



INTRODUCTION TO TRUSTEESHIP

Foreword

This is an introductory guide to being a Trustee Director and is intended for individuals who are considering volunteering for selection as a Director of UK Shell Pension Plan Trust Limited ("UKSPPTL"). UKSPPTL is the corporate trustee of the UK Shell Pension Plan ("UKSPP").

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

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

Trustee Directors are not expected to be legal or financial 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 UKSPPTL and training will continue throughout their directorship.

This guide describes:

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

Details of how a new Trustee Director is selected are set out in the separate document "2023 Rules for the Nomination and Selection of Members for Appointment as Member Nominated Directors of the Trustee Company".

The Pensions Regulator also provides guidance to Trustee Directors on their duties and responsibilities. A booklet entitled "Guidance for Trustees" is available on the Pensions Regulator's website at www.thepensionregulator.gov.uk. The website also includes interactive training modules for trustees. If you become a Trustee Director of UKSPPTL you will be required to complete the Pensions Regulator's online training for trustees of defined contribution (DC) schemes. If you are considering becoming a Trustee Director of UKSPPTL you may find it helpful to look at some of the modules to give you an idea of what can be involved in being a Trustee Director.

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 SI-UKSPP-Trustee@shell.com to join a call.

What are the Trustee arrangements for the UKSPP?

The Trustee of the UKSPP is a trustee company – UKSPPTL - which is a subsidiary of The Shell Petroleum Company Ltd (SPCO). The Pensions Act 2004 requires pension plan trustees to put in place and implement arrangements so 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 the UKSPPTL provide that two Directors will be selected by the membership. These are MNDs of the UKSPPTL. The MNDs will serve alongside the three Directors selected by the employer. For more details see the 2023 Rules document included in this pack. The role and responsibilities of all Trustee Directors are identical regardless of whether they are appointed by the employer or selected by the membership; they must act impartially between all classes of beneficiaries and exercise all powers reasonably and in good faith.

Having MNDs has a number of advantages including ensuring greater transparency. All the Trustee Directors have the same voting powers, responsibilities and functions on the board. If a Board decision requires a vote, then the Chair does not have a casting vote.

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

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 Trustee on their contribution to the Board for inclusion in their Goals and Performance Appraisal (GPA).

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 Trustees or Trustee Directors. A person may not become a Trustee director if they:

- Have an unspent conviction involving dishonesty or deception
- Are an undischarged bankrupt
- Have been disqualified from acting as a company director
- Are the plan's 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 Plan is well run and to ensure that members' interests are protected.

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

The primary objective of the Board is to achieve good member outcomes. In addition to setting the investment strategy for the Plan, this also includes communications to encourage members to plan for their retirement and ensuring that the UKSPP is administered efficiently, honestly and in accordance with its governing documents and the law. The ever-changing pensions regulatory environment and the uncertainty in the world economy are just two factors that reinforce the importance of this role.

What are the duties of the Trustee?

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

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

The UKSPP has a set of legal documents which establish the trust and the provisions of the Plan. The Trustee Directors can only be sure that they are acting in accordance with the Plan documents when they have been read and understood. When required, UKSPPTL 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 legislation.

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

- The duty to pay benefits according to the Trust Deed and Rules and collect contributions in respect of the UKSPP.
- The power to select the investment funds to be made available to members.
- The discretion to pay lump sums on death.
- The power to delegate duties, powers and discretions.

However, the Trustee does not have the power to:

- make amendments to the Trust Deed and Rules;
- determine the level of contributions paid by employers or employees;
- determine who can be a member.

These are all the responsibility of the Principal Employer (Shell International Limited).

Duty to act prudently, conscientiously and honestly

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

The duty of prudence is particularly important for the UKSPPTL when dealing with the UKSPP's investments. It means acting with the same vigilance and care as the Trustee Directors would use in managing the affairs of a person for whom they are morally bound to provide. This includes considering the risks involved in investment and obtaining appropriate professional advice when choosing the UKSPP's range of funds available for members to invest in.

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

UKSPPTL's first duty is to the UKSPP's beneficiaries. A beneficiary is anyone who is entitled to receive a benefit from the Plan. Beneficiaries include:

- Active members - current employees who belong to the UKSPP and are still contributing to the Plan.
- Deferred members - people who are no longer active members of the UKSPP (including members who opt out) and have not yet taken their pension, so still have contributions invested in the Plan.

All types of members must be treated fairly and equally. Trustee Directors represent all beneficiaries of the Plan and may not promote the interests of any one class of beneficiary versus another.

The duty of "best interest" in the context of pension plans 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 pensions professionals and, by law, will often need to take advice on matters where they need expert help. Help and advice to the Board are available from a range of sources such as the Trustee Services Unit and the professional advisers to the Board.

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 UKSPPTL and not to the employer. Trustee Directors, however, retain the responsibility for the decisions they make after having taken appropriate advice.

The professional advisers appointed by UKSPPTL are currently:

- Auditor Ernst and Young
- Investment Manager FIL Life Insurance Limited (Fidelity)
- Investment Adviser Aon
- Internal Legal Advisers Legal department, Shell International Limited
- External Legal Advisers Sackers LLP
- Administration Fidelity

Each of these advisers holds a letter of appointment from UKSPPTL.

A big responsibility

UKSPPTL and the members of the Board are indemnified by the Principal Employer as far as the law allows, in respect of certain liabilities which they may incur as Trustee directors. This does not, however, cover fraud, wilful negligence or a breach of trust committed in bad faith.

Trustees and potentially Trustee Directors can be held personally liable for any loss which they cause the Plan 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 ceased to be a Trustee Director. 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 Rules – 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 Rules
- you do not perform one or more of the duties you have under the trust law or pensions legislation

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

How much time is involved in being a Trustee Director?

The Pensions Act 2004 requires that pension plan trustees should be familiar with their own plan 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 plan and get familiar with the Trust Deed and Rules and other UKSPP documents. 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 contribution plans. Additionally, ad-hoc training is given during the term of office and each Trustee Director is expected to keep his/her knowledge up to date.

There are four quarterly Trustee Board meetings scheduled each year. Occasionally, ad-hoc Board meetings and Board workshops (training sessions) are also required, for example during an investment strategy review (which takes place at least every three years). Each Board meeting usually lasts four to six hours and may include a training update session.

Meetings will be held in London or virtually. Trustee Directors are sent the papers in advance of each meeting. The meeting pack contains material to be studied and digested before the meeting. The time this takes depends on the content of the agenda and, to some extent, the experience of the individual Trustee Director. The preparation time can range from, say, four hours up to six or seven hours. Attendance of meetings in person is preferable. In exceptional circumstances, telephone or video conferencing can be arranged.

A time commitment of between 10 to 12 days a year is required.