

June 2020

Outlining our business planning

Responding to the Coronavirus

Be assured the following apply:

- Legal & General Investment Management (LGIM) has implemented its business continuity plans with the majority of staff now working remotely
- All key services continue to operate as normal and we continue to support all aspects of our client business
- We are monitoring the situation as it evolves, assessing guidance that is published by government agencies and continue to remain flexible in our response

Frequently asked questions

1. Why is LGIM making this communication now?

We continue to respond to the spread of coronavirus cases across the globe. Based on this, we believe this is a sensible time to update our clients and customers on our business continuity planning in response to this virus.

2. What is LGIM doing to respond to the coronavirus?

Throughout the duration of this outbreak, our Major Incident Team has been meeting daily to monitor the progress of coronavirus and plan our response. This team agrees the advice to give to our employees, and it's looking at how we'll act in a number of scenarios.

As events unfolded we put into place a number of business continuity plans, initially splitting teams into two groups with one group working remotely for a week and the other working on-site before rotating to reduce the possibility of entire teams contracting the virus at the same point in time. As the situation has evolved we have moved to the majority of our staff in London and regional offices working remotely.

Prior to making this decision we undertook a business continuity test with between 50%-70% of staff working remotely at the same time to ensure key services could continue.

3. Why did you have staff continuing to work in your offices during lockdown?

Since the lockdown began, all Financial Services employees throughout all four UK nations have been considered 'essential workers', which reflects the importance of what companies like Legal & General (L&G) do.

We've done a great job of keeping our business running from home, with only a very small number of staff heading into our workplaces since lockdown began at the end of March. The health and safety of our people is our top priority and only those who were providing essential services for our customers and who could not work from home have been working in our UK

offices. For the small number who remained in offices, we took additional steps to protect them, working within health guidelines.

4. Why is L&G sending staff back into offices?

Most of our people working from home have been able to do so very effectively, but working at home just isn't possible for everyone. So, to help those who can't work at home get back to the workplace, we've been looking at how we can safely increase the number of people working in our Cardiff, London and Hove offices.

We're bringing more people back into our offices so that we can better serve more customers, who are relying on us to help them access important financial services at a time when such access is especially critical. As a very gradual return to the office begins we will continue to put our people's health and wellbeing at the centre of our plans, as we have throughout the COVID-19 crisis.

5. When will you start to bring the rest of your staff back into your offices?

For the vast majority of staff, home working will continue to be the norm, for some time to come and our smaller offices will remain closed. Any move back in to offices will be a considered and phased approach. Over the next few months we will strengthen our resilience to further pandemic-related events, while continuing to support key workers and home-based workers as the Government restrictions continue to change. We will continue to put our people's health and wellbeing at the centre of our plans, as we have throughout the COVID-19 crisis.

6. How is L&G balancing the needs of customers with protecting your staff?

At this difficult time our priority is looking after our customers, safeguarding the wellbeing of our employees and supporting the needs of the broader society through inclusive capitalism.

Our customers continue to rely on us to pay pensions and annuities, or to provide financial protection in the event of a bereavement or loss of earnings if they become unwell. In some parts of our business we've seen more calls than usual as worries about finances increase. In others we're dealing with more anxious or distressed customers because of COVID-19. Our institutional clients too are looking to us to provide guidance in the wake of huge disruption to financial markets

As a business we are taking decisions on the welfare of our people, and the needs of our customers and clients combined. Supported by our established agile working technology, our focus has been on enabling the majority of employees to work from home, so we can preserve our essential business services for our clients and customers. We are also ensuring that our employees have the right tools to work remotely, by providing additional support to support their mental and physical wellbeing.

7. How is L&G protecting staff who are returning to offices?

The welfare of our thousands of employees will continue to remain our priority, as they in turn provide support to the millions of people relying on L&G - be it to pay their pensions or annuities, or to cover them in the event of bereavement or loss of earnings due to ill-health. Without our people, none of this would be possible.

As we cautiously increase the number of people working in some of our UK offices, we've taken steps to make sure our offices are safe for those returning to work there. We have put temperature checks in place at entrances, will provide face masks for employees who have to travel to or from work and have implemented staggered start and finish times. Access for all external visitors is restricted unless it is required for facilities management, legal or compliance reasons. All staff who are returning to the office have also been issued with very detailed guidance about keeping safe and how and when they should self-isolate.

