Legal & General Stakeholder Pension Scheme

Statement of Investment Principles

Introduction

The Legal & General Stakeholder Pension Scheme (the 'Scheme') is provided by Legal and General Assurance Society Limited (LGAS) (the "Provider").

LGAS, with the oversight of the Independent Governance Committee (IGC), is responsible for making sure the investment options offered through the Scheme are appropriate for employers that utilise the pension arrangement for their employees, and ultimately the policyholders (savers) with whom we have a direct contractual relationship with.

To make this statement of investment principles (SIP) as easy as possible to read, we have split this document into 6 sections covering aspects such as how we select and monitor investments and how we take into account our savers' needs and feedback in the investment options we offer.

For the purpose of this document, the use of "we", "us" and "our" refers to LGAS.

We hope this document proves interesting and helpful to you as employers and savers of the Scheme.

Background

The Legal & General Stakeholder Pension Scheme is a Registered Pension Scheme under Part Four of the Finance Act 2004 and associated regulations. The Scheme is registered as a Stakeholder Pension Scheme with The Pensions Regulator and meets the requirements laid down by the Stakeholder Pension Scheme Regulations 2000 as amended from time to time.

The Scheme is maintained by LGAS with the investment oversight of the Fund Risk Oversight Committee (FROC) (who have delegated authority from LGAS).

It provides employers with a single pension product that satisfies several needs, e.g. Automatic Enrolment requirements, and is designed to provide a basic retirement planning solution with a simplified charging structure and suitable range of investment options.

The Scheme provides money purchase pension benefits and, under current rules, savers can take retirement benefits from any time after age 55. If benefits have not been taken by age 99, an annuity must be secured, the accrued fund transferred to another pension arrangement or the entire pension taken as a lump sum (subject to tax).

This SIP sets out the principles governing decisions about investments for the purposes of the Scheme in accordance with Part II, Regulations 8 and 9 of the Stakeholder Regulations and we believe this SIP is beneficial to employers and savers to help understand the default arrangement and other investment options we offer. It sets out what we aim to achieve with the investment options offered and shows how our investment principles guide the way in which savers' money is invested.

This SIP was approved by the Fund Risk Oversight Committee (who have delegated authority from LGAS and PMS) at a meeting held on 26 October 2022.

We have split the main body of this document into six sections:

1. Investment beliefs
2. The aims and objectives for the default arrangement
3. The aims and objectives for the investment options outside of the default arrangement
4. Our approach to investment risks
5. Governance and operational framework
6. Who's who – a summary of all parties involved in managing or advising the Scheme

As well as this SIP, we have produced an accompanying document called 'Your guide to how your funds are managed' which can be accessed from within Manage Your Account found at **legalandgeneral.com/manageyouraccount**, or alternatively at **legalandgeneral.com/retirement/saving-for-retirement/workplace-pensions/funds/fund-information**.

We review this SIP every three years or more frequently if there have been significant changes to the investment strategy, legislation or the demographics of the Scheme's savers.

1. Investment beliefs

Our core objective is to provide a range of options that gives savers the choice of an underlying investment strategy which adequately reflects their attitude to risk and time horizon to retirement, whilst enabling us to ensure the costs associated with the Scheme provide savers with value for money.

Investment managers

The funds offered are provided via an insurance policy (through LGAS). These funds then invest in the funds of another insurer within the Legal & General Group, Legal & General Assurance (Pensions Management) Limited, which we refer to as PMC (Pensions Management Company).

PMC has appointed Legal & General Investment Management (LGIM) as the primary investment manager to make day-to-day investment decisions in relation to the funds.

Depending on the fund selections made by employers and savers, we also provide access to a range of funds from other selected investment managers outside of the Legal & General Group.

The day-to-day management, strategic asset allocation, portfolio construction, and monitoring of portfolio costs is delegated to the investment managers, as is the trade execution and level of turnover within the portfolios.

Investment types

We ensure that the investment options offer a balance between different asset classes and markets covering a range of risk profiles. We achieve this by providing access to a range of funds managed by LGIM as well as other selected managers.

We usually consider the following asset classes (investment types) as appropriate for the investment of savers' pension savings:

- Company shares (equities);
- Bonds (debt issued by governments or companies);
- Cash and other short-term interest-bearing deposits; and
- Commercial and residential property.

We also make available multi-asset funds which may utilise a combination of the above asset classes as well as other investment types as follows.

- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

We consider employer-specific requests to add additional asset classes not listed above. This requires the employer to have taken their own investment advice which is reviewed by us, along with our investment adviser, for appropriateness before being implemented.

Environmental, Social and Governance (ESG)

Financial considerations

We share LGIM's core investment beliefs relating to ESG factors, whereby LGIM:

- Has a responsibility to consider the impact of ESG factors on investments;
- Believes ESG issues are financially material;
- Can deliver positive change through engagement with companies;
- Aims to integrate ESG considerations in the solutions and products offered;
- Engages with companies, peers and policymakers, taking decisive action on era-defining issues; and
- applies a consistent approach, across the entire range of funds, to voting and engagement, pursuing innovation in tackling climate change, from modelling the energy transition to targeted engagements, and developing a wide range of responsible investment strategies, across different asset classes.

Given the long-term nature of pension investments, we believe ESG considerations are crucially important in managing risks and ensuring an investment's long-term sustainability; reliable ESG data can provide valuable insight into how well a company is run and what the key emerging risks are for that business.

Therefore, LGIM integrates ESG considerations into the investment process covering the strategic asset allocation and portfolio construction to better assess the long-term sustainability of the performance of investment funds in which our savers' savings will be invested.

We expect that investment managers take ESG considerations into account, and we ask several due diligence questions relating to ESG as part of our fund governance process. Our independent investment adviser also takes ESG and responsible investment into consideration when reviewing the funds available to savers.

Stewardship

LGIM takes its obligations seriously in relation to shareholder responsibilities and seeks to improve governance standards within companies in order to ensure the long-term sustainability of savers' pension investments.

LGIM has been at the forefront of investment stewardship for many years, engaging with corporate management, industry bodies and regulators on a wide range of issues when exercising its stewardship responsibilities.

LGIM seeks to influence company boards on matters such as climate change, diversity, income equality and board independence. Where deemed necessary, LGIM seeks to change company behaviour and will exercise its voting rights and, in some cases, divest to effect positive change if they don't.

Our independent investment adviser monitors the stewardship policies of all investment managers when reviewing the funds available to savers.

Non-financial considerations

The separation between financial considerations and non-financial considerations relating to ESG is not clear-cut and may vary with timescales. We do, however, seek to continually gauge the views of savers with regards to their preferences and values, which may reflect ethical preferences and desire for positive social or moral outcomes, as opposed to purely financial outcomes. We conduct periodic surveys of savers' views, and hold regular events inviting stakeholders and savers to give feedback on our approach.

Our surveys have found our beliefs and approach resonates with savers, who have also expressed a belief in the financial materiality of ESG issues, a preference of engagement over blanket divestment, but combined with reduced exposure to (and, at the limit, outright exclusion of low-scoring companies from an ESG perspective.

Internal or external funds may be excluded, removed or closed on ESG grounds alone in alignment with our Responsible Investment policy.

We note non-financial considerations can affect investment risks for savers and these funds may perform differently to other funds with broader-based investment approaches.

Further information

More information on our approach to ESG can be found at **legalandgeneral.com/esghub**

Additionally, you can find further information relating to LGIM's corporate governance, responsible investment and stewardship approach, including specific policies, at **lgim.com/uk/en/capabilities/investment-stewardship**. Please note, this is applicable to professional or institutional investors only.

2. The aims and objectives for the default arrangement

The Scheme has a default arrangement which is designed to allow savers who don't want to, or don't feel able to make their own decisions on their investments, to have an appropriate place for their pension contributions to be invested.

Why do we have a default arrangement?

As well as believing that it's helpful for savers, we are required by law to have default investment arrangements. This is because:

- The Scheme is a Stakeholder Pension Scheme which must have a default arrangement
- We believe it should be easy for someone who becomes a saver of the Scheme to start building retirement benefits without the need to make any investment decisions; and
- We believe that a majority of Scheme savers are expected to have broadly similar investment needs.

The default arrangement for an employer will depend on the governance model they have selected.

When an employer decides to offer its pension arrangement through the Scheme, they will select (where eligible) one of two levels of default arrangement depending on how involved they want to be in the running (and in particular in setting the investment strategy) of their pension scheme.

The options available will depend upon employer and saver demographics and will be considered on a case by case basis.

