in June 2023[2]	**831**	**13.93**	–	–
– Interim 2023 dividend paid in September 2023	**341**	**5.71**	–	–
Total dividends	**1,172**	**19.64**	1,116	18.71

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2. The dividend proposed at 31 December 2022 was £829m based on the current number of eligible equity shares at that date.

Subsequent to 31 December 2023, the directors declared an interim dividend of 14.63 pence per ordinary share. This dividend will be paid on 6 June 2024. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2024 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2023.

3 Directors' emoluments and other employee information

Full disclosures of Legal & General Group Plc directors' emoluments are contained within those parts of the Directors' Report on Remuneration which are described as having been audited. At 31 December 2023 there were no remuneration payments outstanding with directors of the Company (2022: £nil). The Company has no other employees (2022: £nil).

For purposes of the disclosure required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the total aggregate emoluments of the directors in respect of 2023 was £3.3m (2022: £4.2m). The aggregate net value of share awards granted to the directors in the period was £5.5m (2022: £5.3m). During the year, the aggregate gains made by directors on the exercise of share options was £0.9m (2022: £1.3m).

4 Pensions

The Company participates in the following pension schemes in the UK, which are operated by the Group:

- Legal & General Group Personal Pension Plan;
- Legal & General Staff Stakeholder Pension Scheme.

These schemes operate within the UK pensions' regulatory framework.

There were no contributions prepaid or outstanding at either 31 December 2023 or 31 December 2022 in respect of these schemes.

The Company also previously participated in the following defined benefit schemes in the UK, operated by the Group:

- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund was closed to new members from January 1995;
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme was, with a few exceptions (principally transfers from the Fund), closed to new members from August 2000 and finally closed to new members from April 2007.

The Trustees completed a buy-out of the Fund and the Scheme in November 2023.

5 Auditor's remuneration

Remuneration receivable by the Company's auditors for the audit of the Company's financial statements is not presented. The Group's consolidated financial statements disclose the aggregate remuneration receivable by the Company's auditors for the audit of the Group's financial statements, which include the Company's financial statements, in Note 29.

The disclosure of fees payable to the auditors and its associates for other (non-audit) services has not been made because the Group's consolidated financial statements are required to disclose such fees on a consolidated basis.

6 Non-current assets

	Investments in subsidiaries 2023 £m	Loans to subsidiaries 2023 £m	Receivables amounts due after more than one year 2023 £m	Total 2023 £m	Investments in subsidiaries 2022 £m	Loans to subsidiaries 2022 £m	Receivables amounts due after more than one year 2022 £m	Total 2022 £m
As at 1 January	**10,740**	**–**	**244**	**10,984**	9,522	702	188	10,412
Additions[1]	**251**	**–**	**93**	**344**	516	–	56	572
Impairment	**(9)**	**–**	**–**	**(9)**	–	–	–	–
Conversion of loan to equity[2]	**–**	**–**	**–**	**–**	702	(702)	–	–
As at 31 December	**10,982**	**–**	**337**	**11,319**	10,740	–	244	10,984

1. Additions primarily represent capital injections into Group undertakings.
2. During 2022 a £702m loan with Legal & General America Inc. was converted into equity.

Full disclosure of the Company's investments in subsidiary undertakings is contained in Note 40 of the Group's consolidated financial statements.

7 Receivables

	2023 £m	2022 £m
Amounts owed by Group undertakings[1]	**718**	1,067
Corporation tax	**34**	99
Deferred tax	**93**	22
Other receivables	**2**	77
Receivables: amounts due within one year	**847**	1,265

1. Amounts owed by Group undertakings are repayable at the request of either party and include a £574m (2022: £984m) interest bearing balance with a current interest rate of SONIA+CAS-12.5 bps, floored at zero.

8 Payables: amounts falling due after more than one year

	Note	2023 £m	2022 £m
Subordinated borrowings	11	**3,739**	3,794
Amounts owed to Group undertakings[1]		**911**	910
Payables: amounts falling due after more than one year		**4,650**	4,704

1. Amounts owed to Group undertakings falling due after more than one year are unsecured and include £901m (2022: £901m) of interest bearing balances with current interest rates between 2.39% and 6.12% (2022: 2.39% and 6.12%).

9 Payables: amounts falling due within one year

	Note	2023 £m	2022 £m
Amounts owed to Group undertakings[1]		**315**	397
Accrued interest on subordinated borrowings	11	**29**	29
Other payables		**139**	106
Payables: amounts falling due within one year		**483**	532

1. Amounts owed to Group undertakings falling due within one year are interest free and repayable at the request of either party.

10 Derivative assets and liabilities

	Fair values Assets 2023 £m	Fair values Liabilities 2023 £m
Currency swap contracts – held for trading	**96**	**111**
Currency swap contracts – cash flow hedge	**24**	**3**
Derivative assets and liabilities	**120**	**114**

	Fair values Assets 2022 £m	Fair values Liabilities 2022 £m
Currency swap contracts – held for trading	182	204
Currency swap contracts – cash flow hedge	115	–
Derivative assets and liabilities	297	204

A description of each type of derivative is given in Note 12 of the Group's consolidated financial statements.

11 Borrowings

Subordinated borrowings[2]	**Carrying amount 2023[1] £m**	**Coupon rate 2023 %**	**Fair value 2023 £m**	Carrying amount 2022[1] £m	Coupon rate 2022 %	Fair value 2022 £m
5.5% Sterling subordinated notes 2064 (Tier 2)	**590**	**5.50**	**600**	590	5.50	541
5.375% Sterling subordinated notes 2045 (Tier 2)	**605**	**5.38**	**603**	605	5.38	593
5.25% US Dollar subordinated notes 2047 (Tier 2)	**676**	**5.25**	**656**	712	5.25	665
5.55% US Dollar subordinated notes 2052 (Tier 2)	**396**	**5.55**	**382**	417	5.55	389
5.125% Sterling subordinated notes 2048 (Tier 2)	**401**	**5.13**	**395**	400	5.13	377
3.75% Sterling subordinated notes 2049 (Tier 2)	**599**	**3.75**	**545**	599	3.75	507
4.5% Sterling subordinated notes 2050 (Tier 2)	**501**	**4.50**	**467**	500	4.50	439
Total subordinated borrowings	**3,768**	**–**	**3,648**	3,823	–	3,511

1. Includes accrued interest on subordinated borrowings of £29m (2022: £29m).
2. Further details on the subordinated borrowings of the Company are provided in Note 22 of the Group's consolidated financial statements.

12 Share capital and share premium

A summary of the Company's ordinary share capital, share premium and options over the Company's ordinary share capital are disclosed in Note 32 of the Group's consolidated financial statements.

13 Restricted Tier 1 convertible notes

On 24 June 2020, Legal & General Group Plc issued £500m of 5.625% perpetual restricted Tier 1 contingent convertible notes. The notes are callable at par between 24 March 2031 and 24 September 2031 (the First Reset Date) inclusive and every 5 years after the First Reset Date. If not called, the coupon from 24 September 2031 will be reset to the prevailing five year benchmark gilt yield plus 5.378%.

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The Tier 1 notes are therefore treated as equity and coupon payments are recognised directly in equity when paid. During the year coupon payments of £28m were made (2022: £28m). The notes rank junior to all other liabilities and senior to equity attributable to owners of the parent. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the issuer at the prevailing conversion price.

