2020 Group Tax Supplement

Legal & General Group Plc

Foreword from our Group Chief Financial Officer

“

High standards of corporate governance, our corporate purpose, culture and the relationships between the company and our stakeholders have never been more important.”

Jeff Davies
Group CFO

Our purpose is to improve lives of customers, build a better society and create value for shareholders. 2020 has been an extraordinary year, and we have operated without accessing any of the measures brought in by the Government to defer tax payments or furlough staff for any of our wholly owned businesses.

We take pride in supporting our customers, investing in cities, housing and growing companies and in the taxes we pay and collect. We are looking to play an important role in building back better, and see our tax contribution as an integral part of inclusive capitalism.

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Annual Report:
www.legalandgeneralgroup.com/AnnualResults/2020fastread

Our tax strategy

Our tax strategy is set to be sustainable, well governed, fair and transparent

Our behaviours

We always consider the Group's reputation, and corporate and social responsibilities when considering tax.

We work with HMRC and other tax authorities co-operatively, collaboratively and on a real time basis where possible.

We consider tax as part of every major business decision.

We contribute to the development of UK and international tax policy and legislation where we can.

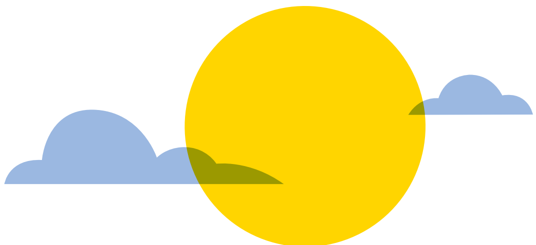
Our actions

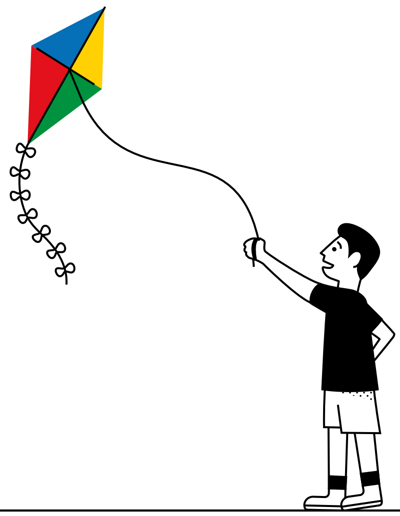
We meet all of our legal requirements, making all appropriate tax returns and tax payments accurately and on time in the territories in which we operate.

We do not undertake any transactions with the sole purpose of creating a tax benefit in excess of what is intended by relevant tax legislation, or what is outside of the Group's risk appetite, or is not in line with our Group Code of Ethics.

We operate appropriate tax risk governance processes, including Board oversight.

Our approach to tax is consistent with our values. We manage tax risk consistently with the Group's three lines of defence risk framework.





Our tax strategy in action

"Our tax strategy supports our Group strategy and the way we do business. It is clear about what we will and will not do when it comes to the taxes we pay."

Grace Stevens
Chief Tax Officer

We have a responsibility to create better value for our shareholders and help build a better society – and we recognise that paying and collecting taxes is an important part of how our businesses contribute to society.

We aim to be:

- **Sustainable long term** – our Group's tax rate depends on our business performance and not artificial tax planning.
- **Well governed** – we manage tax risk like any other risk in our business and invest in our people.
- **Fair** – we recognise the impact tax has on wider society and undertake to act responsibly in all tax matters.
- **Transparent** – we seek to explain the taxation of our business to all our stakeholders.

Our tax strategy helps us meet those aims and is reviewed and approved annually by both the Board of directors and our Audit Committee. As Chief Tax Officer I have day-to-day responsibility for our strategy and how we implement in line with our values.

The Group Tax team at Legal & General is responsible for the development, management and delivery of the tax strategy for the Group. This includes responsibility for the Group's tax policy, external influence, risk management, advice, reporting and compliance, while providing tax insight across all parts of our business and of course making sure that we have the right people in the right roles.

Our tax contribution

At Legal & General we pay and collect a number of taxes – for our business, our people, our customers and our investments. We pay and collect various taxes in the countries in which we operate.