1. Legal & General default arrangement
The employer selects the Legal & General pre-designed default investment strategy made available under the insurance policy. Where an employer does not make a selection, the Legal & General default is applied.

2. Bespoke default arrangements
The employer is actively involved in setting the investment strategy for the pension scheme and takes independent investment advice, both initially and on an on-going basis, from its own adviser. They review the bespoke investment strategy and on-going appropriateness of its default fund at least every three years, which must be approved by us.

The bespoke default options available for selection include the range of standard lifestyle profiles offered via the Scheme.

Bespoke arrangements are only available to employers where their scheme is subject to Client Director servicing to ensure necessary governance is completed.

What do we take into account when selecting a suitable default arrangement?

We believe that understanding the Scheme's savers is essential in selecting and maintaining a default arrangement that meets the needs of the majority of savers. We, therefore, take into account:

- Savers' age profiles;
- Savers' salary profiles (where available);
- The likely sizes of savers' pension pots at retirement;
- The level of contributions paid by the employers and their savers;
- The costs and charges attributed to the default arrangement;
- Savers' likely benefit choices at and into retirement, based where possible on data gained through surveys and administration data;
- Regulatory and legislative requirements impacting default arrangement;
- The contents of this SIP; and
- That the ESG beliefs and policies are aligned with our best understanding of saver beliefs.

It is a requirement of the Stakeholder regulations that any default investment option for savers who joined after April 2005 must aim to reduce the potential of significant market-related fluctuations in value over a period of at least five years prior to the saver's selected retirement date.

In selecting the default arrangement, we take advice from a qualified investment adviser who we believe has sufficient ability and practical experience of financial matters as well as appropriate knowledge of the investment arrangements that the Scheme requires.

We expect the investment adviser to take into account the risks covered within this SIP when determining the appropriateness of a default arrangement to be made available to savers.

If (having considered any advice from our investment adviser as appropriate) we are not satisfied with a default arrangement, we may seek to instruct our investment adviser to find possible alternatives for consideration. In replacing any default, we will consider the transaction cost, to savers, of switching to the new default and seek to ensure these are fair.

Subject to fund benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

All of the above criteria are considered as part of the regular review of the suitability of default arrangements in line with Financial Conduct Authority requirements.

Objectives of the Legal & General default arrangement

The default arrangement must support savers who do not wish to make an active investment choice. Through the significant influences of Automatic Enrolment, the large majority of savers invest their pension savings via a default arrangement.

It is, therefore, vital that the default arrangement has clearly defined objectives, delivers an appropriate balance between risk and return, reflects the likely diverse characteristics of savers that will invest within a default arrangement and is supported with robust communications and literature to secure good outcomes for savers.

The main objective of the Legal & General default arrangement is to help deliver good outcomes for savers at retirement and currently achieves this by investing in a wide range of asset classes, selected from the list of asset classes in section 1, throughout a saver's career.

We believe it is in the best interest of the majority of savers to offer a default arrangement which:

- manages the main investment risks savers face;
- provides long-term investment growth while taking an appropriate level of risk for the majority of savers who do not make investment choices;
- reflects savers' likely benefit choices at retirement; and
- provides good value for savers, given they pay the investment costs.

The levels of investment return that we expect to see and the risks for the funds used in the default arrangement, are consistent with the above objectives.

You can find out more about our approach to managing investment risks, including other financially material considerations, in section 4.

Overview of the Legal & General default arrangement

The default investment arrangement for the Scheme is the Legal & General Multi-Asset 5 Year 25% Cash Lifestyle Profile.

Under this, savers who are more than 5 years away from their selected retirement date will be invested in the Legal & General (PMC) Multi-Asset Fund G17, which aims to provide long-term investment growth through exposure to a diversified range of asset classes.

The diversified nature of the fund means that the fund is expected to have less exposure than an equity-only fund to adverse equity market conditions. However, the fund may perform less strongly than an equity-only fund in benign or positive market conditions.

For savers who do not make an active investment decision, as retirement approaches there is a gradual reduction in exposure to potential fluctuations in the equity market coupled with a movement into investment types that provide a degree of capital protection and more nearly match the benefits to be taken at retirement.

This is achieved starting from a date five years before the selected retirement date when 25% of the saver's investment is switched gradually into the Legal & General Cash Fund G17, which aims to protect the capital built up while providing returns based on short term interest rates.