We have adapted our buildings:

- Two metre social distancing is in place with office movement signage, including one way floor layouts and desk segregation
- Employees are assigned designated desks
- Meeting rooms and collaboration areas are closed for now, but we are planning to open some over the next few months in accordance with social distancing guidelines
- There is a single point of entry / exit into buildings

We have also made changes to our facilities:

- Social distancing measures are in place inside washrooms and showers
- Catering provision is only available where it is possible to operate within government guidance
- We are introducing daily deep cleans of workspace areas that are in use
- We have set up sanitisation stations
- There are antibacterial wipes available for workstations

We have worked closely with Unite to develop our guidance around the transition back to workplaces and will continue to refine and develop the support we offer to our people as the situation develops.

8. Are staff able to travel overseas for business?

We have taken the decision to defer all international business travel until further notice.

9. Are you testing your staff for Coronavirus?

We signed up to support the Lord Mayor of London and Covid Crisis Rescue in their pilot of a new COVID-19 testing programme, aimed at firms operating in the City of London. On the 2 June, staff in our Coleman Street office were offered a test when they entered the building. The programme is based on administering an 'antigen PCR test'. This is the kind of test which can show that a person is currently infected with coronavirus - even if they don't have symptoms. It doesn't show whether you have had coronavirus before and have recovered, or whether you've developed immunity.

By taking part in this pilot, we're helping medical practitioners and the City of London authorities to develop their testing regimes. It's also another way in which we can protect the small number of staff returning to the London office. If the pilot is a success, we are anticipating being able to run this testing programme more regularly. We will of course consider taking part in testing programmes in other locations where we have a presence, if the local authorities or healthcare bodies launch them.

10. How are you making sure customer service does not suffer while the majority of employees continue to work from home?

In the weeks since the initial emergence of the COVID-19, L&G has worked hard to ensure that we are resilient in the face of the pandemic, and that our service to customers will be affected as little as possible. We are committed to helping our customers, many of whom are vulnerable and will be facing considerable challenges in coming weeks.

We're doing all we can to meet our customer service and call answering targets and all of our important and critical processes are performing strongly. We've quickly introduced some new ways of working and made significant improvements to our online accessibility and tools. We've also ensured that our post room and scanning teams have maintained a good service level throughout the coronavirus crisis, meaning that we have not excluded customers who may not be able to take advantage of our digital channels.

Most of our workforce is able to effectively work away from our offices, and we have ensured that our systems are able to withstand a sustained period of home working. Most of our customer service support is now able to be provided, securely, outside the office. We have absolutely prioritised essential services, including payments to our customers.

11. Is L&G financially secure?

We must, by law, always have enough funds available to meet all of our financial responsibilities. These 'capital requirements' exist to make sure that we can continue to pay customers even in extreme economic conditions. We hold a 'capital surplus' of several billion pounds which means that we've an additional buffer above the already very prudent amount of capital that we are required to hold. Less than 2% of our assets are invested in sectors directly affected by COVID-19 (such as airlines, hotel, leisure and traditional retail).

We're highly rated for financial strength by all the major ratings agencies. This shows that we're financially strong, economically responsible and committed to business practices that will allow us to keep our promises to customers. We are a long-term organisation with over 180 years of history. While the coronavirus undoubtedly presents significant uncertainty for everyone, we are confident we will keep delivering for our customers.

12. Who is leading L&G's response to COVID-19?

Our Group Board, Chairman and CEO are leading the response, supported by the Executive Committee which meets regularly and frequently to review and direct progress. Operational changes are implemented through a dedicated taskforce referred to as the Major Incident Team. L&G also has in place an Employee Availability (Pandemic) Framework and as part of this we have a Response Planning Team chaired by our Employee Experience Director, and managed by our UK Group Business Continuity Manager. The framework sets out how to respond to an outbreak type virus and is being reviewed and updated to take into account the COVID-19 situation. We invoked our Response Planning Team on 28 January and have been meeting frequently to monitor the ongoing situation and manage our response.

Our Divisional Chief Operating Officers or equivalent and our Major Incident Team led by the CEO for L&G Insurance are working closely on a daily basis across the business to ensure maximum resilience and so far, all is working well. In the last three months, there has been a huge effort across all our divisions and teams to keep our business running - focusing on the wellbeing of our people whilst delivering for our clients and customers.