Tax paid

These are taxes paid directly to the tax authorities in the countries in which we operate including corporation tax on profits, employer NICs and withholding taxes on investment income:

£818m

+

Tax collected

These are taxes generated in our value chain but not directly suffered by Legal & General. We collect these taxes and pay them on to relevant tax authorities:

£811m

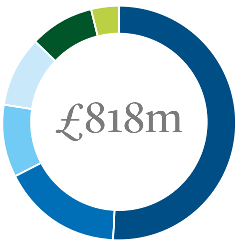
=

Total tax contribution

The total value of taxes that Legal & General have responsibility for – it is the sum of all the taxes paid and collected:

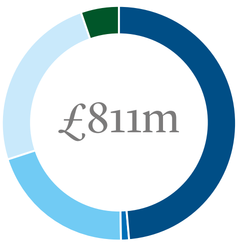
£1,629m

Total taxes paid

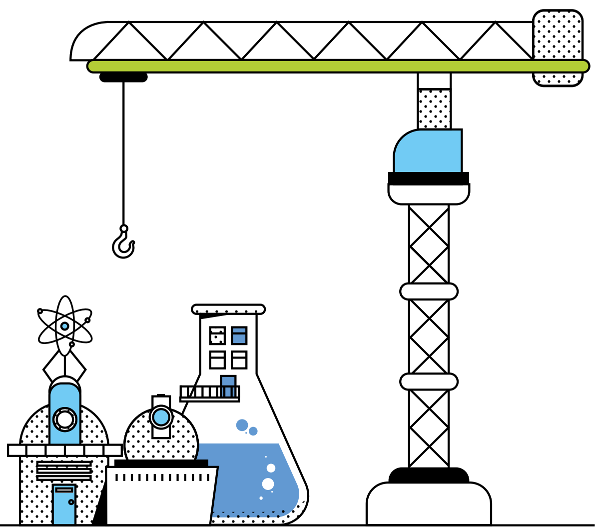


- **£417m** Profit taxes paid
- **£137m** Withholding taxes suffered in the UK
- **£81m** UK property and other taxes paid
- **£80m** UK irrecoverable VAT and premium taxes
- **£73m** UK payroll taxes paid
- **£30m** Other overseas taxes paid

Total taxes collected



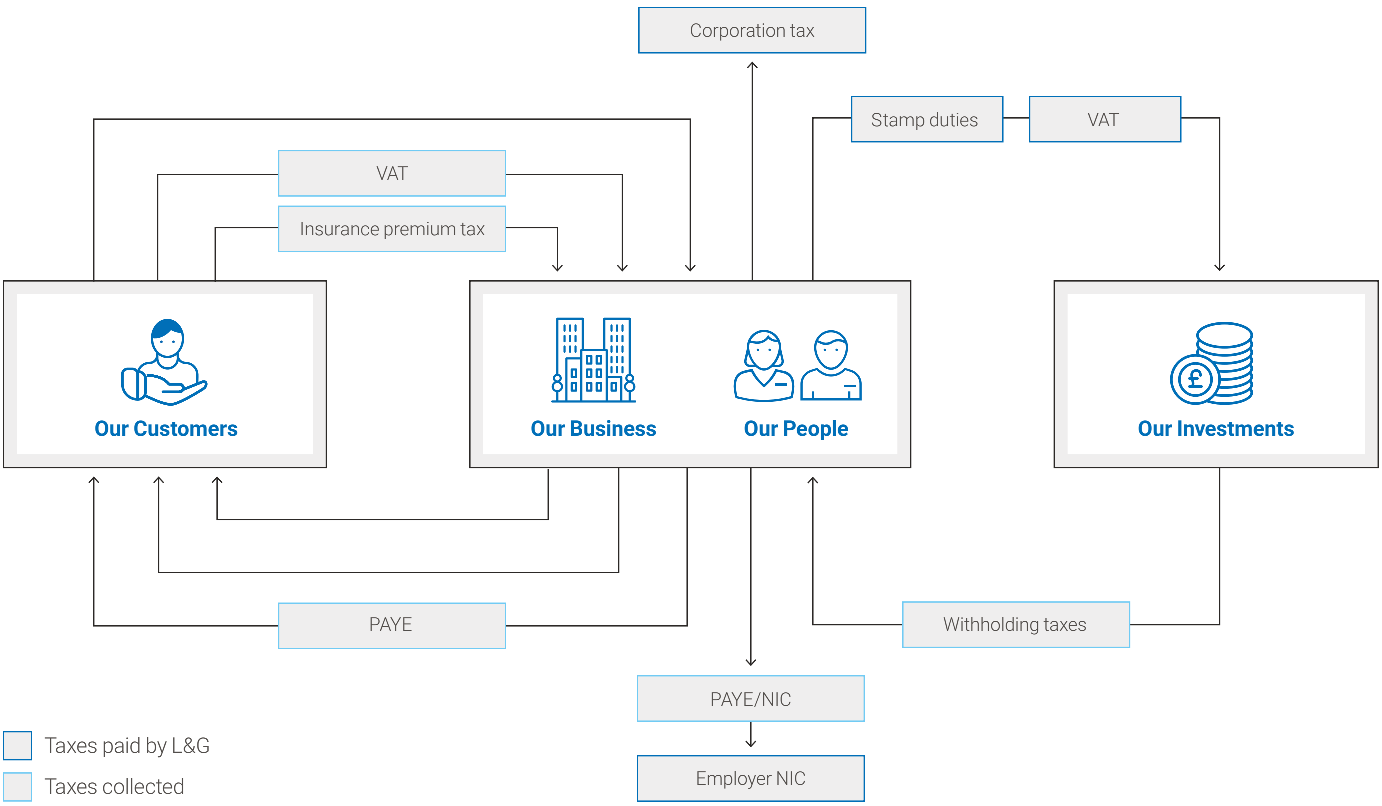
- **£395m** UK PAYE deducted from policyholders
- **£10m** UK property and other taxes collected
- **£164m** UK VAT and premium tax collected
- **£200m** UK payroll taxes collected
- **£42m** Overseas taxes collected