ESG considerations are integrated within the Multi-Asset Fund. Firstly, LGIM assesses ESG risks when setting the Strategic Asset Allocation for the fund. This is how LGIM chooses which asset classes to invest in as well as how much, which may change over time. Secondly, all security exposures across the fund benefit from LGIM's market leading Investment Stewardship and Active Engagement approach, through which LGIM as a shareholder engages with companies and votes on behalf of its clients.

Finally, LGIM also removes several companies from the equity index building blocks, excluding coal miners, controversial weapons and UN Global Compact violators, and will also implement disinvestments as part of the LGIM Climate Impact Pledge.

More information on our approach to ESG can be found at **legalandgeneral.com/esghub**

Objectives for bespoke default arrangements

Under the bespoke model, the selected lifestyle profile is determined by the employer and its own independent investment adviser (not by the investment adviser to the Scheme).

The main objective of the default arrangement in the bespoke model will be determined by the employer and its own independent investment adviser, tailored to the requirements of its employees. Each lifestyle profile will automatically move a saver's money, over a defined period of time, into funds that reflect these objectives at retirement.

We expect the employers to take into account a range of criteria which reflect those outlined above. We also expect them to take into account any feedback provided to the employer in relation to their savers' views on pension investments.

We review and must give our approval to any bespoke default arrangements before they are put in place. We also require employers to review this with their own investment adviser on at least a three-yearly basis, or when there are any significant changes to savers. We will review and must agree to any subsequent default changes.

Historic default arrangements

Historically, employers may have been permitted to select their own default arrangement which falls outside of the investment and governance criteria described in this document. These are referred to as 'legacy bespoke defaults'.

Over time, the intention is to ensure that all Scheme savers are invested in a default that complies with this document, which will be achieved through a rolling programme of saver and employer communications and bulk switches.

There may be certain circumstances where moving default is not appropriate for a particular employer or saver. As part of the programme we take into consideration a number of factors which includes, but not exclusively, costs to the saver, the current investment strategy, age profile of savers, and regulatory obligations.

At-Retirement

Under current legislation, default arrangements are only required for the saving period in the run up to retirement.

While savers are entitled to make use of the full range of pension freedoms, the Scheme only offers a single in-scheme option which allows a saver to keep their pension pot invested at retirement.

Lump sum payments, officially known as Uncrystallised Funds Pension Lump Sums, means leaving the pension pot invested and taking lump sums as and when savers wish, with the first 25% of each withdrawal is usually tax-free. In this scenario, the saver will remain invested in the default arrangement up to and beyond their retirement age, unless they have selected their own investments.

Should a saver wish to take their retirement benefits through flexi-access drawdown or purchase an annuity, we support transfers out of the Scheme to accommodate this.

3. The aims and objectives for investment options outside the default arrangement

While the default arrangement is intended to meet the needs of most savers, it may not meet the needs of a wider cross-section of savers. In order to support saver investment needs outside of the default arrangement, we offer a choice of investment options through our "self-select" fund range.

In designing the self-select fund range we consider the following principles as part of our manager selection process:

- It is designed to complement the default arrangement and to be suitable for those savers who wish to actively choose their own funds;
- We receive independent investment advice which recommends the funds we should offer to savers;
- We provide a range of funds with different levels of risk and return to cater for saver attitudes to risk, which we acknowledge may change over time;
- We make available a good range of ESG focused funds;
- The costs and charges attributed to the funds are appropriate for savers; and
- We consider the output from industry and other relevant surveys. For example, surveys on saver choice generally suggest that:
  - Too little choice is viewed negatively by savers;
  - Too much choice can prove confusing and deter savers from taking action; and
  - Some savers will not regularly review their choices.

When adding, removing and monitoring funds on our self-select range, we expect our independent investment adviser to take into account the risks covered within section 4 of this SIP when determining the appropriateness of a fund to be made available to savers.

We formally review the investment range on a triennial basis with the support of our investment adviser but recognise the self-select fund range cannot be expected to cover the investment needs of all savers.

We also review the fund range on an ad hoc basis between review periods in response to market events, regulatory change and as part of the overall governance process of monitoring our funds.

Subject to fund benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

If we are not satisfied with a fund, we may seek to instruct our investment adviser to find possible alternatives for consideration. In replacing any fund, we will consider the transaction cost, to savers, of switching to the new fund and seek to ensure these are fair.

