

Corporate Governance Policy

Approved by Pensions Committee on 1st June 2010

Introduction

1. This document sets out the Fund's policy on corporate governance, including the approach towards environmental and social issues
2. The policy is provided to the Fund's investment managers, who are required to follow the principles that it sets out and to report showing how they have done so.

Approach

3. The Fund believes that good corporate governance and the informed use of voting rights are an integral part of the investment process that will improve the performance of the companies in which the Fund is invested.
4. Voting rights are regarded as an asset that needs managing with the same duty of care as any other asset. The use of these rights is essential to protect the interests of the organisations that participate in the Fund and the beneficiaries of the Fund.
5. It is important that the process is carried out in an informed manner. For this reason, it is believed that the investment managers are best placed to undertake it.

Development and Application of a Manager's Policy

6. A manager is required to prepare a policy on corporate governance and on the use of voting rights.
7. The Fund reviews each policy and agrees with the manager how it may be applied on its behalf.
8. The policy towards U.K. quoted companies must take account of the principles contained in the Combined Code and of the guidance offered by relevant organisations, including that contained in the Institutional Shareholders Committee Code on the Responsibilities of Institutional Shareholders.
9. The policy towards companies outside the U.K. must take account of the practices of the home nation.
10. The policy towards unquoted companies must be consistent with the approach adopted for quoted companies, to the extent that this is practicable.

11. A manager must continue to develop its policy and report changes to the Fund for approval.

Social, Environmental and Ethical Issues

12. The active managers are required to include consideration of social, environmental and ethical issues as an integral part of their corporate governance policy and investment process where these may have a financial impact on investment.

13. Part of the Fund's assets are invested on a passive basis. The passive manager is not required to take account of such issues in the selection, retention and realisation of investments but is required to consider them in its corporate governance policy where these may have a financial impact on investment.

Voting Rights

14. A manager is required to vote the Fund's shares wherever it is practical to do so.

15. Voting rights must be exercised in a manner that establishes a consistent approach to both routine and exceptional issues in order that company directors fully understand the manager's views and intentions.

16. Where an issue has arisen and a manager has been unable to reach a satisfactory outcome through active dialogue, an abstention or vote against the appropriate resolutions must be registered. The manager must inform the company in advance of their intention and the reasons why.

Direction by the Fund

17. Whilst a manager is required to implement its agreed corporate governance policy and exercise voting rights, the Fund retains the right to direct a manager in respect of any issue.

18. Issues that must be referred to the Fund for direction are

- Where a manager has a conflict of interest
- Where the Fund is involved in a class action.

19. A manager is required to use reasonable endeavours to consider whether, in their opinion, any issue could become controversial for the Fund or the organisations participating in the Fund. If this is the case, the issue should be referred to the Fund for discussion and, possibly, direction. This applies to engagement and voting.

20. A manager should exercise its own discretion as to what may fall into this category. Examples are

- Where a manager intends to abstain or vote against directors on a major issue
- Matters affecting the local economy.

Manager Review and Reporting Arrangements

21.A manager's policy will be reviewed and its impact monitored on a regular basis.

22.A manager must provide a quarterly report that includes

- A description of how the corporate governance policy and consideration of environmental and social issues are integrated into the investment process and the materiality of such issues for portfolio performance
- A summary of the outcomes from engagement activity during the review period
- Details of investments that are considered to have high risks
- The voting record during the review period.

23.The voting record must be analysed between Global and UK only and show

- The proportion and numbers of votes that were cast.
- A summary and explanation of instances where:
 - Voting rights were exercised in a manner that was inconsistent with the normal policy
 - Voting rights were exercised against management
 - The manager abstained from voting
 - Voting rights were not exercised.

Local Authority Pension Fund Forum

24. The Fund is a member of the Local Authority Pension Fund Forum. This is a voluntary association of fifty local authority pension funds that exists to promote the investment interest of the funds, and to maximise our influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies in which we invest.

Participation in Collective Engagement

25. The Fund participates in collective engagement that has been instigated by its managers or, for example, through its membership of the Local Authority Pension Fund Forum.

Participation in Class Actions

26. The Fund participates in class actions in order to safeguard its assets.

27. The decision on participation is governed by a protocol that has been approved by the Pensions Committee.

Stocklending

28. The Fund has a stocklending programme in place with its global custodian and also participates in programmes arranged by certain of its managers.

29. Stock must be recalled from loan where the Fund's voting rights are required to be exercised on contentious issues.

Fund Review and Reporting Arrangements

30. The Fund reviews this policy annually, or more frequently if required.

31. The Annual Report and Accounts includes a report on corporate governance and an analysis of the voting record for the year.