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Wincanton plc Pension Scheme (the “Scheme”)

**Policy covering Trustee Director Appointments,
Responsibilities and Requirements**

September 2018

1. Purpose

The Trustee Board, together with a number of dedicated sub-committees, is committed to having high governance standards across all areas of scheme management. The purpose of this policy is to ensure that the Trustee Board fully meets the requirements for Trustee Director appointments as set out by The Pensions Regulator including the requirement for an appropriate number of Member Nominated Directors (MNDs), the requirement for an open and transparent method of appointing MNDs to the Board and the importance of having the right mix of skills and competencies amongst the Trustee Directors.

2. Background

The Trustee company, Wincanton Pension Scheme Trustees Limited, which is a subsidiary of Wincanton plc, the principal employer, administers the Scheme. Currently, the Board of Wincanton Pension Scheme Trustees Limited consists of six Trustee Directors. Four of the Trustee Directors are appointed by Wincanton plc. The Articles of Association of the Trustee Company states that “the number of Directors shall not be subject to any maximum but shall not be less than three”.

Under current legislation, trustee boards must consist of at least one third member nominated appointments. Therefore, the Scheme must currently have at least two MNDs.

The Trustee Board must adopt a MND nomination process which involves at least the active and pensioner members (or an organisation that adequately represents them) plus a selection process. Trustee Boards must ensure that within a reasonable period of a vacancy occurring they make arrangements to comply with legislation. The Pensions Regulator (as set out in its Code of Practice) considers that:

- a reasonable period within which arrangements should be put in place is six months;
- a reasonable period for the nomination and selection process to take place under the arrangements is six months from any requirement arising;
- a reasonable interval for re-running a nomination process due to an unfilled vacancy because of insufficient nominations is no more than three years.

2.1 Principles of Trusteeship

The principles of trusteeship impose certain duties and responsibilities on the Trustee Board collectively and each Trustee Director individually. As backdrop to this policy, each Trustee Director is expected to adhere to the following principles:

- To act within the framework of the law and regulatory requirements and in accordance with the trust deed and rules.
- To act in good faith and in the best interests of members and beneficiaries and to balance fairly and impartially the interests of different groups.
- To act with prudence, reasonable care, honestly and conscientiously.
- Act with skill, competence and due diligence.

- Maintain independence and objectivity by, among other actions, avoiding conflicts of interest and deriving no personal gain.
- Maintain confidentiality of Scheme, sponsor, member and beneficiary information
- Ensure that proper records and accounts are kept and that information is communicated and disclosed as legally required in an accurate and transparent manner – and to ensure that the right benefits are paid out to the right people at the right time.
- Have knowledge and understanding of the law relating to pensions and trusts, as well as the principles of funding and investment and safe custody of the assets.
- Be completely familiar with Scheme documents including the Trust Deed and Rules, Statement of Investment Principles and Statement of Funding Principles.
- The Trustee Board as a whole must possess or have access to, and maintain, sufficient knowledge and understanding necessary to properly run the scheme and ensure sufficient standards of governance and administration.
- The Trustee Board as a whole must take advice on technical matters and on any other matters with which the Trustee Board is not fully familiar. Decisions should be taken only by persons with the right skills, information and resources needed to take them reasonably and effectively and taking account of all the relevant facts (ignoring all irrelevant facts).

2.2 Minimum competencies of all Trustee Directors

Trustee Directors are expected to be committed to the highest standards of honesty and integrity. While the skills of individual Trustee Directors will vary, all Trustee Directors should:

- be a fit and proper person to undertake a trustee role;
- be capable of understanding complex, and often numerical, concepts;
- be able to take a strategic overview;
- be sufficiently confident to engage with and question advisors;
- be able to work collaboratively with other board members and advisors;
- be able to work in an environment of mutual trust where some responsibilities are delegated to other Trustee Directors/Board sub committees;
- be able to operate in an entirely electronic/paperless environment (all Trustee papers are circulated on a secure electronic system and Trustee Directors are provided with an iPad for the duration of their time on the board to enable them to access and read all Board materials)