Directors' report and additional statutory and regulatory information

The directors submit their Annual report and accounts for Legal & General Group Plc, together with the consolidated financial statements of the Legal & General Group of companies, for the year ended 31 December 2023. The Directors' report required under the Companies Act 2006 comprises this section and certain other disclosures in the Governance report, the Directors' report on remuneration, Strategic report and the notes to the Group consolidated financial statements, including:

An outline of important events that have occurred during the year	Pages 28 to 51
An indication of likely future developments	Pages 28 to 51
Engagement with employees	Pages 43 and 78
Directors' biographies	Pages 64 to 65
Stakeholders	Pages 14 to 15
Section 172 statement	Pages 76 to 78
Monitoring and assessing culture	Page 70
There are no post balance sheet events	

Annual General Meeting (AGM)

The Company intends to hold this year's AGM on Thursday, 23 May 2024 at 11am at The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London, WC1H 9JZ with facilities to join virtually. Full details of the business to be considered at the meeting will be included in the Notice of Annual General Meeting.

Board and directors

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The Company's Articles of Association were last amended at its Annual General Meeting held on 20 May 2021.

Conflicts of interest

In accordance with the Companies Act 2006, the Board has adopted a policy and procedure for the disclosure and authorisation (if appropriate) of conflicts of interest, and these have been followed during 2023. The Board confirms that it has reviewed the schedule of directors' conflicts of interest during the year and that the procedures in place operated effectively in 2023. None of the directors had an interest in any contract of significance with the Company or any of its subsidiaries during 2023.

Powers of directors

The directors (as detailed on pages 64 to 65) may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles of Association.

Appointment and removal of directors

With regards to the appointment and removal of directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. Directors may be appointed by an ordinary resolution of the Company or by the Board, in each case subject to the provisions of the Company's Articles of Association. The Company may, by way of special resolution, remove any director before the expiration of that director's period of office and may by ordinary resolution, appoint another director to act as a replacement. The Company's Articles of Association (in line with the UK Corporate Governance Code) require all the directors to retire from office at each Annual General Meeting of the Company.

Directors' interests

The Directors' report on remuneration on pages 94 to 119 provides details of the share interests of each director, including details of current incentive schemes and long-term incentive schemes.

Indemnities

The Company has agreed to indemnify, to the extent permitted by law, each of the directors against any liability incurred by a director in respect of acts or omissions arising in the course of their office. Qualifying pension scheme indemnities (as defined in section 235 of the Companies Act 2006) apply, to the extent permitted by law, to certain directors of the Company's pension schemes. The indemnities were in force throughout 2023 and remain so. Copies of the deeds containing the relevant indemnity are available for inspection at the Company's registered office and will also be available at the AGM.

Insurance

The Company has arranged appropriate directors' and officers' liability insurance for directors. This is reviewed annually.

Change of control

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) in the event of a takeover bid, except for those relating to normal notice periods. The rules of the Company's share plans contain provisions under which options and awards to participants, including executive directors, may vest on a takeover or change of control of the Company or transfer of undertaking. The Company has a committed £1.5 billion bank syndicated credit facility which is terminable if revised terms cannot be agreed with the syndicate of banks in a 30-day period following a change of control. As at 4 March 2024, the Company has no borrowings under this facility. There is no change of control conditions in the terms of any of the Company's outstanding debt securities. The terms of the Company's agreements with its banking counterparties, under which derivative transactions are undertaken, include in some instances the provision for termination of transactions upon takeover/ merger depending on the rating of the merged entity. The Company does not have any other committed banking arrangements, either drawn or undrawn, which incorporate any unilateral change of control conditions.

Related party transactions

Details of related party transactions are set out in Note 36 to the Group consolidated financial statements.

Shares and dividend information

Share capital

As at 31 December 2023, the Company's issued share capital comprised 5,979,578,280 ordinary shares each with a nominal value of 2.5 pence. Details of the ordinary share capital can be found in Note 32 to the Group consolidated financial statements.

At the 2023 AGM, the Company was granted authority by shareholders to purchase up to 597,331,539 ordinary shares, being 10% of the issued share capital of the Company as at 31 March 2023. In the year to 31 December 2023, no shares were purchased by the Company. This authority will expire at the 2024 AGM. As such, a resolution is proposed in the Notice of AGM seeking shareholder approval to renew this authority.

At the 2023 AGM, the directors were given the power to allot shares up to an amount of £49,777,628, being 33% of the issued share capital of the Company as at 31 March 2023. This authority will also expire at the 2024 AGM. As such, a resolution is proposed in the Notice of AGM seeking shareholder approval to renew this authority.

Further resolutions are proposed, as set out in the Notice of AGM, that will, if approved by shareholders, authorise the directors to issue shares up to the equivalent of 10% of the Company's issued share capital as at 25 March 2024 for cash without offering the shares first to existing shareholders in proportion to their holdings. Detailed explanatory notes to these resolutions are set out in the Notice of AGM.

Directors' report and additional statutory and regulatory information
continued

Other than the above, the directors have no current intention of issuing further share capital and no issue will be made which would effectively alter control of the Company without prior approval of shareholders in a general meeting.

Interests in voting rights

Information on major interests in shares provided to the Company under the Disclosure Guidance and Transparency Rules (DTR 5) of the UK Listing Authority is published via a Regulatory Information Service and on the Company's website: www.legalandgeneralgroup.com. As at 31 December 2023, the Company had been advised of the following significant direct and indirect interests in the issued share capital of the Company:

	Number of ordinary shares of 2.5p	% of capital[1]
BlackRock Inc.	298,315,445	4.989

1. Using the voting rights figure as at 29 December 2023, as announced to the London Stock Exchange on 2 January 2024, of 5,979,578,280.

No material changes to the interests have been disclosed between 31 December 2023 and 4 March 2024.

Dividend

The Company may, by ordinary resolution in a general meeting, declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board. The directors propose a final dividend for the year ended 31 December 2023 of 14.63 pence per ordinary share which, together with the interim dividend of 5.71 pence per ordinary share paid to shareholders on 26 September 2023, will make a total dividend for the year of 20.34 pence (2022: 19.37 pence). Subject to shareholder approval at the AGM, the final dividend will be paid on 6 June 2024 to shareholders on the share register on 26 April 2024 provided that the Board may cancel payment of the dividend at any time prior to payment in accordance with the Articles of Association, if it considers it necessary to do so for regulatory capital purposes. Our dividend policy is set out on page 4.

Rights and obligations attaching to shares

The rights and obligations relating to the Company's ordinary shares are set out in the Articles of Association. A copy of the Articles of Association can be requested from the Company Secretary at the Company's registered office. Holders of ordinary shares are entitled to attend, speak and vote at general meetings. In a vote on a show of hands, every member present in person or every proxy present, who has been duly appointed by a member, will have one vote and on a poll every member present in person or by proxy shall have one vote for every ordinary share held. These rights are subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of the Company's Articles of Association. Under the Companies Act 2006 and the Articles of Association, directors have the power to suspend voting rights and, in certain circumstances, the right to receive dividends in respect of shares where the holder of those shares fails to comply with a notice issued under section 793 of the Companies Act 2006.