It is important to note that some funds provided by investment managers outside of the Legal & General Group may incur additional charges to invest in; therefore, a balance needs to be struck between choice and costs.

4. Our approach to investment risks

Risks

We have developed and maintain a framework for assessing the impact of investment and saver risks on long-term investment returns. This section covers the key investment risks and the approaches we take that guide our decision making.

Risk	What is this?	What is our approach to this risk?
Investment strategy	A variety of different mechanisms that are used to control a saver's asset allocation and, hence, investment risk throughout the course of their pension plan. These are often, but not always, used within default arrangement.	We have a clear policy on our approach to investment strategy as covered within sections 2 and 3 of this SIP.
Asset allocation	Asset allocation tries to balance risk by dividing assets among different investment vehicles, most notably equities, bonds, cash and property, but may include other investment types in certain circumstances.	We have a clear policy on our approach to asset allocation as covered within sections 2 and 3 of this SIP. The Legal & General default arrangement includes appropriately diversified elements during, at least, the "growth" phase. We also make available a range of multi-asset funds for savers who wish to select their own funds with an asset allocation strategy. We recognise some savers may wish to implement their own asset allocation strategy to invest in one or more particular asset classes. We therefore aim to ensure savers have access to an appropriate range of asset classes on our self-select fund range for this purpose.
Costs & charges	Costs & charges are the direct and indirect fees a saver incurs as a result of their pension savings being managed and invested by a pension provider. These may have a material impact on the value of a saver's pension fund, especially over a long term.	We have a responsibility to make sure that the charges incurred by savers are reasonable and represent good value for money. On this basis, we review these costs of the default arrangement (and the individual underlying funds, if relevant), as well as the self-select fund range annually. On a quarterly basis LGIM produces transaction costs in accordance with the Cost Transparency Initiative (CTI) template across both internal and externally managed funds, which are then screened in comparison to previous periods as a health check to identify any outliers with notable fluctuations. We monitor compliance with the charge cap requirements under Stakeholder and Automatic Enrolment regulations no less than quarterly.

Risk	What is this?	What is our approach to this risk?
Market risk	The risk that a saver's pension pot will fall in value at any point while a policyholder and especially as they approach retirement when there is less time to recoup losses.	The default arrangement uses a wide range of asset classes, and we seek to manage the risk of large falls in markets just prior to a saver's selected retirement date. The self-select fund range offers options with different levels of return and risk that savers can choose from. We provide information in our literature and communications to help savers understand what investment risks and return profiles are associated with their investment strategy or fund choices. We notify savers during times of extreme market conditions the risk of accessing benefits or switching investments. We encourage savers to seek investment advice.
Currency risk	The risk that the value of the British pound against foreign currencies changes, impacting the returns on funds.	Some fund managers consider currency exposure as a source of returns, although it could increase volatility of returns. Where currency risk is applicable to a fund, we highlight this as a fund specific risk included within our fund literature.
Inflation risk	The risk that investment returns over our savers' working lives may not keep pace with inflation and, as a result, may not produce adequate retirement benefits.	During the growth phase within the default arrangement, savers are invested in funds that are expected to produce long-term investment growth. Some funds are invested in funds that inherently carry inflation risk these funds may be appropriate for savers in certain circumstances as self-select investments. We highlight this as a fund specific risk included within our fund literature.
Liquidity risk	The risk that the assets within the funds that savers hold cannot be bought or sold when savers wish to invest or disinvest.	We receive independent investment advice when determining which funds we make available to savers, which ensures all funds fulfil the legal requirements for liquidity. We avoid offering funds that hold assets which cannot be readily traded but acknowledge that property funds could encounter some liquidity issues in abnormal market conditions. The ability for a fund to have daily liquidity in normal circumstances does not prohibit a blended investment strategy or multi-asset fund from having a small element of less liquid investments. The FROC receives regular management information to monitor the liquidity of our funds and may in times of extreme market conditions intervene in order to protect the interests of savers.