2.3 Disqualification from holding the role as Trustee Director

If any of the following apply (at any time) then an individual will be disqualified from holding the role as Trustee Director (for the avoidance of doubt this includes both Company appointed Trustee Directors and MNDs):

- they are convicted of an offence involving dishonesty or deception (unless the conviction is spent);
- they are an undischarged bankrupt, or have entered into certain other voluntary agreements with creditors;
- they have been disqualified from acting as a company director;
- they have been prohibited, suspended or disqualified from being a trustee or is otherwise prescribed from acting as a trustee under Section 27 of the Pensions Act 1995;

This list is not intended to be exhaustive and there may be other reasons that could make the role of Trustee Director unsuitable – current and potential Trustee Directors should consult with the Pensions Manager if they are in any doubt about their suitability for the role.

3. Member Nominated Directors

It is for the Trustee to decide the exact arrangements for complying with MND legislation. In deciding the arrangements to be put in place the Trustee considers the following three principles as important considerations:

- Proportionality (i.e. trustees should select an approach, the costs and nature of which, are appropriate to the circumstances of the Scheme)
- Fairness (i.e. treating members fairly. However, this does not mean that all classes of member have to be treated the same – membership distribution is an important consideration)
- Transparency (i.e. the outcomes of the nomination and selection processes, and the method of selection, should be communicated to all the members involved in both processes)

3.1 Eligibility

The Trustee has adopted the following policy:

- The Trustee shall normally seek to appoint one Member Nominated Director from the pensioner members of the Scheme, excluding dependents, who are in receipt of a monthly pension (“Retired MND”)
- The Trustee shall normally seek to appoint one Member Nominated Director from the active membership of the Scheme (“Active MND”)
- The Trustee Board has excluded deferred members from the nomination process because these members are likely to have other time constraints (such as employment

outside of Wincanton plc), could potentially be less engaged (given they are neither an employee nor a pensioner) and may be compromised by working for a competitor or supplier of the sponsor.

- Should the Trustee Board consider it desirable to have more Member-Nominated Directors than necessary to meet the minimum one-third requirement, then it must seek the employer's consent.

3.2 Nomination process

The Trustee Board must put arrangements in place to identify and select MNDs for the Board. The Trustee Board must keep a record of the steps they have taken to comply with the legal and regulatory requirements including the timeframe for implementation.

- The Trustee will communicate with all eligible members (i.e. the active membership or pensioner membership or both if there is a vacancy in each category of membership) inviting nominations from amongst that membership category to become a Member Nominated Trustee Director and fill the relevant vacancy (or vacancies).
- Active MNDs are required to seek the support from any two members of the Scheme (by obtaining nominations from them). It is important that consent is given from the nominee in this case. The Trustee will check and verify the personal details of those members supporting the nominee and in the event that personal details do not match, the application will be rejected and the applicant notified (and given the opportunity to re-submit their application).
- Retired MNDs are also expected to seek the support from any two members of the Scheme by obtaining nominations from them, however in recognition that some members may no longer be in contact with fellow members, they can also nominate themselves.
- The role is likely to require a time commitment of approximately 10-15 days per annum, and applicants who are employed by Wincanton plc, are required to discuss the role with their line manager prior to making an application for the role to ensure that sufficient time will be freed up from their day to day activities to carry out the Trustee Director role. Employment law requires employers to permit an employee to take paid time off to perform trustee duties and receive relevant training for the role.
- Members will be given at least 1 calendar month from the date of advertisement to make an application. Applicants are required to submit their application electronically or by post.
- All applicants will be considered under the selection process.

3.3 Selection process

The role of MND is a unique and challenging one, in a complex and often changing pensions landscape. Therefore, due to the considerable responsibility that comes with this position, nominees must meet certain criteria.