The Board can decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules and where the number of joint holders exceeds four. The Board may also refuse to register the transfer of a certificated share unless:

- the instrument of transfer is duly stamped and is left at the Company's registered office or such other place as the Board may from time to time determine, accompanied by the certificate for the share to which it relates and such evidence as the Board may reasonably require to show the right of the transfer or to make the transfer
- the instrument of transfer is in respect of only one class of share
- the number of joint holders does not exceed four.

Subject to the provisions of the Companies Act 2006, all or any of the rights attaching to an existing class of shares may be varied from time to time, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Shares acquired through the employee share plans rank equally with all other ordinary shares in issue. Zedra Trust Company (Guernsey) Limited, as trustee of the Legal & General Employees' Share Ownership Trust, held 1% of the issued share capital of the Company as at 4 March 2024 in trust for the benefit of the executive directors, senior executives and employees of the Group. The trustee of Legal & General Employees' Share Ownership Trust has waived the right of that trust to receive dividends on unallocated shares it holds. The voting rights in relation to these shares are exercised by the trustee. The trustee may vote or abstain from voting, or accept or reject any offer relating to shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision. Under the rules of the Legal & General Group Employee Share Plan (the 'Plan'), eligible employees are entitled to acquire shares in the Company. Plan shares are held in trust for participants by Link Market Services Trustees Limited, which held 0.32% of the issued share capital of the Company as at 4 March 2024. Voting rights are exercised by the trustees on receipt of the participants' instructions. If a participant does not submit an instruction to the trustees, no vote is registered. In addition, the trustees do not vote on any unallocated shares held in the trust.

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities and/ or voting rights.

Greenhouse Gas (GHG) disclosures
Global GHG emissions data

Emissions source	Jan – Dec 2022	Jan – Dec 2023
Scope 1	12,506	10,158
– UK	12,408	9,452
– International	98	706
Scope 2 – location	17,556	17,564
– UK	16,649	14,349
– International	907	3,215
Scope 2 – market	2,586	4,215
– UK	1,679	1,000
– International	907	3,215
Fugitive emissions (included in scope 1)	293	216
Scope 3 – operations		
Category 3 – fuel and energy-related activities	8,301	7,325
Category 5 – waste	400	483
Category 6 – business travel	5,467	7,631
Category 7 – employee commuting (home working)	4,739	4,568
Category 8 – upstream leased assets (serviced offices)	306	304
Category 13 – downstream leased assets	–	0.3m
Category 15 – investments	5.8m	5.0m
Intensity ratio: tCO_2e emissions per employee (scope 1 and 2)	2.60	2.32

Energy (kWh)	Jan – Dec 2022	Jan – Dec 2023
Total Electricity	87,878,000	79,100,000
– UK	84,447,000	70,549,000
– International	3,431,000	8,551,000
Gas	47,910,000	42,853,000
– UK	47,045,000	38,960,000
– International	865,000	3,893,000
On-site fuel (UK only)	16,112,000	16,795,000
Total energy use	151,900,000	138,748,000

* LGIMRA data is reported annually from 1 December to 30 November.

Our total scope 1, scope 2 (location) and scope 2 (Market) emissions have been subject to independent limited assurance by Deloitte. The basis of preparation (or reporting criteria) for our Group carbon footprint is available within our Climate and nature report and Deloitte's assurance report is available on pages 51 to 52 of our 2023 Climate and nature report.

Data Sources: carbon data is collected and aggregated to provide a group-wide footprint and is based on a combination of actual, extrapolated, estimated and benchmarked data. Data is sourced from meter readings, invoices, supplier reports, expenses and travel booking systems. Refer to our reporting criteria document for further details.

Scope 1: All direct emissions from the activities under control.

Scope 2: Emissions from purchased or acquired electricity, steam, heat and cooling.
- Location based – reflects the average emissions intensity of grids on which energy consumption occurs.
- Market based – reflects emissions from electricity purposefully chosen. It derives emission factors from contractual instruments.

Scope 3: Indirect emissions from our value chain. Further details on L&Gs assessment of materiality for all categories of scope 3 emissions can be found within our basis of preparation in our Climate and nature report.

- Cat. 3 emissions related to energy purchased and consumed by Legal & General in the reporting year, that are not included in scope 1 and 2.
- Cat. 5 emissions from third-party disposal and treatment of waste generated in occupied properties and construction activities in the reporting year.
- Cat. 6 emissions from business mileage, flights and train journeys for UK and US operations.
- Cat. 7 emissions from homeworking only, calculated using BEIS conversion factors.
- Cat. 8 emissions from the operation of assets that are leased to Legal & General in the reporting year and not included in scope 1 or scope 2, calculated using REEB 2020 benchmarks.
- Cat. 13 emissions from tenant operations of Legal & General owned assets.
- Cat 15 emissions including equity and debt investments and project finance in the reporting year, not included in scope 1 or scope 2.

Methodology
We have reported on the emission sources required under the Companies Act 2006 Strategic report and Directors' report regulations 2013 and have followed the requirements of the Streamlined Energy & Carbon Reporting (SECR) framework. The greenhouse gas emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard 'Operational Control' method, and emission factors for fuels and electricity are published here: https://bit.ly/GHG_standards

Our emissions, shown in the table opposite, cover 100% of Legal & General Group Plc's operational footprint. We report scope 1 and 2 emissions where we have operational control. Operational control is where we directly procure utilities for property we occupy, own and manage, including our subsidiary businesses and joint ventures* or where we have significant control over energy use. Please refer to the sustainable business section of this report, our 2023 Climate and nature report and CDP Disclosure for an overview of the management of climate risk through our governance processes and internal controls. The types of measures taken to manage and improve our management of energy can also be found within these documents.

* Joint ventures are included in our footprint where we are the majority shareholder, or have operational control.

Climate and nature report
Our Climate and nature report is available on our Group website. See: group.legalandgeneral.com/reports

Social impact report
Our Social impact report is available on our Group website. See: group.legalandgeneral.com/reports

Directors’ report and additional statutory and regulatory information
continued

Required disclosures

Requirements of Listing Rule 9.8.4

Information to be included in the Annual report and accounts under Listing Rule 9.8.4 may be found as follows:

Relevant Listing Rule	Page
LR 9.8.4R (4)	94 to 119
LR 9.8.4R (12)	264
LR 9.8.4R (13)	264

Additional information required under Listing Rule 9.8.6

Additional information to be included in the Annual report and accounts of a listed company incorporated in the United Kingdom that cannot be found in the Directors’ report:

Relevant Listing Rule	Page
LR 9.8.6R (1)	113
LR 9.8.6R (5) & (6)	67
LR 9.8.6R (7)	113
LR 9.8.6R (8)	45 to 48
LR 9.8.6R (9), (10) & (11)	83

Disability

We give full and fair consideration to applications for employment made by disabled persons. Our policies support the employment, promotion, and career development of disabled persons, as well as supporting employees who become disabled during the course of their employment. We make reasonable adjustments, as required under the Equality Act 2010, for disabled employees, including seeking redeployment in the event that reasonable adjustments are not possible. We offer appropriate training, including training in relation to equality, and will make adjustments to this training where required.

Political donations

No political donations were made during 2023.

Branches

Our investment management business has branches in Australia, Germany, Italy, the Netherlands, Sweden and Switzerland.