Our tax universe

Tax encompasses more than just a charge on a company's profits. We pay and collect taxes at all parts of our business cycle, from the premiums we invest to the tax we pay on our profits.

The taxes we pay primarily arise where our business assets, capital, people and customers are located – where we have real economic substance.



Business:

Tax on our profits, employment taxes and transaction taxes

People:

Income tax and NIC withheld and paid to HMRC

Customers:

For example, income tax withheld and paid to HMRC on annuity payments

Investments:

For example, withholding taxes on investment returns and transaction taxes

Our global tax footprint

Our consolidated Group includes approximately 300 taxable entities, including companies, branches, funds, trusts and partnerships operating across the globe.

We have operations in the UK, USA, Bermuda, Germany, Hong Kong, Ireland, Italy, Japan, Jersey, Luxembourg, The Netherlands, Australia, Sweden and China. Our global investing footprint covers most of the world.

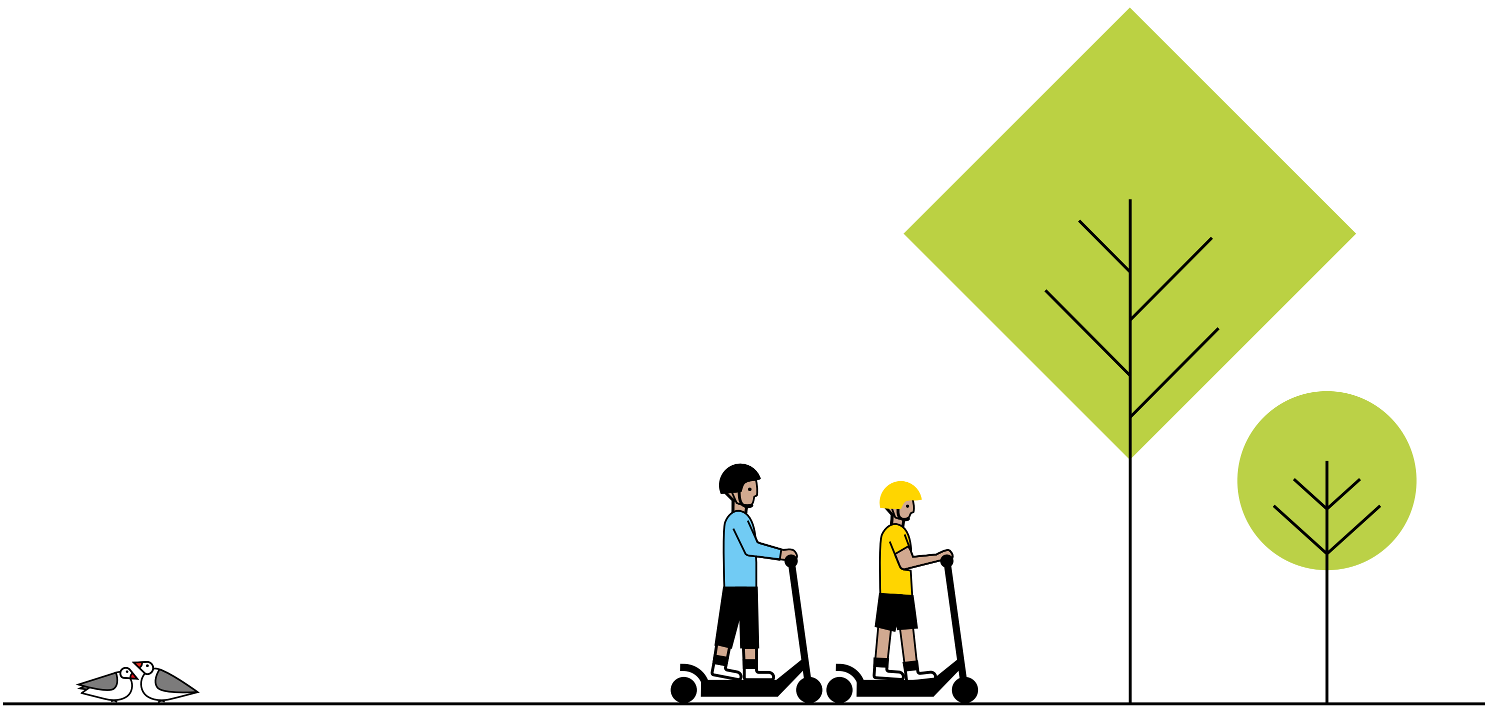
Our Group's asset management, insurance and savings activities can be complex and involve significant transactional volumes and values as well as cross-border transactions. Where we suffer and pay tax reflects the reality of the global nature of our business.