- The Trustee shall appoint a Selection Panel* to consider all nominations. This Panel shall comprise the following members - a quorum shall consist of a minimum of three Panel members:

- The Chair of the Trustee Board or a Trustee Director nominated by the Chair
- An outgoing or current Member Nominated Director**
- One other Trustee nominated by the Chair
- The Scheme's Pensions Manager
- Wincanton plc HR Director, other HR representative (or any other person that the Company deem appropriate)
- The Trustee may, if it considers appropriate, co-opt additional persons to the Selection Panel, where those persons have skills or expertise the Trustee considers the Panel might otherwise be lacking.

*Under all circumstances the Selection Panel must include at least one Scheme member.

**The MND to serve on the Selection Panel will be decided by the Chair of the Trustee. Should an applicant be in competition with an incumbent then the relevant incumbent will not be eligible to serve on the Selection Panel. Should no suitable MND be available then this place on the Selection Panel shall be filled by another Trustee Director or left vacant.

- The Selection Panel will decide on the suitability of an applicant in an objective manner. In order to ensure fairness and consistency in this process, all nominees are assessed against the same Criteria – examples of such Criteria are listed in Appendix 2. The Board carries out an evaluation of its performance and effectiveness and new skill gaps maybe identified that the Board may seek to fill through the MND process. In such cases the skills required will form part of the selection Criteria. Subjective criteria will be avoided.
- The Selection Panel will screen all applicants and identify a short list of those it believes will fit the Criteria and make successful Trustee Directors. The short listed applicants will be required to attend a Selection Panel interview. The logistics of the interviews (dates and locations) will be communicated to the applicants. Prior to the interview the applicant will be advised of the selection Criteria and will be asked to provide appropriate examples to support their application.
- The Selection Panel shall decide, at its absolute discretion, if an applicant is suitable for appointment. The Selection Panel shall recommend their chosen applicant to the Trustee Board for final approval and ratification.
 - Should the Trustee Board conclude that an applicant is suitable for the available role the applicant shall be appointed or a further round of interviews may follow (if necessary). The Selection Panel will inform the successful applicant in writing of the Trustee Board's decision.
 - Should the results of the Selection Panel conclude that more than one applicant is suitable for the available role(s), and no consensus can be reached on who to recommend to appoint, the Chair of the Trustee Board will decide whether to authorise the Selection Panel to make a selection on the basis of a majority of votes of Panel members present or whether to proceed to a ballot by the members.
 - Where the Selection Panel decides an applicant is not suitable for the role (or otherwise decides not to select a particular applicant) the panel will communicate

the reasons of their decision to the applicant to the extent possible (within the bounds of confidentiality). The decision of the selection panel shall be final.

- Should no suitable candidates be nominated, the role will be left vacant and the process re-run at a time decided by the Chair of the Trustee Board, but no more than three years later.
- Should the Board be seeking MNDs from both categories at the same time, and should two strong candidates be nominated from the same category (i.e. 2 Active MNDs or 2 Retired MNDs) and no suitable candidates from the other, the Chair of the Trustee Board can use discretion and consider proposing to the Trustee Board that the membership categories be ignored for this round of appointments.

3.4 Ballot

Should the Chair of the Trustee Board decide to carry out a ballot of members, then a ballot paper will be issued to all active or pensioner members as appropriate (i.e. the same eligible population involved in the nomination process).

The ballot will take place via electronic voting and will be conducted by an independent organization that provides balloting services, as determined by the Trustee from time to time. To help members select their preferred candidate, a candidate profile for each nominee will be provided in a ballot pack.

The ballot will be open for a minimum period of 1 calendar month. The member with the most votes will automatically be appointed to the MND role. In the case of a tie, the Chair of the Trustee Board will have the casting vote.

