



INTRODUCTION TO TRUSTEESHIP

Foreword

This is an introductory guide to being a Trustee Director and is intended for individuals who are thinking about becoming directors of Shell Pensions Trust Limited ("SPT"). SPT is the corporate trustee of the Shell Contributory Pension Fund (SCPF).

Many occupational pension schemes in the UK, including the SCPF, are set up as Trusts. This provides security for the members' benefits by ensuring the assets of the scheme are kept separate from those of the Company. It also means the scheme can take advantage of certain tax benefits.

The role of a Trustee Director is an important and responsible one. Members of the SCPF depend on the Board of SPT to ensure that their benefits will be paid and that the SCPF is administered in accordance with its governing documents and the law.

Trustee Directors are not expected to be legal or investment experts, but they do need to be able to understand the advice given by their professional advisers and to question and challenge that advice. Trustee Directors are given preliminary training before or shortly after their appointment to the Board of SPT and training will continue throughout their directorship.

This guide describes:

- what the trustee arrangements for the SCPF are;
- what the duties of a Trustee Director are; and
- how much time is involved in being a Trustee Director.

The Pensions Regulator also provides guidance to Trustee Directors on their duties and responsibilities. A guide entitled "[Understanding your role](#)" is available on the Pensions Regulator's website. The website also includes interactive training modules for trustees, if you become a Trustee Director of SPT you will be required to complete the Trustee Toolkit for trustees of defined benefit schemes within six months of your appointment. If you are considering becoming a Trustee Director of SPT you may find it helpful to look at some of the modules to give you an idea of what can be involved.

All prospective candidates are encouraged to join a group call with a senior manager from the Trustee Services Unit if they have any questions or would like to gain a greater insight into the role. Please email SCPFtrustee@shell.com to join a call.

What are the Trustee arrangements for the SCPF?

The Trustee of the SCPF is a trustee company – SPT, which is a subsidiary of The Shell Petroleum Company Limited ("SPCo"). The Board of SPT consists of eight directors.

The Pensions Act 2004 requires pension scheme trustees to put in place and implement arrangements to secure that at least one-third of the total number of directors on the Trustee Board are member-nominated Trustee Directors ("MNDs"). The arrangements put in place by SPT provide that four directors (half of the members of the Board) are appointed through a member-nomination process. These are the MNDs of the SCPF. MNDs have the same powers and duties as the four directors appointed by SPCo.

The shareholder of SPT is SPCo and as a shareholder, it has the power to appoint and remove the Chair of the Board. If a Board decision requires a vote, the Chair does not have a casting vote.

Trustee Directors unable to attend any meetings can appoint a proxy from among other Trustee Directors.

The SPT has two main standing committees - the Investment and Funding Committee (IFC) and the Risk and Operations Committee (ROC), dealing with risk, audit, benefit administration and communication matters. Each Trustee Director will serve on either the IFC or the ROC. In addition, there is a Remuneration Committee, Environmental, Social and Governance (ESG) Forum and temporary working groups of Board members may be set up for specific projects.

In consideration of the commitment of time and effort for Board and Committee meetings, the Board pays non-Shell employed Trustee Directors a market-based annual fee, in addition to reimbursing reasonable out-of-pocket expenses incurred performing the role. (Active member Trustee Directors, who will be employed by Shell, should reclaim any expenses through their local cost centre.)

The law entitles individuals to take paid time off during working hours to fulfil trustee duties. Trustee Directors will receive feedback from the Chair of the SPT Board on their contribution to the Board which (for Active member Trustee Directors) is included in their Goals and Performance Appraisal (GPA).

The SPT reports on its stewardship of the Fund to members using different channels, including the SCPF annual newsletter called "[The Source](#)", the Shell Pensions in the UK website <https://pensions.shell.co.uk/> and trustee videos. The ROC advises the Board of SPT on these activities.

Who can be a Trustee?

The Pensions Act 1995 (as amended by the Pensions Act 2004) lays down strict rules on the fitness of individuals to act as pension scheme trustees or Trustee Directors. A person may not become a Trustee Director if he or she:

- Has an unspent conviction involving dishonesty or deception.
- Is an undischarged bankrupt.

- Has been disqualified from acting as a company director.
- Is the schemes Auditor or Actuary.

Furthermore, the Pensions Regulator has the power to disqualify any individual who is shown to be unfit to be involved in pension fund governance.

A rewarding and important role

Individual Trustee Directors bring different personal qualities and experience to the role, contributing to the work of the Trustee in their own way. They all have one thing in common: a desire to see that the Fund is well run and to ensure that members' interests are protected.

Trustee Directors are responsible for the proper running of the SCPF. This is a highly responsible role which can be taken on by anyone who is dedicated to looking after the interests of SCPF members and who is willing and able to learn what is necessary to discharge the responsibilities of the role.

What are the duties of the trustee?

When carrying out their duties, Trustee Directors must take into account the fundamental principles of trust law. These are set out below.

Duty to act in accordance with the Trust Deed and Regulations and within the framework of the law.

The SCPF has a set of legal documents called the Trust Deed and Regulations which establish the trust and the provisions of the SCPF. When required, SPT can ask for legal advice on the interpretation of the documents.

Trustee Directors also need to be aware of, and comply with, trust and pensions law.