Our global tax contribution can be broken down as follows:

Country	2020 profits[1]	2020 total corporation tax charge	Profit taxes paid[3]	Other taxes paid	Taxes collected	2020 total tax contributions	2019 profits[1]	2019 total tax contribution
UK	1,308	237	554	234	769	1,557	1,527	1,506
US[2]	(108)	(22)	–	29	39	68	153	53
Bermuda	584	–	–	1	–	1	434	1
Ireland	5	1	–	–	1	1	1	1
Other[2]	(1)	1	–	–	2	2	(3)	2
Total	**1,788**	**217**	**554**	**264**	**811**	**1,629**	**2,112**	**1,563**

All figures in £m

1. IFRS profit before tax including discontinued activities.
2. Japan, Germany, Italy, Netherlands, Sweden, Australia and Hong Kong where the total corporation tax charge in each territory is less than £1 million.
3. Includes withholding taxes suffered on our overseas investments.



Tax in our financial statements

Our tax expense

We publish information about the Group's tax expense in the notes to our financial statements (note 32). In 2020 the total tax expense attributable to equityholders was £217 million which is the equivalent of a tax rate of 12.1%. This compares to the rate of corporation tax applicable to UK companies of 19%.

The rate at which we pay tax is principally driven by the 0% rate of taxation on profits arising in our Bermudan reinsurance hub, as well as adjustments relating to the finalisation of our tax position with tax authorities including HMRC.

Our tax expense is made up of current and deferred tax. Current tax is an estimate of the cash tax to be paid to tax authorities in respect of our profits for the year. Deferred tax is an accounting balance which represents timing differences between when income and expenses are recognised for accounting purposes, and when they are brought into tax.

Our tax rate reconciliation

As a UK headquartered Group, we explain how our total tax expense attributable to equityholders reconciles to the expense we would incur by simply applying the UK corporation tax rate of 19% to our accounting profits.

We split this reconciliation between 'recurring' adjustments and 'non-recurring' adjustments. Recurring adjustments are expected every year, driven by the structure of our business. Non-recurring adjustments are caused by one-off events.

	Total full year 2020 £m
Profit before tax attributable to equity holders	**1,788**
Tax calculated at 19%	**340**
Adjusted for the effects of:	
Recurring reconciling items:	
Income not subject to tax	**(1)**
Higher/(lower) rate of tax on profits taxed overseas	**(111)**
Non-deductible expenses	**11**
Differences between taxable and accounting investment gains	**(10)**
Foreign tax	**1**
Unrecognised tax losses	**14**
Non-recurring reconciling items:	
Adjustments in respect of prior years	**(42)**
Impact of the revaluation of deferred tax balances	**16**
Other	**(1)**
Tax attributable to equity holders	**217**
Equity holders' effective tax rate	**12.1%**

Income not subject to tax

The UK exempts certain types of income from tax, such as dividends.

Higher/(lower) rate of tax on profits taxed overseas

Different countries tax profits at different rates. Legal & General's principal activities are in the UK, US and Bermuda, and we pay tax at different rates on the profits arising in each of these countries.

Non-deductible expenses

UK tax law does not allow companies to claim tax relief for some expenses incurred in the normal course of our business activities. This can include expenses relating to projects (such as acquisitions and disposals) and customer entertaining.

Differences between taxable and accounting investment gains

There can be differences in how tax is calculated on gains and losses on investments, compared to the accounting profits. For example, under UK tax law gains and losses on the sale of subsidiary businesses may be exempt from tax.

Overseas tax

We pay additional taxes in some countries outside of the UK, for example state taxes in the US, or local tax surcharges in other countries.

Unrecognised tax losses

Most jurisdictions allow a taxpayer to offset a loss incurred one year against a profit arising in a future year, or against profits arising elsewhere in the Group. However, it may not be possible to obtain relief for losses in certain situations depending on expectations of future profits and the requirements of tax law.