Corporate governance

We measure ourselves against the 2018 UK Corporate Governance Code. More details on our compliance with the Code, including our 2023 Compliance Statement, can be found on page 67. Information on the Group’s control and risk management systems can be found on pages 52 to 55, 88 and 92 to 93. A summary of our Diversity and Inclusion Policy can be found on page 83.

Financial reports and disclosures

Use of financial instruments

Information on the Group’s risk management process is set out on pages 52 to 59. More details on risk management and the financial instruments used are set out in Notes 15 to 17 of the Group consolidated financial statements.

Independent auditors

The Company’s auditor has expressed its willingness to continue in office and the Audit Committee has recommended its reappointment to the Board. Resolutions to reappoint KPMG LLP as auditor to the Company and to authorise the Audit Committee, on behalf of the Board, to determine its remuneration are proposed for the forthcoming AGM.

Statement of directors’ responsibilities

The directors are responsible for preparing the Annual report and accounts (group and parent company), including the Directors’ report on remuneration and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- assess the Group and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors’ report, Directors’ report on remuneration and Corporate governance statement that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.15R, the annual financial report has been prepared in Extensible Hypertext Markup Language (‘XHTML’) format. Consolidated financial statements have also been prepared in accordance with Disclosure Guidance and Transparency Rule 4.1.16R – 4.1.18R, including the requirement to use Extensible Business Reporting Language (‘XBRL’) markup language. The auditor’s report on these financial statements provides no assurance over the XHTML or XBRL format.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors of the Company and their functions are listed on pages 64 to 65.

Fair, balanced and understandable

In accordance with the principles of the 2018 UK Corporate Governance Code, we have processes and procedures in place to ensure that the information presented in the Annual report and accounts is fair, balanced and understandable. We describe these processes and procedures on page 87.

On the advice of the Audit Committee, the Board considers that the Annual report and accounts, as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Critical accounting estimates, key judgements and significant accounting policies

Our critical accounting estimates, key judgements and significant accounting policies conform with UK-adopted international accounting standards and are set out on pages 151 to 152 of the consolidated financial statements. The directors have reviewed these policies and applicable estimation techniques and have confirmed them to be appropriate for the preparation of the 2023 consolidated financial statements.

Disclosure of information to auditors

As far as each of the directors in office at the date of this Directors' report is aware, there is no relevant audit information (as defined by section 418 (3) of the Companies Act 2006) of which the Company's auditors are unaware, and each such director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Strategic report on pages 2 to 59 of this report includes information on the Group structure and business principles, the performance of the business areas, the impact of regulation and principal risks and uncertainties.

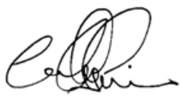
The Group performance detailed on pages 22 to 25 includes information on the Group financial results, financial outlook, cash flow and balance sheet position. The consolidated financial statements include information on the Group financial investments and investment property (Note 11), derivatives (Note 12), cash and cash equivalents (Note 14), asset risk (Note 7), market, credit and insurance risks (Notes 15 to 17) and borrowings (Note 22).

In line with IAS 1 'Presentation of financial statements', and revised FRC guidance on 'risk management, internal control and related financial and business reporting', and as set out in the Basis of preparation (Note 1), management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements when assessing the Group's ability to continue as a going concern.

Details of the main risks affecting the Group and how we manage and mitigate them are set out in 'Managing risks' on pages 52 to 54. Having assessed the main risks and other matters discussed in connection with the Group Board viability statement set out on page 55, in accordance with the 2018 UK Corporate Governance Code and the FRC guidance, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

The Directors' report and Strategic report were approved by the Board and signed on its behalf.

By order of the Board



G J Timms
Group Company Secretary

Shareholder information

Annual General Meeting (AGM)
The Board regards the AGM as an important opportunity to communicate directly with private investors. Full details of the business to be considered at the meeting will be included in the Notice of Annual General Meeting. The Notice of Meeting and all other details for the AGM will be available at: group.legalandgeneral.com/AGM. Details of the 2024 AGM are included below:

Location: The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London WC1H 9JZ, with facilities to join virtually.
Date: Thursday 23 May 2024
Time: 11am

Dividend information
This year the directors are recommending the payment of a final dividend of 14.63 pence per share. If you add this to your interim dividend of 5.71 pence per share, the total dividend recommended for 2023 will be 20.34 pence per share (2022: 19.37 pence per share). The key dates for the payment of dividends are set out in the important dates section.

Dividend payment options
Have your dividends paid into your bank account
Once registered on Investor Centre, you can choose to receive your dividends directly into your bank account. Just select 'View/ update your bank details' and follow the simple instructions. Alternatively, you can contact Computershare Investor Services PLC (Computershare) for a bank mandate form. By opting to receive your dividends electronically, your dividend will reach your bank account on the dividend payment date. Alternatively, you can choose to receive your dividends via a cheque payment.

Re-invest your dividends
The dividend re-investment plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional ordinary shares. The plan is provided by Computershare Investor Services PLC who are authorised and regulated by the Financial Conduct Authority.

Global Payment Service
If you don't have access to a UK bank or building society account, you can elect to join the Global Payment Service (GPS) and receive cash dividends direct to your bank account in your local currency (a small fee and terms and conditions apply).

You can find further details regarding these payment options through your Investor Centre account or by contacting our Registrar, Computershare, on the contact details on page 269.

It is important to remember that the value of shares and income from them can fall as well as rise and you may not recover the amount of money you invest. Past performance should not be seen as indicative of future performance. This arrangement should be considered as part of a diversified portfolio. Please consult an independent advisor if you need any assistance with financial matters.

Sign up to electronic communications
Help us save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email.

You can register for electronic communications via the Investor Centre.

Annual dividend confirmation
Following the interim dividend that was paid to shareholders on 26 September 2023, Legal & General has adopted an annual dividend confirmation process in relation to future payments. Instead of issuing separate payment advices for each dividend, an annual dividend confirmation will be issued with the interim dividend, usually paid in September, detailing the dividend payments made throughout the tax year.

Shareholder tracing programme
Legal & General has engaged Georgeson (a trading name of Computershare Investor Services PLC, the Company's Registrar), to launch a shareholder tracing programme with the aim of reuniting shareholders with unclaimed entitlements in respect of Legal & General Group Plc shares and/ or dividend payments. If you have received a claim form from Georgeson, it is important you respond in order to claim your assets. Shareholders can contact Georgeson directly using the contact details below. Alternatively, shareholders can claim their assets directly from Computershare.

By phone: 0800 953 0077
By International Phone: +44 (0) 370 703 0067
By email: assetreunification@georgeson.com
Website: www.georgeson.com/unclaimed

Important dates

	Final	Interim*
Results announcement	6 March 2024	7 August 2024
Ex-dividend date	25 April 2024	22 August 2024
Record date	26 April 2024	23 August 2024
Last day for Dividend Reinvestment Plan elections	15 May 2024	6 September 2024
Annual General Meeting	23 May 2024	N/A
Dividend payment date	6 June 2024	27 September 2024

* These dates are provisional and subject to change.

Shareholder enquiries
Registrar
Computershare has been appointed by Legal & General Group Plc to act as our Registrar and offers many services to make managing your shareholding easier and more efficient.