Risk	What is this?	What is our approach to this risk?
Counterparty risk	Also referred to as reinsurance credit risk, this is the probability or likelihood that the other party in an investment may not fulfil its part of the deal and may default on the contractual obligations.	Depending on the fund selections made by savers, some of the assets held by PMC are invested with external providers outside the Legal & General Group. When one insurance company (LGAS) invests its assets with another (PMC), this is known as reinsurance. This reinsurance arrangement has its own rules and impacts savers' right to claim compensation. In the event that LGAS becomes insolvent or is otherwise unable to meet its financial obligations, savers may be able to claim for any losses from the Financial Services Compensation Scheme (FSCS), potentially up to 100% of the total value. The FSCS is designed to pay UK customers compensation if they lose money because a firm is unable to pay them what they owe. More information can be found at **fscs.org.uk**. In the event that PMC becomes insolvent, LGAS will attempt to recover the full value of a saver's investments. If they are unable to do so, LGAS will be responsible for making up any shortfall. In the event that an external insurer becomes insolvent, PMC will attempt to recover the full value of a saver's investments. If they are unable to do so, LGAS will be responsible for making up any shortfall. There are currently no exceptions to these rights. However, any new fund that LGAS has made available since 1 December 2018 may not benefit from them. Where applicable, we highlight this as a fund specific risk included within our fund literature.
Interest rate & default risk	The risk that changes in interest rates in the UK and/or abroad will affect the value of bond holdings, and the risk that there may be companies or governments which fail to pay the agreed interest on the bonds and/or repay the capital.	The default arrangement invests in a range of asset classes and the self-select fund range offers savers a wide choice of funds. Most bond funds offered are index-tracking and hence, investments are spread across many different bonds, but may also offer some actively managed bond funds. To ensure we are comfortable with the level of risk we take advice from our independent investment adviser to ensure the appropriateness of funds being made available to savers. We highlight in our literature and, where appropriate, communicate to savers the impact and risk of holding cash funds, particularly in a low interest rate environment. Where interest rate and default risk is applicable to a fund, we highlight this as a fund specific risk included within our fund literature.

Risk	What is this?	What is our approach to this risk?
Concentration risk	The risk that a saver will be overexposed to a single asset class, stock, issuer, geography, currency or other source of risk.	Funds provided through a life insurance company must comply with the FCA rules. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations must meet requirements on the security and concentrations of assets. To ensure we are comfortable with the level of risk we take advice from our independent investment adviser to ensure the appropriateness of funds being made available to savers. Savers wishing to self-select may be exposed to a certain level of concentration risk, for example if they select one asset class or geography. To mitigate this, we encourage savers to seek investment advice.
Leverage risk	The use of borrowed money to finance the purchase of assets.	Funds provided through a life insurance company must comply with the FCA rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the level of leverage used within a fund. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes. In practice this means investments are generally made in mainstream assets such as bonds and listed equities traded on recognised and regulated stock exchanges and markets and there is limited use of leverage.
Suspension risk	The risk that assets within the funds cease to trade as a result of market conditions.	A fund may apply a suspension to protect remaining investors in an extreme market event. If a fund applies excessive suspensions, or suspends in a relatively liquid environment, then the fund may be reviewed for closure. We may redirect future contributions into a cash or cash-like fund as a low risk, 'liquid' option in the event any fund, such as property funds, cease to trade due to market conditions or otherwise. Through the fund platform we have the capability of building short-term liquidity positions on funds to help protect against any emerging risk of a fund suspending, such as sustained market volatility.
Environmental, Social and Governance (ESG) risks	The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.	We have a clear ESG policy and this is reflected in section 1 of this SIP. Funds which carry this risk are highlighted to savers as a fund specific risk included within our fund literature.

Risk	What is this?	What is our approach to this risk?
Changes in law/ regulation	Changes in government policy or the tax regime may have impacts on certain sectors of the economy or on pension Schemes and, hence, the appropriateness of investment strategies.	Our internal compliance teams keep us informed of any changes in the law and regulations that may impact the appropriateness of our investment strategies for savers. We also have an independent investment adviser who raises any relevant regulatory changes with us.
Converting pension pots into an income in retirement	The risk that investment conditions just before our savers' selected retirement dates will increase the cost of turning their pension pots into an income in retirement.	The default arrangement at the point of retirement is designed to be suitable for savers who wish to access their pension flexibly after retirement, regardless of this option not being available in-Scheme. We recognise that not all savers will choose to do this; accordingly, we also offer savers the choice of other lifestyles and funds from our self-select range which may better suit their intentions at retirement. We notify savers during times of extreme market conditions the risk of accessing benefits or switching investments. We encourage savers to seek advice regarding retirement planning.
Active management risk	The risk that an active fund manager (i.e. a manager who chooses specific stocks or investments with the aim of beating a pre-determined target) may not meet its target in the medium to long-term – this is often known as stock selection risk.	We monitor the performance of all actively managed funds on a quarterly basis. We monitor the funds where there are any concerns with meeting performance objectives and may take appropriate action, which may include fund closures, following the advice from our independent investment adviser.