Prior year adjustments

The tax charge included in the accounts is management's best estimate of the tax we will pay on our 2020 results based on the information available at the time. When we come to file our tax returns, there may be differences between the expense in the accounts, and what we owe to HMRC and other tax authorities. This true-up is reflected in the subsequent period's accounts as a prior year adjustment.

Impact of the revaluation of deferred tax balances

Deferred tax assets and liabilities are revalued each year based on the tax rates that are expected to apply in future when the tax is paid, or the tax relief is given. The planned reduction of corporation tax from 1 April was scrapped in the 2020 Finance Act. As a result, UK deferred tax balances were revalued to 19%.

Our tax governance framework

Responsibility for our Group's management of tax risk ultimately rests with the Board, with day to day responsibilities for the implementation of the Group's tax strategy and supporting tax policies resting with the Chief Tax Officer.

Our tax risk management policy is aligned with the Group's three lines of defence risk governance model, which includes a formal assessment of tax-related risks and a reporting process to ensure that tax risk in the business is managed in line with tax risk appetite. The risk rating of an issue will determine how far it is escalated through the risk governance structure, including ultimately to the Board.

How we measure tax risk

Group-wide tax risks are monitored by the Tax Risk Management committee. This consists of the relevant tax senior management and the Chief Tax Officer and meets quarterly to assess existing and emerging tax risks across the business, covering all taxes. The measurement of tax risk can be both qualitative and quantitative, and is based on the view of qualified and experienced tax professionals within Group Tax. We may seek an external view for any potentially significant risks.

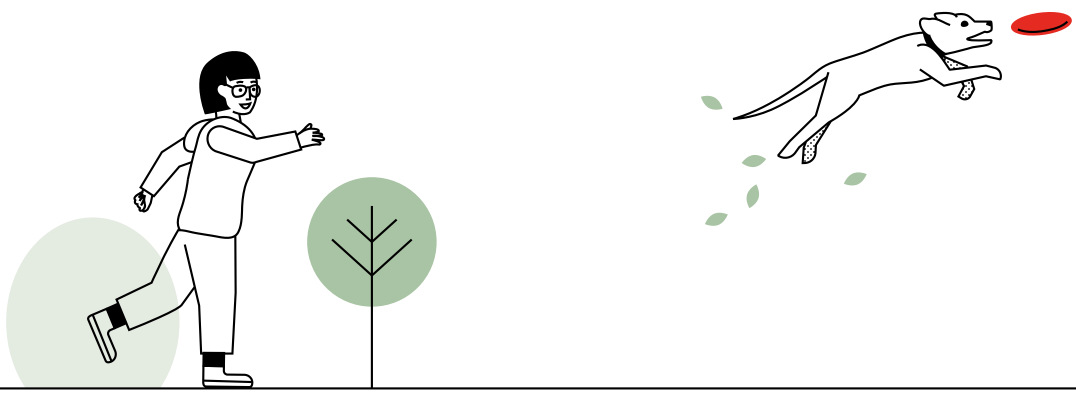
The committee assess tax risks against a scale, aiming to ensure that all tax risks are well understood and appropriately monitored and managed. The appropriate level of control is determined by the likelihood of the risk event occurring, and the materiality of the risk.

How we manage tax risk

Legal & General operate a 'three lines of defence' policy for managing all operational risk, and tax is managed consistently with this. The first line of defence is the operational management of tax risks and the day to day management of tax processes. Responsibility for these lies both with our businesses, and with Group Tax where certain obligations are managed centrally.
Tax risk is managed by employing appropriately qualified and experienced people in key tax-related roles, with specific tax responsibilities and accountabilities included in their job descriptions, acting under appropriate delegated authorities.

Group Tax provides a second line of defence through supporting our business in the design and testing of tax-related control frameworks and risk reporting and as a subject matter expert for our Group Risk function.

Group Internal Audit acts with independence for the last line of assurance, and Group Tax can act in support if there is no conflict of interest with Group Tax.



Our tax governance framework
continued

Our tax risks explained

The key tax risks for the Group, together with acceptable risk level and approach to risk management are stated below:

Our tax risks	Tax risks explained	Our risk appetite	Our risk management
Tax legislation and other regulations	New tax legislation, changes in interpretation or application of existing tax legislation, changes in tax rates and changes in accounting standards or other regulations, including tax policy, can generate significant tax risks. These changes may result in additional tax costs for the Group and additional complexity in complying with new legislation or regulation.	We may accept and manage tax risk where the Group's interpretation of the application of specific tax legislation differs from a tax authority's, but will not seek to apply an aggressive interpretation of tax legislation outside what is understood to be intended. For high value tax risks based on technical interpretation, Group Tax will typically obtain a pre-transaction validation of its technical position from reputable professional tax advisers.	We actively monitor new or changing tax legislation and where appropriate participate in consultations over proposed legislation, either directly or through trade bodies. We actively engage with tax authorities to understand changes in their interpretation of existing tax legislation and seek tax authority clearances on our interpretation where we can. If the new legislation is not clear and potentially material to the Group, we will engage with reputable professional advisers to help us gain clarity.
Reputational	Our tax strategy aims to balance the needs of our key stakeholders. However our stakeholders' expectations of our tax behaviours, and those of large corporates generally, are going through a period of unprecedented change. We need to understand these changes and where necessary adapt our tax behaviours to manage any impact on our reputation within our overall Group risk appetite.	We have a low risk appetite for suffering any detriment to our reputation that may be caused by our approach to, or decisions taken in respect of, taxation. We might take a stronger view with a tax authority to ensure the right outcome for our customers.	We actively work to understand our stakeholders' expectations of us on tax, for example through constructive co-operative working with HMRC, our Investor Relations team's interaction with shareholders and our discussions with a range of non-governmental organisations, to understand our stakeholders' perspective on tax. Stakeholder influence is factored into the tax decision-making process to ensure we adopt a suitable approach to reputational risk.
Compliance and reporting	Ineffective management of our tax affairs could result in the Group incurring excessive tax costs disproportionate to the Group's results. Errors could be made, resulting in interest and penalty costs, as well as any payments of historic tax due. As well as cash tax due, we may be subject to additional costs related to increased audit activity from tax authorities.	All significant tax risks are reported and monitored in the Group's risk management systems. Accepted tax risks are reported to relevant local risk and compliance committees, and if appropriate, will feed up to the Audit and Group Risk committees in line with Group procedures. We have low tolerance for tax risk arising from errors or omissions, late submission of tax returns or late tax payments for routine and established tax compliance obligations.	We actively manage tax risks associated with tax compliance and reporting processes by devoting considerable effort to ensuring that our compliance and reporting obligations are fulfilled using well designed and controlled processes. We employ appropriately qualified and experienced people in key tax-related roles, with specific tax responsibilities and accountabilities included in their job descriptions. We act quickly to remediate omissions and where applicable disclose adjustments to the relevant stakeholders.
Transactional	Transactional tax risks can be generated through new product releases, corporate transactions or expanding operations into new countries. Failure to understand and effectively manage transactional tax risks could result in additional tax-related costs.	Tax risks for material transactions will usually only be accepted on the basis of full disclosure to, or clearances from, the tax authorities where possible. We may accept greater levels of tax risk if it is determined as acceptable as part of the overall commercial risk assessment of a transaction.	We actively manage tax risks associated with new transactions, products and countries. We work in partnership with the relevant business areas to understand risk exposures. We mitigate our transactional tax risks by full disclosure to the tax authorities on a real time basis. Where there is a particularly complicated or significant transaction, we will validate our assessment with appropriate tax advisers.

Our commitments to tax transparency

Tax is an important and integral part of our business and we are committed to being transparent on tax.

- We recognise that our stakeholders on tax not only include our investors, tax authorities, customers and employees, but also wider society.
- We aim to provide useful information to our stakeholders to help them understand how we manage our tax affairs and the contribution we make to society through the taxes we pay and this includes voluntarily disclosing additional information which we consider is useful for our stakeholders to better understand our tax affairs.
- We have an open, co-operative and collaborative working relationship with HMRC, and other tax authorities where relevant, across all our taxes.
- We believe that open consultation with governments results in more informed and sustainable tax legislation and we work with governments both directly and via industry trade bodies to respond to consultations and to explain the impact of proposals on our business, customers and investors.
- We engage with a range of interested parties and non-governmental organisations to discuss concerns about the tax system and responsible and transparent tax practices of large companies. We recognise the expectations society, governments and consumers have for large companies on tax responsibility and transparency.
- As a significant investor, we ensure we speak to the companies we invest in about their tax policy and management as part of our overall engagement with them on governance and environmental and social impact.

Reinsurance

Legal & General operates a global reinsurance hub in Bermuda, which was established in 2015 to act as the reinsurance hub for the Group and to support the growth of our international Pension Risk Transfer business.

Our Bermudan operations are staffed by our dedicated team of insurance and finance professionals. As there are no profit taxes in Bermuda, the taxes we pay in Bermuda are on our people and property.

Bermuda is one of the largest reinsurance markets in the world with a robust, Solvency II equivalent, regulatory framework and the Bermuda Monetary Authority (BMA) is a well-established regulator. Bermuda has a highly qualified and experienced local workforce.