Investor Centre
The Investor Centre is a secure online site where you can manage your shareholding. To register for the Investor Centre, just visit www.investorcentre.co.uk. You will need your Shareholder Reference Number (SRN), which can be found on your dividend voucher or by contacting Computershare. Once registered you can:

- view your shareholding and obtain an indicative valuation
- change your address
- arrange to have dividends paid into your bank account or join the Dividend Reinvestment Plan (DRIP)
- request to receive shareholder communications by email rather than post
- view your dividend payment history
- sell shares
- download a variety of forms, including a Stock Transfer Form.

Contact information

For any queries regarding your shareholding, please contact Computershare:

By phone: +44 (0) 370 707 1399**
By email: webcorres@computershare.co.uk
In writing: Computershare Investor Services PLC. The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

**Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Buy and sell shares

Simple and competitively priced services to buy and sell shares are provided by Computershare. Shareholders are able to sell Legal & General shares by registering on the Investor Centre (www.investorcentre.co.uk) and enrolling for Computershare's share dealing service. Shareholders are also able to buy shares through a postal purchase facility. Shareholders will be required to complete Anti-Money Laundering (AML) checks in advance of dealing in shares and it is therefore advisable to register your account in advance if you wish to sell shares.

Once registered and AML checks have been completed, shareholders can choose to deal online or to download a dealing form and trade via a postal dealing service. Any holder of certificated shares will be required to send Computershare their original share certificate and an authorisation letter before a trade can be executed.

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply.

Corporate sponsored nominee

The corporate sponsored nominee allows you to hold shares in the Company without the need for a share certificate and enables you to benefit from shorter market settlement periods. The corporate sponsored nominee also offers lower rate dealing costs. Individual shareholders hold their Legal & General shares in a nominee holding registered in the name of Computershare Company Nominees Limited. To join or obtain further information, contact the Registrar. You will be sent a deposit form outlining the terms and conditions under which your shares will be held.

Communication with shareholders

Internet

Information about the Company, including details of the current share price, is available on the website: legalandgeneralgroup.com.

Investor relations

Private investors should contact the Registrar with any queries. Institutional investors can contact the investor relations team by email: investor.relations@group.landg.com.

Financial reports

The Company's financial reports are available on the website. The Annual report and accounts are sent to those shareholders who have elected to receive paper copies. Alternatively, shareholders may elect to receive notification by email by registering on the Investor Centre. If you receive more than one copy of our communications, it could be because you have more than one record on the share register. To avoid duplicate mailings, please contact the Registrar, who can arrange for your accounts to be amalgamated.

General information

Capital gains tax: for the purpose of calculating UK capital gains tax, the market value on 31 March 1982 of each share was 7.996 pence after adjusting for the 1986 capitalisation issue and the 1996 and 1999 sub-divisions, but not reflecting any rights taken up under the 2002 rights issue.

Close company provisions: The Company is not a close company within the terms of the Corporation Tax Act 2010.

Registered office: One Coleman Street, London EC2R 5AA. Registered in England and Wales, No. 01417162.

Shareholder offer line: For details of shareholder offers on Legal & General products, call 0800 107 6830.

Share fraud warning

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

Have you been:

Contacted out of the blue; or
Promised tempting returns and told the investment is safe.

Called repeatedly
Told the offer is only available for a limited time? If so, you might have been contacted by fraudsters.

Reject cold calls
If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the firm on the FS register at fca.org.uk/register
The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

If you suspect that you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at fca.org.uk/scamsmart where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. Alternatively, you can inform Computershare Investor Services, on 0370 707 1399 (Computershare are not able to investigate such incidents themselves, but they will record the details, pass them on to us, and liaise with the FCA).

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at actionfraud.police.uk.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. Find out more at fca.org.uk/scamsmart.

Alternative Performance Measures

An alternative performance measure (APM) is a financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II. APMs offer investors and stakeholders additional information on the Company's performance and the financial effect of 'one-off' events, and the Group uses a range of these metrics to enhance understanding of the Group's performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the figures determined according to other regulations. The APMs used by the Group are listed in this Note, along with their definition/explanation, their closest IFRS or Solvency II measure and, where relevant, the reference to the reconciliations to those measures.

The adoption of IFRS 17 by the Group has led to changes in both the definition or result of several of the APMs, although the principles underlying them have not changed.

The APMs used by the Group may not be the same as, or comparable to, those used by other companies, both in similar and different industries. The calculation of APMs is consistent with previous periods, unless otherwise stated.

APMs derived from IFRS measures

Adjusted operating profit

Adjusted operating profit is an APM that supports the internal performance management and decision making of the Group's operating businesses, and accordingly underpins the remuneration outcomes of the executive directors and senior management. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. Key considerations in relation to the calculation of adjusted operating profit for the Group's long-term insurance businesses and shareholder funds are set out below.

Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are excluded from adjusted operating profit.

Long-term insurance

Adjusted operating profit reflects longer-term economic assumptions for the Group's retirement and insurance businesses. Variances between actual and long-term expected investment return on traded and real assets are excluded from adjusted operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business. Assets held for future new pension risk transfer business are excluded from the asset portfolio used to determine the discount rate for annuities on insurance contract liabilities. The impact of investment management actions that optimise the yield of the assets backing the back book of annuity contracts is now included within adjusted operating profit.

For the Group's long-term insurance businesses, reinsurance mismatches are also excluded from adjusted operating profit. Reinsurance mismatches arise where the reinsurance offset rules in IFRS 17 do not reflect management's view of the net of reinsurance transaction. In particular, during a period of reinsurance renegotiation, reinsurance gains cannot be recognised to offset any inception losses on the underlying contracts where they are recognised before the new reinsurance agreement is signed. In these circumstances, the onerous contract losses are reduced to reflect the net loss (if any) after reinsurance, and future contractual service margin (CSM) amortisation is reduced over the duration of the contracts.

Application of IFRS 17 has changed the timing of the recognition of profit from insurance contracts. This includes spreading both the day one profit arising on new business and the impact of assumption changes into the contractual service margin. Accordingly, the application of IFRS 17 reduced the reported 2022 operating profit from divisions by £0.8bn in comparison with the result presented under IFRS 4.

Shareholder funds

Shareholder funds include both the Group's traded investments portfolio and certain direct investments for which adjusted operating profit is based on the long-term economic return expected to be generated. For these direct investments, as well as for the Group's traded investments portfolio, deviations from such long-term economic return are excluded from adjusted operating profit. Direct investments for which adjusted operating profit is reflected in this way include the following:

- Development assets, predominantly in the specialist commercial real estate and housing sectors within the LGC alternative asset portfolio: these are assets under construction and contracted to either be sold to other parts of the Group or for other commercial usage, and on which LGC accepts development risks and expects to realise profits once construction is complete.
- 'Scale-up' investments, predominantly in the alternative finance sector within the LGC alternative asset portfolio as well as the fintech business within Retail: these are investments in early-stage ventures in a fast-growing phase of their life cycle, but which have not yet reached a steady-state level of earnings.

Shareholder funds also includes other direct investments for which adjusted operating profit reflects the IFRS profit before tax. Direct investments for which adjusted operating profit is reflected in this way include the following:

- 'Start-up' investments: these are companies in the beginning stages of their business lifecycle (i.e. typically less than 24 months), which therefore have limited operating history available and typically are in a pre-revenue stage.
- Mature assets: these are companies in their final stages of business lifecycle. They are stable businesses and have sustainable streams of income, but the growth rate in their earnings is expected to remain less pronounced in the future.