3.5 Communications

The Trustee Board will consider using its established means of communicating with members to maximise effectiveness whilst minimising cost. Potential approaches include utilising the Scheme website, annual Newsletter or letter. The Trustee reserves the right to advertise the role by such other means as it believes appropriate to ensure that the advertisement is received by the relevant members of the Scheme.

- **Nomination**

The nomination stage should include communication to the members involved, of its essential details, including at least:

- the number of MNDs the scheme should have;
- the number of MNDs in place;
- the number of MNDs vacancies;
- if the present incumbent MND wishes to stand for reappointment
- a short explanation of the role of a trustee and any training requirements;
- eligibility criteria;
- details of the selection process to be used;

- nomination form including an explanation how to complete the form and how to nominate someone for selection as an MND;
- time limits that apply
- interview logistics; and
- a contact for queries.

- **Selection**

The selection stage should include communication to the people involved, of the essential details of the selection process, including at least:

- the outcome of the nomination process (whether successful or not);
- the method of selection and criteria;
- what those involved in the selection process need to do.

- **Outcomes**

The outcome of the selection process should be communicated to all the members involved in both the nomination and selection process and the wider membership.

3.6 Re-running the nomination and selection process

Where there are unfilled vacancies after the nomination process, then this process and the selection process will be re-run at reasonable intervals, which will be no longer than 3-years from the end of an unsuccessful nomination process. However, if a significant change occurs to the Scheme membership (for example, a bulk transfer of members), the Trustee Board will consider an earlier re-running of the nomination and selection processes to ensure the MNDs properly reflect the membership at the time. The Trustee Board may also consider including deferred members when re-running the process if they were not included when they were first run.

3.7 Term of office

Member Nominated Trustee Directors serve for a term of 3 years which can be extended for a further 3 years if that is the wish of both the MND and the Chair of the Trustee (and without having to go through the nomination and selection process again). Unless explicitly agreed by the Chair of the Trustee, a maximum of 9 consecutive years may be served. The Chair of Trustee may also agree, exceptionally, an extension to the term of office of up to 12 months if, in the opinion of the Chair, it would be detrimental for the scheme for the MND to step down with immediate effect at the end of his/her prescribed term.

Should the holder of the Active MND role leave the employment of a participating employer of the Scheme, or if the MND's employer is no longer a participating employer of the Scheme, then he/she will step down immediately as a Trustee Director and a new active MND will be sought.

Should the holder of the active MND role resign from their role then the Chair of the Trustee will agree a suitable date with the MND to step down as a Trustee Director and a new active MND will then be sought.

4. Company Nominated Trustee Directors

The Principal Employer may appoint new or additional Trustee Directors. The Principal Employer may also remove trustees, however it may not exercise this right in any way that conflicts with any arrangements made under legislation relating to member-nominated trustees and directors.

The Principal Employer is responsible for having an effective process for succession planning.

5. Resignation

The office of a Trustee Director shall be vacated if he or she shall, in writing, give at least one month's notice to resign and the Directors (by simple majority) resolve to accept such offer of resignation; or if the Director fails to meet the attendance or relevant knowledge and understanding criteria for all Trustee Directors set out later in this policy; or if the Director is prohibited, suspended or disqualified from being a trustee; or if the Director ceases to meet the Eligibility criteria set out in this policy; or if the other Trustee Directors so decide by unanimous vote; or if Wincanton plc so requests (subject to the overriding legislation in respect of MNDs) and the Directors (except for the Director being removed) unanimously approve the removal in writing.

6. Remuneration, costs and expenses

The Trustee Director role may be paid at the discretion of, and at a rate decided by, the Principal Employer. The Principal Employer will make payment directly to the Trustee Director (or to the corporate entity which employs them where applicable).

Expenses will be paid in line with the Principal Employer's travel and expenses policy. All expenses must be approved by both the Trustee Director's line manager (if relevant) and the Pensions Manager. As explained in Section 3.2 above, active MNDs will be given paid time off to prepare for and attend meetings, undergo training and study papers etc.