13. What will the 'new normal' look like for L&G?

Lockdown will pass, and we will come through this period. We're looking to the future, more aware than ever of the need to ensure that our unique culture continues to flourish. To help us, we'll carefully review what has worked well for L&G during lockdown, what aspects of the temporary 'new normal' are worth keeping, and where it makes sense to move back to previous ways of working. We will need to take some positive lessons from this situation, including how we can work more flexibly together as some of us head back into the office.

We remain purposefully committed to supporting our society's recovery and seizing even more opportunities to grow our business in new and socially useful ways. Despite the evolving situation with COVID-19, L&G remains well placed to deliver strong, attractive growth and returns in our core markets, which are aligned to our six, long-term, structural growth drivers: ageing demographics, globalisation of asset markets, investing in the real economy, welfare reforms, technological innovation and addressing climate change. Our underlying corporate strategy remains unchanged and will play an important role in rebuilding the UK economy.

14. What is the role of L&G in the UK's economic recovery?

Companies like L&G have a crucial role to play in getting businesses large and small back on their feet, helping people into sustainable work, and strengthening society against future shocks. To do this, we must invest heavily, making bold expansions into those areas where we can make inclusive capitalism a reality: housing, healthcare, sustainable energy, the digital economy, transport and education. All the while, we will continue to provide great-value products that bring so many people financial security in an uncertain world.

A successful L&G is better placed to play a full role in the economic recovery. Across the business we're positioning ourselves to do this. We're launching innovative products, such as LGIM's new Global Robotics Automation Index Fund, designed to meet a growing appetite to invest in automation and AI. We're helping people live happier, healthier lives, most recently by deploying £6m of grant money to companies working in the health-tech innovation arena, and by continuing to secure planning permissions for our Inspired Villages developments, even in lockdown. We're investing in future cities:

largest private sector-funded office built in that city's centre in the last decade. And we're writing landmark new business deals, including our first global pension risk transfer, with more to come, as well as more LGIM clients asking us to take on their DC pension schemes. So far we have invested £26 billion of pension money into things that we all need, like wind and solar farms, infrastructure and housing and have continued to sign very big pension risk transfer deals throughout the last few months, regardless of the current context.

It's not all about investing in real assets like wind farms and buildings. We also invest in asset markets, providing the capital that companies need to grow and create jobs. L&G currently has around £1.1 trillion under management (as at 31 March 2020). And because we invest so much, we use our scale to influence that those companies behave responsibly through our investment stewardship and clear governance principles, whether this is seeking greater diversity on company Boards or co-signing resolutions demanding an independent Board chair and CEO, or lobbying for transparency.

So far, we've invested £1.3 billion in clean energy infrastructure, and are involved in some of the UK's largest urban transformation schemes including £100 million to back a Sunderland regeneration project. We're supporting the UK through its housing crisis with our commitment to build 3000 modular homes a year by 2024 and by delivering high quality build-to-sell, build-to-rent, affordable housing and specialist housing for the elderly. At this time, our commitment to inclusive capitalism and to investing in the real economy is more important than ever.

15. What has L&G done to support the UK during the COVID-19 crisis?

We have launched a range of initiatives to help meet the growing social needs arising from the COVID-19 disruption. With the virus disproportionately impacting the health and wellbeing of older populations, we believe our £20 million partnership with Edinburgh University's research into elderly care is more important than ever. As such, we are accelerating components of this arrangement. Recognising the stress on the NHS and its workers, we are supporting the NHS in a variety of ways, including by offering free accommodation for NHS key workers at our Build to Rent sites. 25 of our sites have been offered to the NHS to use for testing, as well as our Bracknell site being offered up for training and storage. Other ways we have helped:

- Our Modular Homes factory in Leeds has been donating its PPE equipment
- We established a £500K Community Fund to rapidly support employee-led requests for help to local and smaller charities engaged in elderly care and mental health. So far we have funded over 100 small charities through this fund with grants from £100 up to £5,000.