Note 2(i) Adjusted operating profit reconciles adjusted operating profit with its closest IFRS measure, which is profit before tax attributable to equity holders. Further details on reconciling items between adjusted operating profit and profit before tax attributable to equity holders are presented in Note 2(v) Investment and other variances.

Return on Equity (ROE)

ROE measures the return earned by shareholders on shareholder capital retained within the business. It is a measure of performance of the business, which shows how efficiently we are using our financial resources to generate a return for shareholders. ROE is calculated as IFRS profit after tax divided by average IFRS shareholders' funds (by reference to opening and closing shareholders' funds as provided in the IFRS Consolidated Statement of Changes in Equity for the period). In the current period, ROE was quantified using annualised profit attributable to equity holders of £457m (31 December 2022: £783m) and average equity attributable to the owners of the parent of £4,699m (31 December 2022: £5,014m), based on an opening balance of £5,067m and a closing balance of £4,331m (31 December 2022: based on an opening balance of £4,960m and a closing balance of £5,067m). The methodology for determining the ROE has not changed following the adoption of IFRS 17 and IFRS 9.

Assets under Management

Assets under management represent funds which are managed by our fund managers on behalf of investors. It represents the total amount of money investors have trusted with our fund managers to invest across our investment products. AUM include assets which are reported in the Group Consolidated Balance Sheet as well as third-party assets that LGIM manage on behalf of others, and assets managed by third parties on behalf of the Group. AUM has not changed following the adoption of IFRS 9.

The table below reconciles AUM with Total financial investments, investment property and cash and cash equivalents.

	2023 £bn	Restated 2022 £bn
Assets under management[1]	**1,159**	1,196
Derivative notionals[2]	**(247)**	(337)
Third party assets[3]	**(458)**	(412)
Other[4]	**47**	45
Total financial investments, investment property and cash and cash equivalents	**501**	492

1. These balances are unaudited.
2. Derivative notionals are included in the assets under management measure but are not for IFRS reporting and are thus removed.
3. Third party assets are those that LGIM manage on behalf of others which are not included on the Group's Consolidated Balance Sheet.
4. Other includes assets that are managed by third parties on behalf of the Group, other assets and liabilities related to financial investments, derivative assets and pooled funds.

Adjusted profit before tax attributable to equity holders

Adjusted profit before tax attributable to equity holders is equal to profit before tax attributable to equity holders plus the pre-tax results of discontinued operations. There has been no change in definition as a result of the adoption of IFRS 17.

Note 2(i) Adjusted operating profit reconciles adjusted profit before tax attributable to equity holders to profit for the year. In absence of discontinued operations, adjusted profit before tax attributable to equity holders is equal to profit before tax attributable to equity holders.

APMs derived from Solvency II measures

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. At a Group level, Legal & General has to comply with the requirements established by the Solvency II Framework Directive, as adopted by the PRA.

Solvency II surplus

Solvency II surplus is the excess of Eligible Own Funds over the Solvency Capital Requirements. It represents the amount of capital available to the Group in excess of that required to sustain it in a 1-in-200 year risk event. The Group's Solvency II surplus is based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP).

Differences between the Solvency II surplus and its related regulatory basis include the impact of TMTP recalculation when it is not approved by the PRA, incorporating impacts of economic conditions as at the reporting date, and the inclusion of unaudited profits (or losses) of financial firms, which are excluded from regulatory Own Funds. This view of Solvency II is considered to be representative of the shareholder risk exposure and the Group's real ability to cover the Solvency Capital Requirement (SCR) with Eligible Own Funds. It also aligns with management's approach to dynamically manage its capital position.

Further details on Solvency II surplus and its calculation are included in Note 26 Management of capital resources – Solvency II. This note also includes a reconciliation between IFRS equity and Solvency II Own Funds.

Solvency II capital coverage ratio

Solvency II capital coverage ratio is one of the indicators of the Group's balance sheet strength. It is determined as Eligible Own Funds divided by the SCR, and therefore represents the number of times the SCR is covered by Eligible Own Funds. The Group's Solvency II capital coverage ratio is based on the Partial Internal Model, Matching Adjustment and TMTP.

Differences between the Solvency II capital coverage ratio and its related regulatory basis include the impact of TMTP recalculation when it is not approved by the PRA, incorporating impacts of economic conditions as at the reporting date, and the inclusion of unaudited profits (or losses) of financial firms, which are excluded from regulatory Own Funds. This view of Solvency II is considered to be representative of the shareholder risk exposure and the Group's real ability to cover the SCR with Eligible Own Funds. It also aligns with management's approach to dynamically manage its capital position.

Alternative Performance Measures
continued

Further details on Solvency II capital coverage ratio and its calculation are included in Note 26 Management of capital resources – Solvency II.

Solvency II operational surplus generation

Solvency II operational surplus generation is the expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions, and it includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

It excludes operating variances, such as the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix. It also excludes market movements, which represent the impact of changes in investment market conditions during the period and changes to future economic assumptions. The Group considers this measure meaningful to stakeholders as it enhances the understanding of its operating performance over time, and serves as an indicator on the longer-term components of the movements in the Group's Solvency II surplus.

Note 26 Management of capital resources – Solvency II includes an analysis of change for the Group's Solvency II surplus, showing the contribution of Solvency II operational surplus generation as well as other items to the Solvency II surplus during the reporting period.

Glossary

* These items represent an alternative performance measure (APM)

Adjusted operating profit*
Refer to the alternative performance measures section.

Adjusted profit before tax attributable to equity holders*
Refer to the alternative performance measures section.

Alternative performance measures (APMs)
A financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II.

Annual premiums
Premiums that are paid regularly over the duration of the contract such as protection policies.

Annuity
Regular payments from an insurance company made for an agreed period of time (usually up to the death of the recipient) in return for either a cash lump sum or a series of premiums which the policyholder has paid to the insurance company during their working lifetime.

Assets under administration (AUA)
Assets administered by Legal & General, which are beneficially owned by clients and are therefore not reported on the Consolidated Balance Sheet. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sales transactions and record keeping.

Assets under management (AUM)*
Refer to the alternative performance measures section.

Assured Payment Policy (APP)
A long-term contract under which the policyholder (a registered UK pension scheme) pays a day-one premium and in return receives a contractually fixed and/or inflation-linked set of payments over time from the insurer.

Back book acquisition
New business transacted with an insurance company which allows the business to continue to utilise Solvency II transitional measures associated with the business.

CAGR
Compound annual growth rate.

Common Contractual Fund (CCF)
An Irish regulated asset pooling fund structure. It enables institutional investors to pool assets into a single fund vehicle with the aim of achieving cost savings, enhanced returns and operational efficiency through economies of scale. A CCF is an unincorporated body established under a deed where investors are "co-owners" of underlying assets which are held pro rata with their investment. The CCF is authorised and regulated by the Central Bank of Ireland.

Contract boundaries
Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with insurance contract services.

Contractual service margin (CSM)
The CSM represents the unearned profit the Group will recognise for a Group of insurance contracts, as it provides services under the insurance contract. It is a component of the asset or liability for the contracts and it results in no income or expense arising from initial recognition of an insurance contract. Therefore, together with the risk adjustment, the CSM provides a view of both stored value of our in-force insurance business, and the growth derived from new business in the current year. A CSM is not set up for groups of contracts assessed as onerous.