5. Governance and operational framework

Fund Risk Oversight Committee

Our FROC governs the management of our funds available to Scheme savers. It's made up of a number of our senior managers who meet on a quarterly basis (and ad hoc in certain circumstances) and receive regular reports and information to assure them that our key principles are being followed. They make sure our funds and policies are run in a way that is fair to all our savers and receives independent investment advice from an external investment consultant.

Independent Governance Committee

The FCA rules require firms operating workplace personal pension schemes to establish and maintain an Independent Governance Committee (IGC). An IGC has been established within Legal & General for this purpose.

The remit of the IGC is to act solely in the interests of relevant Scheme savers and to act independently of Legal & General. Savers can find out more about the IGC at **legalandgeneral.com/igc**

The IGC has FCA mandated duties and powers to challenge Legal & General on value for money issues and has obligations to:

- Assess the on-going value for money of the Scheme;
- Act solely in the interests of relevant Scheme savers;
- Raise any concerns with the relevant Legal & General board;
- Escalate their concerns to the FCA if necessary; and
- Report annually on what they have done.

Monitoring

The FROC is responsible for monitoring the appropriateness and performance of the default arrangement and other funds on a regular basis. We've outlined below the areas that we monitor, how we do this and how often.

Fund performance

We monitor the performance of funds offered to savers (in terms of both returns and risk) against the agreed or appropriate performance objectives. The performance is reviewed net of all costs including transaction costs, which means that we can see if the funds are meeting their objectives, taking into consideration explicit costs. This is to ensure that they remain fit to deliver the expected investment return or the risk management objective of the investments.

Funds are monitored on a quarterly basis, with a formal review taking place of each investment fund on an annual basis. Our investment adviser informs us of any changes to the way funds are managed and any other relevant news (e.g. changes to the teams managing funds) on a timely basis following the change.

As the Scheme invests in funds only, rather than individual assets, the fund managers are responsible for appointing custodians (i.e. the firms which ensure the safe keeping of the Scheme's assets) for the funds they are managing on behalf of all investors in their funds. We recognise our role in engaging with their managers on this topic.

Realisation of investments

The funds available for investment by savers have been chosen to provide a suitable range of underlying asset classes to facilitate the required degree of diversification.

Each of the funds is subject to oversight by the manager and complies with regulations relating to diversification, market and counterparty risk. Decisions to buy and sell the underlying investments are based on the manager's views on the relative future performance to meet the investment objectives of the fund.

Reporting

We make available information to savers including fund fact sheets which detail the asset mix of funds and the performance against benchmark. These are available online for savers to view and are updated on a quarterly basis.

Conflicts of interest

In the event of a conflict of interest, we ensure that contributions are invested in the sole interests of savers and beneficiaries.

6. Who's who – a summary of all parties involved in managing or advising the Scheme

The table below shows the key players involved in the successful running of the Scheme and describes the roles they play.

Who they are?	What do they do?
Legal and General Assurance Society Limited ("LGAS")	Scheme Insurer that provides and maintains the investment options available within the Scheme. LGAS is also the Scheme Administrator which carries out the day to day Saver administration for the Scheme, including investing contributions and managing switches between funds.
Fund Risk Oversight Committee ("FROC")	Governs the management of investment options available to Scheme savers, under delegated authority from LGAS.
Independent Governance Committee ("IGC")	Provide an independent review of investments. The IGC works with Legal & General to ensure the Scheme offers good value for money and that the default arrangement is suitable.
Legal & General Assurance (Pensions Management) Limited ("PMC")	Provides the investment platform and underlying funds that LGAS invests in through a reinsurance agreement.
Legal & General Investment Management ("LGIM")	The principal fund manager appointed by PMC for investment and fund administration. Decisions on the day-to-day management of the funds are delegated to the fund managers.
External fund managers	The firms appointed by PMC other than LGIM that provide investment and fund administration. Decisions on the day-to-day management of the funds are delegated to the fund managers.
Investment Adviser	The firm that advises LGAS on appropriate investment strategies and funds for savers.

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