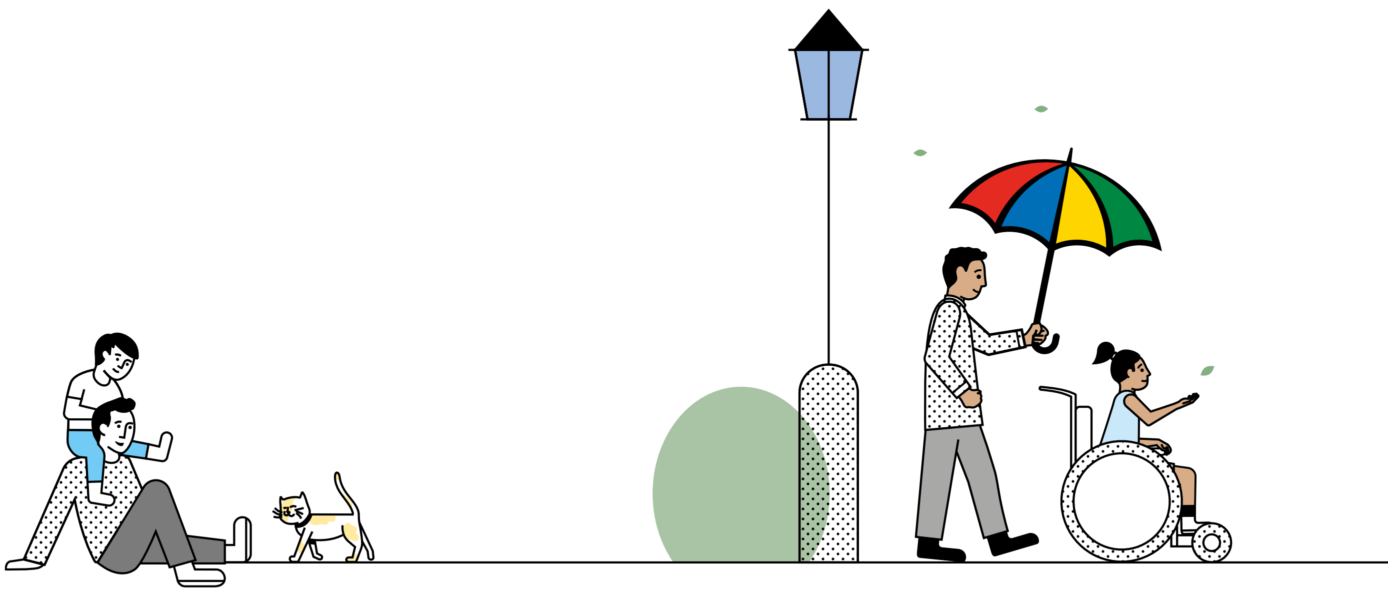
Funds

We have established collective investment schemes, which are investment funds or entities, in Jersey, Ireland and Luxembourg. It is common to set up funds in jurisdictions like these that do not impose an additional layer of tax on the fund itself. Instead the investment return is taxed in the hands of the investor as though they were directly investing in the assets themselves – this ensures that as much investment return as possible flows through to the investors themselves.

Regardless of what territory the fund is established in, investors will pay tax on their returns in line with the tax rules of the jurisdiction they are resident in. Where our Group companies invest in these funds, they pay corporation tax in their country of residence (usually the UK) on any investment return.

We routinely undertake tax reclaims on behalf of our policyholders where this is in line with local law and industry practice. This reclaim process is typically undertaken by our custodians with oversight from Group Tax.

Where we feel that the application of withholding tax is contrary to the law, we file claims with the respective tax authorities, for example where withholding taxes are suffered on certain investments in EU territories. These claims may result in litigation against the respective tax authority where we consider that there is a good chance of success. These claims are made on behalf of policyholders, and the net proceeds of successful claims are paid to those policyholders.



Our attitude to tax planning and the use of tax advisers

Tax law contains claims and elections and a wide variety of options whereby tax matters can be managed efficiently, and where such outcomes are expected and are widely regarded as within the spirit of the law. We will make use of government endorsed tax claims and elections, or seek to benefit from exemptions or similar mechanisms available within the tax legislation but we will not undertake transactions whose sole purpose is to create a tax benefit which is in excess of what is generally understood to be intended by tax legislation.

We will undertake tax planning only in the context of wider business activity with real and commercial basis. Where we have a choice on how to structure a particular transaction, investment or business, we will structure it in a tax efficient manner where we have concluded that it is a responsible, sustainable choice which fits with our business and tax strategy, in line with what we understand the intentions of the legislation to be for us, our policyholders and our investors. We do not base our decision on aggressive interpretations of the tax law.