The CSM is released as profit as the insurance services are provided.

Coverage Period
The period during which the Group provides insurance contract services. This period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract.

Credit rating
A measure of the ability of an individual, organisation or country to repay debt. The highest rating is usually AAA. Ratings are usually issued by a credit rating agency (e.g. Moody's or Standard & Poor's) or a credit bureau.

Deduction and aggregation (D&A)
A method of calculating Group solvency on a Solvency II basis, whereby the assets and liabilities of certain entities are excluded from the Group consolidation. The net contribution from those entities to Group Own Funds is included as an asset on the Group's Solvency II balance sheet. Regulatory approval has been provided to recognise the (re)insurance subsidiaries in the US and Bermuda on this basis.

Defined benefit pension scheme (DB scheme)
A type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

Defined contribution pension scheme (DC scheme)
A type of pension plan where the pension benefits at retirement are determined by agreed levels of contributions paid into the fund by the member and employer. They provide benefits based upon the money held in each individual's plan specifically on behalf of each member. The amount in each plan at retirement will depend upon the investment returns achieved as well as the member and employer contributions.

Derivatives
Contracts usually giving a commitment or right to buy or sell assets on specified conditions, for example on a set date in the future and at a set price. The value of a derivative contract can vary. Derivatives can generally be used with the aim of enhancing the overall investment returns of a fund by taking on an increased risk, or they can be used with the aim of reducing the amount of risk to which a fund is exposed.

Direct investments
Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but exclude hedge funds.

Earnings per share (EPS)
A common financial metric which can be used to measure the profitability and strength of a company over time. It is calculated as total shareholder profit after tax divided by the weighted average number of shares outstanding during the year.

Eligible Own Funds
The capital available to cover the Group's Solvency Capital Requirement. Eligible Own Funds comprise the excess of the value of assets over liabilities, as valued on a Solvency II basis, plus high quality hybrid capital instruments, which are freely available (fungible and transferable) to absorb losses wherever they occur across the Group.

Employee satisfaction index
The Employee satisfaction index measures the extent to which employees report that they are happy working at Legal & General. It is measured as part of our Voice surveys, which also include questions on commitment to the goals of Legal & General and the overall success of the Company.

ETF
LGIM's European Exchange Traded Fund platform.

Euro Commercial Paper
Short-term borrowings with maturities of up to 1 year typically issued for working capital purposes.

Expected credit losses (ECL)
For financial assets measured at amortised cost or FVOCI, a loss allowance defined as the present value of the difference between all contractual cash flows that are due and all cash flows expected to be received (i.e. the cash shortfall), weighted based on their probability of occurrence.

Fair value through other comprehensive income (FVOCI)
A financial asset that is measured at fair value in the Consolidated Balance Sheet and reports gains and losses arising from movements in fair value within the Consolidated Statement of Comprehensive Income as part of the total comprehensive income or expense for the year.

Fair value through profit or loss (FVTPL)
A financial asset or financial liability that is measured at fair value in the Consolidated Balance Sheet and reports gains and losses arising from movements in fair value within the Consolidated Income Statement as part of the profit or loss for the year.

Fulfilment cash flows
Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus the risk adjustment for non-financial risk.

Full year dividend
Full year dividend is the total dividend per share declared for the year (including interim dividend but excluding, where appropriate, any special dividend).

Generally accepted accounting principles (GAAP)
A widely accepted collection of guidelines and principles, established by accounting standard setters and used by the accounting community to report financial information.

Insurance new business
New business arising from new policies written on retail protection products and new deals and incremental business on Group protection products.

Irish Collective Asset-Management Vehicle (ICAV)
A legal structure investment fund, based in Ireland and aimed at European investment funds looking for a simple, tax-efficient investment vehicle.

Key performance indicators (KPIs)
These are measures by which the development, performance or position of the business can be measured effectively. The Group Board reviews the KPIs annually and updates them where appropriate.

LGA
Legal & General America.

LGAS
Legal and General Assurance Society Limited.

LGC
Legal & General Capital.

LGIM
Legal & General Investment Management.

LGRI
Legal & General Retirement Institutional.

LGRI new business
Single premiums arising from pension risk transfers and the notional size of longevity insurance transactions, based on the present value of the fixed leg cash flows discounted at the SONIA curve.

Liability driven investment (LDI)
A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent in final salary pension plans, whose liabilities can often reach into billions of pounds for the largest of plans.

Lifetime mortgages
An equity release product aimed at people aged 55 years and over. It is a mortgage loan secured against the customer's house. Customers do not make any monthly payments and continue to own and live in their house until they move into long-term care or on death. A no negative equity guarantee exists such that if the house value on repayment is insufficient to cover the outstanding loan, any shortfall is borne by the lender.

Longevity
Measure of how long policyholders will live, which affects the risk profile of pension risk transfer, annuity and protection businesses.

Matching adjustment
An adjustment to the discount rate used for annuity liabilities in Solvency II balance sheets. This adjustment reflects the fact that the profile of assets held is sufficiently well-matched to the profile of the liabilities, that those assets can be held to maturity, and that any excess return over risk-free (that is not related to defaults) can be earned regardless of asset value fluctuations after purchase.

Morbidity rate
Rate of illness, influenced by age, gender and health, used in pricing and calculating liabilities for policyholders of life products, which contain morbidity risk.

Mortality rate
Rate of death, influenced by age, gender and health, used in pricing and calculating liabilities for future policyholders of life and annuity products, which contain mortality risks.

Net zero carbon
Achieving an overall balance between anthropogenic carbon emissions produced and carbon emissions removed from the atmosphere.

Onerous contracts
An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition, in total are a net outflow.

Open Ended Investment Company (OEIC)
A type of investment fund domiciled in the United Kingdom that is structured to invest in stocks and other securities, authorised and regulated by the Financial Conduct Authority (FCA).

Overlay assets
Derivative assets that are managed alongside the physical assets held by LGIM. These instruments include interest rate swaps, inflation swaps, equity futures and options. These are typically used to hedge risks associated with pension scheme assets during the derisking stage of the pension life cycle.

Paris Agreement
An agreement within the United Nations Framework Convention on Climate Change effective 4 November 2016. The Agreement aims to limit the increase in average global temperatures to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Pension risk transfer (PRT)
Bulk annuities bought by entities that run final salary pension schemes to reduce their responsibilities by closing the schemes to new members and passing the assets and obligations to insurance providers.

Persistency
Persistency is a measure of LGIM client asset retention, calculated as a function of net flows and closing AUM.

For insurance, persistency is the rate at which policies are retained over time and therefore continue to contribute premium income and assets under management.

Platform
Online services used by intermediaries and consumers to view and administer their investment portfolios. Platforms usually provide facilities for buying and selling investments (including, in the UK products such as Individual Savings Accounts (ISAs), Self-Invested Personal Pensions (SIPPs) and life insurance) and for viewing an individual's entire portfolio to assess asset allocation and risk exposure.

Present value of future new business premiums (PVNBP)
PVNBP is equivalent to total single premiums plus the discounted value of annual premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the new business value at the end of the financial period. The discounted value of longevity insurance regular premiums and quota share reinsurance single premiums are calculated on a net of reinsurance basis to enable a more representative margin figure. PVNBP therefore provides an estimate of the present value of the premiums associated with new business written in the year.

