

Risk Committee report



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.

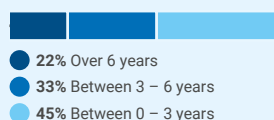
Members

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

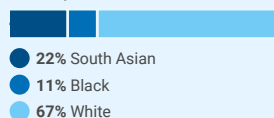
Gender



Tenure



Ethnicity



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



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."

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