

# Risk Committee report



## Committee overview

### Committee meetings and membership

The Committee met five times during the year. The composition of the Committee remains in compliance with the requirements set out in its terms of reference and comprises only independent non-executive directors.

### Meeting attendance

Member	Scheduled
George Lewis (Chair)	5/5
Henrietta Baldock	5/5
Clare Bousfield <sup>1</sup>	1/1
Philip Broadley	5/5
Carolyn Johnson	5/5
Nilufer Kheraj OBE	5/5
Lesley Knox	5/5
Tushar Morzaria	5/5
Laura Wade-Gery	5/5

1. Appointed to the Committee with effect from 1 December 2024.


### 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, and provide advice to the Audit Committee on Internal Model assumptions for regulatory and public disclosures upon request.
- Review and approve 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.
- Provide advice to the Remuneration Committee on any risk adjustments to be applied to performance objectives and other issues as requested by the Committee.

**Committee's terms of reference**  
The Committee's terms of reference can be viewed on our website:

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I am pleased to present my report as Chair of the Risk Committee. In a continually uncertain and challenging macroeconomic and geopolitical environment, the Committee has continued to oversee management's approach to risk management, while simultaneously providing robust challenge, and advising the Board on the Group's current and future risk exposures and profile, against the backdrop of a new strategic direction for the Group. The Committee has continued to monitor the ongoing global economic and political uncertainties in the lead up to several important elections, as well as in the context of ongoing geopolitical conflict which continues to heighten. The Committee, in conjunction with the Audit Committee, keeps under review the effectiveness of the Company's risk management and internal control systems, which monitor and review 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 and other risk events. Throughout 2024, 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.

## 2024 activity

There remains ongoing uncertainty within the macroeconomic and geopolitical environment, and the Committee has spent a significant amount of time during the year hearing directly from the business, alongside risk and compliance colleagues, about how the associated risks are being managed and appropriately mitigated against. 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. There has been particular focus this year on emerging risks as we look to future-proof the new strategy and navigate the external macro environment. This has included the overhaul of our formal emerging risk framework which aids the Committee's discussion when assessing the impact and likelihood of emerging risks on the Group's strategy. Within this context, the Committee has received a number of in-depth updates and debated at length the UK pensions landscape, as well as the outcomes and potential impacts of UK and US elections.

During the year, the Committee has paid close attention to the risk governance associated with the use of funded reinsurance as part of pension risk transfer (PRT) transactions. The Committee has been kept updated on the consultation, and subsequent publication, of the Prudential and Regulation Authorities (PRA) Supervisory Statement 5/24 – Funded reinsurance, which sets out the PRA's expectations of insurers entering into or holding funded reinsurance arrangements as cedants. As a Company, we engaged extensively in the consultation, and the Committee approved the new Funded Reinsurance Risk Framework, which amalgamated existing Group policies on reinsurance and outlines how funded reinsurance risk will be managed. In addition, the Committee has also focused on credit risk throughout the year, which has included a number of deep dives given the size of the Group's current PRT business and the important part that future PRT business contributes to the Group's strategy.

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, change management, and ensuring appropriate risk mitigations are in place in relation to 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 and ultimately the good outcomes we deliver to our customers.

## Annual review of Group risk appetite: financial and non-financial risk

In July and October 2024, 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 Group's strategic risk appetite statements. As part of the review, the appetites were differentiated between financial and non-financial risk, under the umbrella of the strategic risk profile, which enabled a fulsome review of the respective appetite statements, metrics and tolerances used to determine acceptable risk taking.

The focus of the refinements to the financial risk-related metrics had been on ensuring consistency with the statements that were made at the Group's Capital Markets Event in June 2024, and ensuring the metrics continued to reflect the evolving nature of the business.

Similarly, the refinements recommended to the non-financial risk metrics supported the consistent application of the taxonomy across the Group as agreed in 2023. The differentiation of the risk appetite statements ensure a more reliable and accurate measure of the Group's performance against risk appetite.

## 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. In July 2024, 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 2024 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, how we will continue to evolve our approach to ensure our risk management remains reflective of the underlying risks, and how we are approaching our management of broader nature-related risks.

## 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 when 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 the use of AI presents the business. The Committee also considered data risk management and governance during the year.

L&G has a strong subsidiary governance framework in place to support the Board in discharging its responsibilities for the Group. The Committee also operates as the Risk Committee for LGAS and directors of the Group's principal operating subsidiaries (LGAS and L&G – Asset Management Limited) are also 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 44 to 53.

## 2025 priorities

The Committee has an important role in supporting the Board in the oversight and management of the risk framework. During 2025, the Committee will continue to focus on:

- the continued implementation of the new Group strategy and Plan as approved by the Board during 2024
- impacts and associated risks arising from the macroeconomic and geopolitical environment, and regulatory landscape including global climate change, with continued 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 Consumer Duty regulation.



**George Lewis**  
Chair of the Risk Committee