The operational running costs associated with the appointment of a MND will be met by the Scheme. All applicants will be reimbursed with any expenses incurred as part of the selection process in line with the Principal Employer's travel and expenses policy.

7. Responsibilities and requirements of all Trustee Directors

7.1 General conduct

The required general conduct of each individual Director is described below:

- To adhere to the Principles of Trusteeship and Minimum competencies of Trustee Directors.
- To devote sufficient time to undertake the role. As noted in Section 3.2 above, the role is likely to require a time commitment of approximately 10-15 days per annum (and potentially more for Trustee Directors who serve on a Standing Committee). If at any point a Trustee Director finds the role is taking up more than 15 days per annum they should raise this with the Pensions Manager in the first instance who will decide, with

the Chair of the Trustee, what steps can be taken, if any, to reduce that Trustee Director's workload.

- To prepare for quarterly (and ad-hoc) meetings in advance by reading meeting papers and, if necessary, clarifying understanding of papers by raising questions with paper authors or the Pensions Manager in advance of the meeting.
- To attend meetings.
 - Should a Trustee Director not attend two Trustee Board Meetings/Training Days in any two-year period, or not attend two consecutive annual Trustee Board Training Days then, at the sole and absolute discretion of the Chair of the Trustee, the Trustee Director may be required to relinquish their post and step down from the Board with immediate effect. The Trustee Director will not have any right of appeal to this decision given the critical importance of having sufficient knowledge and understanding to carry out the role.
 - Meetings will be either in person or by conference call. If the meeting is in person, then each Trustee Director will be expected to attend the meeting in person (for the full duration). On an exceptional basis, the Chair of the Trustee Board can agree with a Trustee Director that he/she attends the meeting via conference call/telephone.
- Trustee Directors are not only expected to attend meetings and training, but also to spend time carrying out activities such as responding to emails, reviewing correspondence such as member communications or other Scheme documentation.
- Contribute to discussions, raise questions and challenge decisions before they are made.
- Participate on Board sub committees or special working groups as proposed by the Chair of the Trustee and ratified by the Trustee Board.
- Complete an Individual Trustee Declaration (annually) to disclose items such as actual or potential conflicts of interest, corporate hospitality, training undertaken and qualifications achieved and confirmation that there has been no activity that might disqualify them from acting as a Trustee Director.

7.2 Training

The Trustee Board recognises that it is responsible for a large, complex and challenging scheme. For these reasons, the Board requires that each Trustee Director demonstrably attains a high standard of relevant knowledge and understanding within a reasonable time of joining the board as set out below:

- All new Trustee Directors will receive a minimum of 2-days induction training. This training will be arranged by the Scheme's Pensions Manager.
- All Trustee Directors are required to complete the Trustee Toolkit made available by the Pensions Regulator within six months of joining the Board. This includes all essential modules based on the size and type of the Wincanton plc Pension Scheme. In addition;

- Trustee Directors will be required to demonstrate that they have completed any new or materially updated modules on an annual basis.
- Trustee Directors will repeat all essential modules every five years.
- All Trustee Directors appointed or reappointed to the Board after 1 April 2016 are required to complete the Pensions Management Institute's Award in Pension Trusteeship within 18 months of joining the Board or hold such other relevant professional qualifications as the Chair of the Trustee Board considers appropriate to the role.
- The Scheme will pay the costs incurred for a new Trustee Director to take the PMI Award up to a maximum of three times within the first 18 months of their appointment. The Scheme will also pay for the Trustee Director to have access to training materials and attend a professionally run training course the first time they take the Award.
- Should a Trustee Director either not complete the Trustee Toolkit within six months of joining the Board or not complete the Pensions Management Institute's Award in Pension Trusteeship within 18 months of joining/re-joining the Board (and not hold such other relevant professional qualifications as the Chair of the Trustee considers appropriate to the role) the Trustee Director will be required to relinquish their post and step down from the Board with immediate effect. The Trustee Director will not have any right of appeal to this decision given the critical importance of having sufficient knowledge and understanding to carry out the role. For the avoidance of doubt the above time limits include any examination re-sits.

