

Risk Committee report



George Lewis
Chair of the Risk Committee

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	5/5
Carolyn Johnson	5/5
Mark Jordy ¹	3/3
Nilufer Kheraj OBE	5/5
Tushar Morzaria	5/5
Laura Wade-Gery	5/5
Philip Broadley ²	3/3
Lesley Knox ³	1/2

1. Appointed to the Committee with effect from 1 July 2025.
2. Retired from the Committee with effect from 31 August 2025.
3. Unable to attend due to prior commitment and resigned with effect from 21 May 2025.

Terms of Reference

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

 Discover more online
group.legalandgeneral.com/groupboardcommittees

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 risk 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 overall 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) policy, and oversee the performance of the 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 Remuneration Committee.

During 2025, the Committee focused on supporting the Group in the navigation of ongoing financial and operational challenges, and remained well positioned to advise the Board on the Group's current and emerging risk exposures and profile, through proactive oversight and robust challenge, with particular focus on those arising from macroeconomic uncertainty, inflationary pressures, geopolitical and trade risks, and the increased risk of cyberwarfare.

Following the announcement of the Group's new strategy in June 2024, and the shifted focus to three core businesses, for a growing, simpler, better-connected L&G, the Committee has received detailed business risk deep dives throughout the year, to appropriately aid the Board's understanding of each business' risk profile as the Group continues to grow in both scale and complexity, and to complement the successful execution of the new strategy.

2025 activity

There remains ongoing uncertainty within the geopolitical environment and market volatility, 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.

The Committee remains focused on emerging risks as we look to future-proof the execution of the strategy whilst navigating in tandem a somewhat volatile external macro environment. The emerging risk framework, which was refreshed in 2024, is used as an aid for the Committee's discussion when assessing the impact on and likelihood of emerging risks on the Group's strategy. Within this context, the Committee has received a number of updates which facilitate the sufficient oversight and monitoring of emerging risks across the Group, and debated at length key emerging risk themes, such as the potential impact of weight loss drugs on longevity, evolving pension policy within the UK and the associated impact on the business and wider strategy.

Throughout the year, the Committee has continued to have oversight of the Group's market exposures. Against the backdrop of an evolving political, social and economic landscape in the US, there was particular focus on the Group's balance sheet exposure to US assets. The Committee will continue to have regular and close oversight of the Group's US exposure, particularly sovereign and corporate bond markets, and our holdings therein, to ensure the Group's portfolio remains appropriately positioned, whilst maintaining focus on genuine diversification.

Following the Group Board's approval of the use of gilt-based strategies for PRT investments, the Committee has remained informed as to the continued use of such strategies and the associated operational and liquidity risk management processes that have been implemented.

Since the deployment of these strategies, there has been significant volatility in many markets, however these strategies have continued to remain attractive, and as such, the Committee has had continued oversight throughout the year to ensure that the potential liquidity risks of these strategies are effectively monitored and managed. The Committee has been pleased by the significant effort gone into supporting operational readiness and the establishment of a suitably robust risk framework for managing and monitoring these exposures.

Throughout 2024 and the first half of 2025, the Committee has paid close attention to overseeing the Group's operational resilience in readiness for the implementation of the PRA and FCA's new rules, which required compliance by 31 March 2025. On behalf of the Committee, I am pleased to report that compliance with the rules, as measured against the Severe but Plausible disruption scenarios, was satisfied and the Committee approved the Group Self-Assessment to attest to this fact.

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 IT and data, health and safety, and climate and nature risk management.

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 October 2025, the Committee considered the risk profile of the Group's Financial Plan and its alignment with the Group's risk appetite. The Committee undertook a detailed review of the Group's strategic risk appetite statements.

These are differentiated between financial and non-financial risk. This enabled a fulsome review of the respective appetite statements, metrics and tolerances used to determine acceptable risk taking. The differentiation of the risk appetite statements continues to ensure a more reliable and accurate measure of the Group's performance against risk appetite.

Following the detailed review of both the financial and non-financial risk metrics in 2024, to support consistency with the statements that were made at the Group's Capital Markets Event in June 2024 and the application of the taxonomy across the Group, the review in 2025 focused more so on ensuring the metrics continued to reflect the evolving nature of the business as well as the macro-environment. As such, in a world where AI has begun to transform technology, and have a profound impact on every aspect of our lives, offering both significant opportunities and a complex risk landscape for the Group (and businesses more generally), work has commenced to suitably articulate the Group's AI risk appetite, and the development of an AI Risk taxonomy. The Committee will have continued oversight of the development of this new risk appetite throughout 2026, with a view to it being incorporated within the wider Group 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 UK internal model. In October 2025, 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 2025 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

Throughout the year, the Committee has continued to support 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 Enterprise Transformation Committee to consider technology risk. The Committee also considered data risk management and governance during the year, in addition to the increasing risk of operational disruption from cyber-attacks.

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 the Chairs 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 38 to 46.

2026 priorities

The Committee has an important role in supporting the Board in the oversight and management of the risk framework. During 2026, the Committee will continue to focus on:

- the continued execution of the new Group strategy and the Plan as approved by the Board at the end of 2025
- impacts and associated risks arising from the macroeconomic and geopolitical environment, and regulatory landscape including global climate change, with continued consideration of emerging risks, including but not limited to AI and cyber attacks
- management of capital and liquidity risks



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