For example, the duties and powers of the Trustee of the SCPF include:

- The duty to collect contributions and pay benefits according to the Trust Deed Regulations.
- The duty to invest SCPF assets.
- The duty to increase pensions by the annual increase in the Retail Prices Index (RPI), or by 7% (5% for members of the 2009 section) if this is less than the increase in the RPI (different pension increases apply to Enterprise and Moplefan section members).
- The power to set up and monitor the Additional Voluntary Contribution (AVC) arrangements.
- The discretion to pay lump sums on death in certain circumstances.

- The power to make amendments to the Trust Deed and Regulations subject to the process and requirements of the Trust Deed and Regulations.
- The power to delegate duties, powers and discretions. SPT currently delegates investment management to Shell Asset Management Company Limited (SAMCo) and pension fund administration to the Trustee Services Unit in Shell International Limited.

However, the Trustee does not have the power to:

- Make benefit improvements unless requested to do so by an Employing Company.
- Pay pension increases beyond the terms of the Trust Deed and Regulations, unless requested to do so by the Founding Companies.
- Determine a member's pensionable salary.

Duty to act prudently, responsibly and honestly

The Board has a protocol for managing conflicts of interest. This includes a Register of Interests maintained by the Fund Secretary. Timely disclosure of conflicts is a key factor in their successful management.

The duty of prudence is particularly relevant when dealing with funding and investment decisions. Trustees are required to take such care as they would in managing the affairs of a person for whom they are morally bound to provide. But trustees are not expected to be experts, indeed they are required to obtain appropriate professional advice.

Duty to act in the best interests of the beneficiaries and to strike a fair balance between the interests of different classes of beneficiary

A beneficiary is anyone entitled to receive a benefit from the SCPF. Beneficiaries include:

- Active members - current employees accruing pension benefits in the SCPF in respect of active pensionable service.
- Pensioner members - people who have retired from the SCPF and are currently receiving a pension from the Fund.
- Deferred members - people who are no longer active members of the SCPF and are not yet taking a pension, but who have a right to receive pension benefits from the Fund in the future.
- Widows/widowers or civil partners of deceased members; dependants of deceased members.
- The Employing Companies, who may receive any residual surplus if the SCPF is wound up.

A trustee is required to act impartially in a manner it believes to be fair and equitable having regard to the different classes of beneficiary. It is not the role of a Trustee Director to represent the interests of any particular beneficiary, be it the Employer, a trade union or a particular group of members.

The duty to act in a person's "best interests" in the context of pension schemes generally means the best financial interests of beneficiaries.

Duty to take advice on technical matters and any other matters which trustees do not understand

Trustee Directors are not experts and, by law, will often need to take advice on matters where they need expert help. In particular, the Pensions Act 1995 requires trustees to appoint certain professional advisers and sets out a procedure for appointing and removing them. The duties of these advisers are to SPT and not to the employer. Trustee Directors, however, retain the responsibility for the decisions they make after having taken appropriate advice.

The main professional advisers appointed by SPT are:

- Auditor EY
- Actuary Michael Webb, Aon
- Investment Manager Shell Asset Management Company B.V.
- Investment Adviser Aon
- Internal Legal Advisers Shell International Limited
- External Legal Advisers Hogan Lovells
- Administration Trustee Services Unit, Shell International Limited

A big responsibility

SPT itself and the members of the Board are protected from liability in various ways, including a broad indemnity from the Fund.

Trustee Directors can potentially be held personally liable for any loss which they cause the Fund as a result of a 'breach of trust'. They can be held liable for actions taken while they were a Trustee Director even after they have stepped down from the role. A 'breach of trust' happens when:

- you carry out an act as a Trustee Director which you are not authorised to do under the Trust Deed and Regulations - unless agreed by the court or directed by the Pensions Regulator.
- you fail to do something you should have done under the Trust Deed and Regulations.
- you do not perform one or more of the duties you have under the trust or pensions law.

Trustee Directors may be in breach of trust unintentionally because of an administrative error or breach caused through negligence or fraudulent or dishonest behaviour. That is why it is important to have procedures in place for checking that those involved in running the Fund are doing their jobs properly.

How much time is involved in being a Trustee Director?

The law requires that pension scheme trustees should be familiar with the scheme documents and have appropriate knowledge and understanding of trust and pensions law and the principles of funding and investment.

Newly appointed Trustee Directors are required to undertake training to acquire knowledge of the issues involved in running a pension scheme and get familiar with the Trust Deed and Regulations and other SCPF documents. As well as the experience gained carrying out the role, training is provided both internally (by the Trustee Services Unit) and externally through organisations such as the Pensions and Lifetime Savings Association. All Trustee Directors are required to complete the Pensions Regulator's online training for trustees of defined benefit schemes. Additionally, ad-hoc training is given during the term of office and each Trustee Director is expected to keep their knowledge up to date.

There are four scheduled Trustee Board meetings a year. Occasionally, there are also ad-hoc Board meetings and Board workshops (training sessions). Each Board meeting usually lasts all day and may include a training update session.

Board committees meet at least quarterly ahead of each Board meeting, sometimes more often. These meetings also last up to a day.

Nearly all meetings are held in London or virtually. Trustee Directors are sent electronic pre-read documents one week in advance of each meeting. This contains material to be read and digested before the meeting so that Trustee Directors are prepared to actively discuss and then take the necessary decisions. The time this takes depends on the content of the meeting agenda and, to some extent, the experience of the individual Trustee Director. In arriving at the time commitment for the role, one day of preparation has been allowed for each quarterly Board and Committee meeting.

Overall, a time commitment of approximately 20 days a year is required.