- Over 200 teachers signed up to the Maths Club developed through Keele University to help teachers develop resources and this continues to grow.
- Every Day Money materials were uploaded to various online platforms for teachers to use
- We have increased our staff fundraising level of matching to £5000 to support staff who are fundraising in their own communities

We also donated:

- £50,000 to the Sun NHS emergency appeal
- £1,000 to Independent Age to support their training for LGR volunteers to make calls to vulnerable older people
- £1,000 to Dementia Friends for their befriending service
- £10,000 to the Trussell Trust foodbank
- Our advertising space in the Telegraph to RVS for their Emergency appeal
- £50,000 to the Royal Voluntary Service

16. Has the COVID-19 crisis had a negative effect on your business?

Our business remains robust despite tremendous volatility and disruption. Our current strength underpins our future focus and determination to use inclusive capitalism to help address the economic dislocation caused by the pandemic and to help drive economic growth over the longer-term. Our business continues to perform strongly, broadly in line with prior year.

Specifically, year to date as at 31 March 2020:

- LGRI (our Institutional Retirement business) transacted £1.2 billion of global Pension Risk Transfer (PRT) across 12 transactions and is in exclusive negotiations on a further £0.7 billion of PRT transactions which are expected to complete within the next month. Additionally, LGRI is actively quoting on a further global PRT pipeline of more than £26 billion.
- LGRR (our Retail Retirement business) delivered individual annuity sales of £223.1 million, up 4% (Q1 2019: £215.2 million) and lifetime mortgage advances of £206.8 million, down 8% (Q1 2019: £224.2 million).
- LGIM (our Investment Management business) achieved external net flows of £10.6 billion and total AUM is estimated at £1,140 billion. Revenue increased 10% to £226.4 million over the period (Q1 2019: £205.4 million).
- LGC (our early-stage investment business) paused traditional construction operations and will restart as and when it is safe to do so; for example, we have recently reopened our Modular Homes business with procedures to ensure the safety of our employees. Revenue from house

building has stopped since March. Although this can be partially offset by careful cost management, we expect LGC operating profit to be down year on year. Despite the lockdown we are still securing planning permissions across the UK, including for a Later Living facility on the site of our former head office in Kingswood. We expect to secure further planning permissions, positioning us to continue investing in the UK and helping to meet the country's need for affordable housing.

- LGI (our Insurance business) achieved total gross written premiums of £697.2 million, up 4% year on year (Q1 2019: £673.1 million). COVID-19 has led to a number of life insurance claims in the UK and the US. Our thoughts are with the families of those customers. To date our overall COVID-19 claims remain modest. We continue to monitor mortality claims; however, our overall exposure is limited as we reinsure the majority of our UK mortality risk.

Institutional demand for new business remains robust. Additionally, our business model is such that the majority of our earnings are generated from existing business and we remain confident in our H1 2020 outlook.

17. Why is L&G raising additional debt?

Our decision to issue RT1 debt is motivated by favourable bond market conditions and serves as a further measure of prudence, since the longer-term economic impact of COVID-19 remains uncertain. This debt issuance also positions us strongly for the recovery phase from coronavirus, continuing our established inclusive capitalism strategy. L&G's solvency position is robust and our operational performance is resilient, supported by a strong new business pipeline. Our asset portfolio continues to perform well in absolute and relative terms, in light of the economic impact of coronavirus.

18. How has L&G's balance sheet performed throughout the COVID-19 crisis?

Legal & General's balance sheet is strong and the solvency ratio is robust. We expect our shareholder solvency ratio at half year to be in a range of 162% to 167% and a surplus over the Solvency Capital Requirement (SCR) of circa £6 billion. These estimates do not include the proposed RT1 debt issuance, and assume unchanged market conditions to the end of June.

Our £76.9 billion annuity portfolio continues to outperform markets on downgrades and defaults due to thoughtful asset allocation and active asset management. For example, we have limited exposure to airlines, hotel, leisure and traditional retail which together represent less than 2% of our portfolio.

Downgrades within investment grade have minimal impact on our solvency ratio. Our defensive positioning has meant that we have outperformed the downgrade experience of the market, with just 0.65% of our traded credit portfolio (excluding gilts) downgraded to sub-investment grade. While we have had no defaults year to date, our balance sheet remains underpinned by a credit default reserve of £3.2 billion. The annuity portfolio's direct investments continue to perform strongly, with 99% of scheduled cash-flows paid year to date, reflecting the high quality of our counterparty exposure.

Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM Client Relationship Director. Calls will be recorded.



Important information

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

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