

The Legal Services Commission Staff Pension & Assurance Scheme

Statement of application of the UK Stewardship Code

October 2013

The purpose of this statement is to set out the Trustees' of The Legal Services Commission Staff Pension & Assurance Scheme ("the Scheme") application of the UK Stewardship Code in respect of the management of the Scheme's investment portfolio. This document will be published on the Financial Reporting Council's website and a copy is available to members on request.

As a pension scheme, the Trustees rely on the governance activities of their investment manager. However, the Trustees are firmly committed to ensuring that their manager prioritises the application of the Code appropriately, as good stewardship can enhance long-term portfolio performance, and is therefore in the best interest of all stakeholders of the pension scheme. The Trustees support the principles of the FRC Stewardship Code.

In conjunction with the Scheme's investment manager, Legal & General Investment Management ("LGIM"), the Trustees apply the seven principles of the Code as follows:

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Trustees have given LGIM full discretion when evaluating corporate governance issues, including exercising rights and stewardship obligations relating to the Scheme's investments. However, from time to time the Trustees do inform Legal & General of their views on governance issues which they feel particularly strongly about, such as excessive executive pay.

In conjunction with LGIM, the Trustees review this statement annually. The manager also reviews and revises their policy annually. The Trustees regularly review LGIM's statements of application of the Stewardship Code and implementation of the Code is reviewed directly with the manager at Trustee meetings at least annually.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Trustees have clear policies which address the identification and management of conflicts of interest when making decisions. The Trustees also encourage LGIM to have effective policies for managing conflicts of interest within the management of the assets and the Trustees believe that the manager has an effective team structure in place in order to manage these risks. Voting rights on Legal & General Group PLC shares are not the responsibility of Legal & General Investment Management, and therefore the manager's ownership structure does not represent a conflict.

Principle 3: Institutional investors should monitor their investee companies.

The Trustees are not authorised to make direct investments. Day to day responsibility for the management of the Scheme's assets is delegated to LGIM. The manager has an appropriate process in place in order to not just monitor companies, but which also encourages positive dialogue with

companies on a wide range of issues. LGIM's corporate governance team meet with many companies every year, usually engaging with the Company or Committee Chairman.

At these meetings the manager proactively seeks engagement with companies on areas such as social and employee issues, board structure, remuneration, as well as more routine company business where relevant.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

The Trustees have delegated responsibility for day-to-day interaction with companies to LGIM. This includes the escalation of engagement when necessary. The Trustees have ensured that LGIM has a formal escalation procedure in place, and this is monitored by the Trustees annually.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Trustees are willing to act collectively where appropriate. This role is primarily carried out on behalf of the Trustees by LGIM. The manager communicates directly with other investors on important matters, and is also a member of a number of investor forums and groups, which aids positive collaboration.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Trustees have delegated responsibility to LGIM for its voting policy. The manager votes in all developed markets and the main emerging markets and aims to minimise abstaining votes. The Trustees review LGIM's summary voting information on an annual basis.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

A copy of this stewardship document is available to members on request. LGIM publish their voting policies every quarter, and these are available on the manager's website.

Prepared by Hymans Robertson LLP and the Trustees of The Legal Services Commission Staff Pension & Assurance Scheme