Legal & General is evolving in an ever-changing economic and regulatory environment. As a result, we engage external tax advisers to discuss and validate our understanding of the legislation on significant transactions or to provide insight or specialist advice on specific legislation, wider industry practice, or tax authority approach. We also use advisers for compliance or routine activity in some cases or locations where this is more cost-effective or operationally sensible.

We apply arms-length transfer pricing principles to payments between Group companies in line with our Group transfer pricing policy and OECD requirements. Where these transactions arise between two companies in different territories we seek third-party advice to ensure those payments are priced correctly. Where appropriate, we may seek to obtain an Advance Pricing Agreement (APA) with the relevant tax authorities in order to gain certainty over future cash flows.

Our interaction with tax authorities, NGOs and other third parties

Tax authorities

Legal & General principally operates in the UK, however an increasing proportion of our business is conducted overseas. We undertake to apply the same rigorous principles of transparency wherever we do business.

Where possible and practical, we will discuss new and complex tax positions with relevant tax authorities in real-time. For material issues this is often in advance of the transaction, or for other matters this would generally be before submission of the relevant tax returns. We may request generally available statutory or non-statutory clearances from relevant tax authorities in respect of specific transactions where there is material uncertainty or where the transaction is material to the Group company involved.

Tax authorities understand that businesses come in different shapes and sizes, and due to the intricacies of existing legislation, new legislation may have unintended consequences. Consultations on legislation with businesses and business groups allow HMRC to shift the burden of considering detailed implications to taxpayers. From time to time we participate in those consultations, either alone or as part of a wider business forum, with the view to improving the quality and relevance of legislation and to mitigate any outcomes which we consider to be inconsistent with the policy objective.

NGOs and other third parties

Countries' approach to taxation is increasingly undertaken on a joined-up basis, with harmonisation of requirements facilitated by NGOs, like the OECD, and the EU. A need for greater tax transparency on a multinational level has led to the OECD Base Erosion and Profit Shifting (BEPS) framework and the EU Directive for Administrative Cooperation (DAC).

We actively monitor developments as recommendations made by these groups are often adopted by tax authorities. Where appropriate we will respond to consultations on future principles in so far as these could impact Legal & General, with the aim of clarifying areas of uncertainty ahead of local implementation. We also fully support and have participated in the United Nations-supported Principles for Responsible Investment, an international network of investors to understand the implications of sustainability. We have participated on the investor taskforce to produce guidance for investors' engagements on corporate tax responsibility.

Demystifying tax – useful terms

Corporation tax (Paid)
the tax we pay on the profits we earn

Withholding tax (Paid)
the tax we pay on our overseas investment income

Property taxes (Paid)
the taxes we pay on properties and infrastructure we hold as investments and use in our businesses including business rates, and taxes on transactions when properties are bought and sold

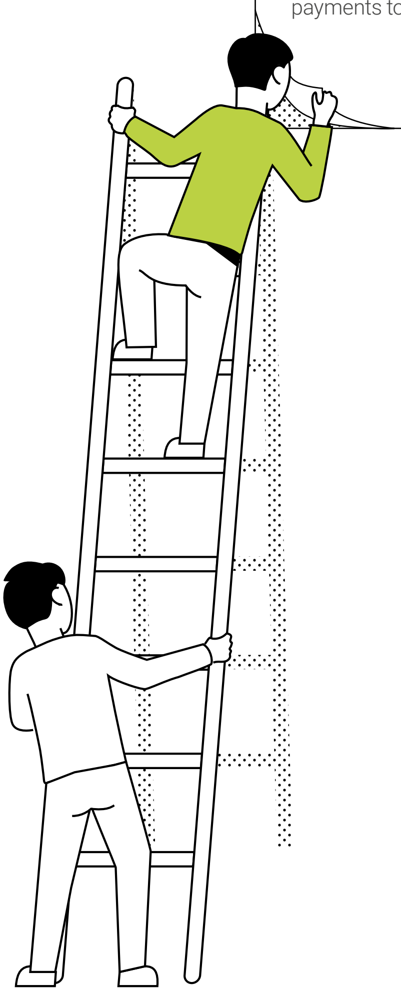
VAT (Paid & collected)
the tax charged on the services we provide, less VAT we can recover on the goods and services we buy

Insurance premium tax (Collected)
the tax collected on insurance premiums received

Payroll taxes (Paid & collected)
the taxes we pay on wages earned by employees and collect from employee wages on behalf of governments – primarily PAYE and National Insurance contributions (NIC) in the UK

Product related taxes (Paid & collected)
the taxes on our products including income tax collected on pension business and payments to annuity holders

Transactional (stamp) taxes (Paid)
the tax paid on legal transactions in regard to the properties and shares we buy



This document, published by Legal & General Group plc on 22 March 2021, complies with its duty under paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish a Group tax strategy for the year ended 31 December 2020.

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