Proprietary assets
Total investments to which shareholders are directly exposed, minus derivative assets, loans, and cash and cash equivalents.

Qualifying Investor Alternative Investment Fund (QIAIF)
An alternative investment fund regulated in Ireland targeted at sophisticated and institutional investors, with minimum subscription and eligibility requirements. Due to not being subject to many investment or borrowing restrictions, QIAIFs present a high level of flexibility in their investment strategy.

Real assets
Real assets encompass a wide variety of tangible debt and equity investments, primarily real estate, infrastructure and energy. They have the ability to serve as stable sources of long-term income in weak markets, while also providing capital appreciation opportunities in strong markets.

Retail Retirement new business
Single premiums arising from annuity sales and individual annuity back book acquisitions and the volume of lifetime and retirement interest only mortgage lending.

Retirement Interest Only Mortgage (RIO)
A standard retirement mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:

- The loan is usually only paid off on death, move into long-term care or sale of the house.
- The borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term.

No repayment solution is required as repayment defaults to sale of property.

Return on Equity (ROE)*
Refer to the alternative performance measures section.

Risk adjustment
The risk adjustment reflects the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk after diversification. We have calibrated the Group's risk adjustment using a Value at Risk (VAR) methodology. In some cases, the compensation for risk on reinsured business is linked directly to the price paid for reinsurance. The risk adjustment is a component of the insurance contract liability, and it is released as profit if experience plays out as expected.

Risk appetite
The aggregate level and types of risk a company is willing to assume in its exposures and business activities in order to achieve its business objectives.

Single premiums
Single premiums arise on the sale of new contracts where the terms of the policy do not anticipate more than one premium being paid over its lifetime, such as in individual and bulk annuity deals.

Société d'Investissement à Capital Variable (SICAV)
A publicly traded open-end investment fund structure offered in Europe and regulated under European law.

Solvency II
These are insurance regulations designed to harmonise EU insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk. Solvency II became effective from 1 January 2016. The Group complies with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK, and measures and monitors its capital resources on this basis.

Solvency II capital coverage ratio*
Refer to the alternative performance measures section.

Solvency II capital coverage ratio – regulatory basis
The Eligible Own Funds on a regulatory basis divided by the Group solvency capital requirement. This represents the number of times the SCR is covered by Eligible Own Funds.

Solvency II new business contribution
Reflects present value at the point of sale of expected future Solvency II surplus emerging from new business written in the period using the risk discount rate applicable at the end of the reporting period.

Solvency II Operational Surplus Generation*
Refer to the alternative performance measures section.

Solvency II risk margin
An additional liability required in the Solvency II balance sheet, to ensure the total value of technical provisions is equal to the current amount a (re)insurer would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another (re)insurer. The value of the risk margin represents the cost of providing an amount of Eligible Own Funds equal to the Solvency Capital Requirement (relating to non-market risks) necessary to support the insurance and reinsurance obligations over the lifetime thereof.

Solvency II surplus*
Refer to the alternative performance measures section.

Solvency II surplus – regulatory basis
The excess of Eligible Own Funds on a regulatory basis over the SCR. This represents the amount of capital available to the Company in excess of that required to sustain it in a 1-in-200 year risk event.

Solvency Capital Requirement (SCR)
The amount of Solvency II capital required to cover the losses occurring in a 1-in-200 year risk event.

Specialised Investment Fund (SIF)
An investment vehicle regulated in Luxembourg targeted to well-informed investors, providing a great degree of flexibility in organisation, investment policy and types of underlying assets in which it can invest.

Total shareholder return (TSR)
A measure used to compare the performance of different companies' stocks and shares over time. It combines the share price appreciation and dividends paid to show the total return to the shareholder.

Transitional Measures on Technical Provisions (TMTP)
An adjustment to Solvency II technical provisions to bring them into line with the pre-Solvency II equivalent as at 1 January 2016 when the regulatory basis switched over, to smooth the introduction of the new regime. This decreases linearly over the 16 years following Solvency II implementation but may be recalculated to allow for changes impacting the relevant business, subject to agreement with the PRA.

Yield
A measure of the income received from an investment compared to the price paid for the investment. It is usually expressed as a percentage.

Forward-looking statements

This Annual report and accounts may contain 'forward-looking statements' with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Company and the Group that are based on management's current expectations or beliefs, as well as assumptions and projections about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'aim', 'ambition', 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue', 'milestones', 'outlook', 'target', 'objectives' or other words of similar meaning. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place undue reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; risks arising out of health crises and pandemics; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group. Further details of risks, uncertainties and other factors relevant to the business can be found on pages 56 to 59. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a guarantee, warranty or representation that such trends or activities will continue in the future.
No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Caution about climate information

This Annual report and accounts contains climate and ESG disclosures which use a large number of judgments, assumptions and estimates in connection with involved and complex issues. The ESG disclosures should be treated with special caution, as ESG and climate data, models and methodologies are often relatively new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks, market consensus or globally accepted accounting principals. These judgments, assumptions and estimates are likely to change over time, in particular given the uncertainty around the evolution and impact of climate change and around broader factors, such as impacts and dependencies on nature. In addition, the Group's climate risk analysis and net zero strategy and wider sustainability strategy remain under development and the data underlying the analysis and strategy remain subject to evolution. As a result, certain climate and ESG disclosures made in this report are likely to be amended, updated, recalculated or restated in future reports. This statement should be read together with the Cautionary statement contained in the Group's latest Climate and nature report.

The information, statements and opinions contained in this Annual report and accounts do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter.

Designed by Design Bridge and Partners

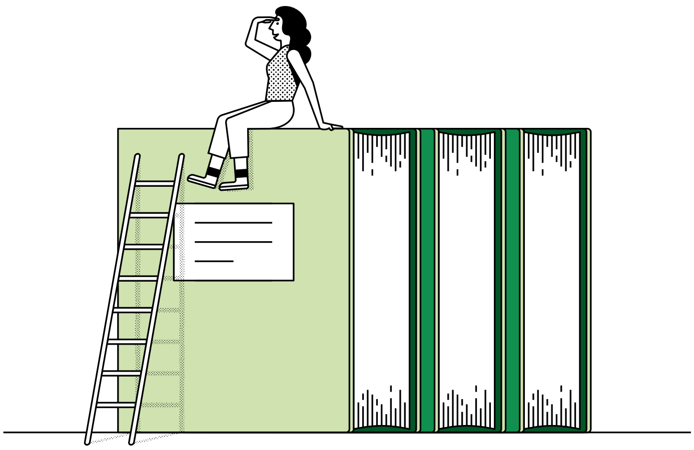
This report is printed on Revive 100 Offset. Revive 100 paper is made from 100% FSC® (Forest Stewardship Council®) recycled certified fibre sourced from de-inked post-consumer waste.

This report is 100% recyclable.

The printer and manufacturing mill are credited with the ISO 14001 Environmental Management Systems standard and are both FSC® certified. The paper is ECF (Elemental Chlorine Free) and the mill also holds the EMAS, the EU Eco-label for environmental management.

Printed in the UK by Pureprint using vegetable inks throughout.

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C022913



Registered office:
One Coleman Street,
London EC2R 5AA

T 020 3124 2000
F 020 3124 2500
legalandgeneralgroup.com