The Trustee Board takes training and development responsibilities very seriously and keeps a record of the training completed by each member of the Board. This training record is reviewed annually to identify gaps in knowledge and understanding across the Board as a whole. At least every three years the Board also carries out an evaluation of its performance and effectiveness measured, in part, against the objectives of the Scheme's business plan. In addition, each Trustee Director is expected to;

- Participate actively in all training sessions organised for the Board to enable all Trustee Directors to take decisions "with the skill and care of someone familiar with the issues concerned".
- Undertake at least 15 hours of additional relevant training each year. Activities that count towards the minimum requirement include:
 - Attending relevant seminars, workshops and conferences
 - Attending webinars and web forums
 - Reading published articles (maximum 5 hours)
 - Training events (including on line materials)
 - Attending meetings of recognised pensions bodies
 - Professional qualifications (support will be given to any Trustee Directors completing the Pensions Management Institute's Award in Pensions Trusteeship qualification)

- Training received at Trustee Board meetings or the Annual Trustee Training Day
- Review their own knowledge and understanding annually, identify gaps, seek further guidance from the Pensions Manager or Chair of the Trustee as necessary and undertake additional training. Also to inform the Pensions Manager of their training needs (so arrangements can be made) and to undertake training in order to keep their knowledge up to date (training may need to be specific and timely on occasions relative to the issues facing the Scheme).
- Review on a regular basis the efficiency and effectiveness of the Trustee Board and participate in Trustee Director appraisal systems, including carrying out a self-assessment of their own abilities and an assessment of other Directors as required.
- Professional Trustee Directors will be expected to meet a higher standard of care, ensure compliance with the standards promulgated by the Professional Trustee Standards Working Group set up under the auspices of the Association of Professional Pension Trustees and The Pensions Regulator and be able to demonstrate appropriate knowledge and understanding immediately on appointment.

8. Maintaining and Reviewing this policy

The Trustee Board will maintain its Trustee Appointment, Responsibilities and Requirements policy and review it at least every three years. The Trustee may amend the terms of this policy at any time.

As recommended by the Pensions Regulator's guidance, this policy has been discussed, reviewed and agreed with the Scheme's Sponsor (the principal employer).

9. Appendices

Appendix 1 - Training log

Appendix 2 - Potential screening criteria

Signed: Quentin Woodley
Chair of Wincanton Pension Scheme Trustees Limited

Date: 26 September 2018

Appendix 2

Wincanton plc Pension Scheme Potential Screening Criteria

Criteria

The Selection Panel may use some or all of following screening selection Criteria:

1. **Commitment** (to give up the necessary time to attend meetings, to prepare for meetings and to undertake initial/on-going study)
2. **Curiosity**, inquisitiveness (to ensure they understand the issues)
3. **Self-confidence** (to ensure they are happy to probe advisors and participate in debates)
4. **Collaborative team player** (independent thinker but able to form a consensus – given appropriate leadership – with others)
5. **Comfortable dealing with complexity and dealing with detail** (an unavoidable attribute of pensions!)
6. **Respectful** (of colleagues, advisors, experts and the law)
7. **Communication skills** – does the applicant have the required communications skills to be able to communicate with fellow board members and advisors as well as with members?
8. **Comfortable with numbers** – there are a lot of numbers involved in running a pensions scheme.
9. **Balanced view** – does the applicant have the ability to demonstrate a balanced view or are they likely to solely support the interests of one party or a particular section of members?
10. **Independence** – is the candidate independent. Do they have any major conflicts of interest by taking on the role?
11. **Skill set** – does the candidate have the required skill set/any relevant experience for the role?
12. **Disqualification** – does the candidate fail any of the qualification tests set out in the role profile?