

ZF UK Pension **Plan**

Member Nominated Directors

2019 appointment process

Introduction

The *Pensions Act 2004* ('the Act') requires the Trustee of the ZF UK Pension Plan, TRW Pensions Trust Limited, to put in place arrangements for at least a third of its directors to be nominated by Plan members.

The requirements of the Act are detailed in a Code of Practice issued by the Pensions Regulator, and summarised as follows:

The arrangements must:

- Include a nomination process (in which at least active and pensioner members or an organisation that adequately represents them are eligible to participate);
- Include a selection process in which some or all of the members are eligible to participate; and
- Comply with other statutory requirements.

The principles for how the trustees should decide on the arrangements are:

- Proportionality;
- Fairness; and
- Transparency.

Number of Member Nominated Directors (MNDs)

TRW Pensions Trust Limited has nine directors. The legislation requires one third of Directors to be MNDs. Accordingly, the number of MNDs required is three.

Two of the current MNDs will shortly reach the end of their term of office, with one no longer being eligible for a further term. The second MND's continued appointment as an MND is subject to review.

The nomination process

Via the Plan website and newsletter, all members will have been advised of the current vacancies for MND's on the Trustee Board. Nominations have been invited to fill the vacancies and the deadline for nominations to be received is 30 June 2019.

In order for a person to be nominated as an MND, he or she must:

- Be a deferred, pensioner, widower, dependant or pension sharing spouse member of the Plan.
- Not have any interests outside of the Plan which would conflict with the interests the person would have as an MND (for instance, such a conflict could arise if the person is now employed by a business which is in competition with ZF Friedrichshafen AG, or any of its subsidiary companies);
- Be able to devote sufficient time to the role of being an MND.

In order for a person to be nominated, an application form and questionnaire must be completed and submitted to the Trustee Secretary at the ZF Pension Department by 30 June 2019. The application form requires the nominee to confirm that they consent to the nomination and requires the nomination to be supported by three other members of the Plan. An individual is only able to nominate one candidate in any one application process.

Once the nominations have been received, the nominees with fully completed applications enter a selection pool. For each vacancy on the Board, a Trustee Appointment Committee will review the nominees in the selection pool in order to shortlist up to three candidates for each position. Where nominees are being shortlisted for more than one vacancy, the number of nominees shortlisted will not exceed the number of vacancies plus three. Therefore, the Trustee appointment committee will seek to shortlist no more than five candidates for the current review.

The selection process

The Trustee Appointment Committee will consist of:

- An existing member nominated director of the Board;
- An existing company director of the Board;
- The Trustee Secretary;
- A member of the ZF UK Pension Plan management team;

The shortlisted nominees will then be interviewed by a Trustee Sub-Committee comprising of:

- An existing member nominated director of the Board;
- An existing company director of the Board;
- The Trustee Secretary;
- A Human Resources representative of ZF Friedrichshafen AG.

The Trustee Sub-Committee will decide upon the ultimate appointments by majority decision.

If any of the above individuals have submitted a nomination form themselves, they will not be able to sit on the committees. In which case, their place on the committees for that selection process will be taken by an equivalent individual. In extreme

circumstances, it might not be possible for an existing member nominated director to sit on the committees, in which case two company directors will be required.

Criteria for MND appointments

In order to decide who should be selected, the following factors will be considered by the committees:

- General skills, intellect, experience and competency for the role;
- Relevant experience of pension plans, particularly any recent previous experience as a trustee of a large UK defined benefit pension plan;
- Willingness to devote the time required to the role;
- Personal interest in the role and motivation for becoming an MND;
- Willingness to sit the Pensions Management Institute's Awards in Pension Trusteeship or other suitable qualification;
- Interpersonal skills and ability to work with others;
- Access to internet resources and an email address;
- Whether the person is likely to be prevented by any practical considerations from attending trustee meetings or otherwise fulfilling the role of an MND.

There will be no formal quota for a certain number of MNDs to be drawn from any particular class of membership as this would be age discriminatory. However, the selection panel may take into account the overall balance of the Trustee board when making its selection.

If the number of nominations received is less than the number of vacancies, the selection process set out above will still be followed to ensure that only appropriate individuals are selected to become directors of the Board.

Arrangements for future MND appointments

In the event that a vacancy for an MND is unfilled, the nomination and selection process set out above will be repeated every year.

In order to ensure that any vacancies which arise are filled as quickly as possible, rather than seeking nominees at the time a vacancy arises, a pool of nominees will be retained. An invitation for nominations to be included in the pool will be issued in the Plan's annual newsletter. A nomination will remain valid for five years. This will mean that if a member is not selected for the first vacancy which arises following his or her nomination, this would not prevent the member from being selected in relation to a subsequent vacancy.

Term of Office and resignations

MNDs will generally be appointed for a term of office of 4 years.

MNDs are able to resign from office at any time and it is also possible for all of the other directors of TRW Pensions Trust Limited to resolve to remove an MND from office. In addition, if an MND ceases to be a member, their term of office will automatically cease at the earlier of twelve months from the date they cease to be a member or upon the conclusion of their term of office if earlier.

In the event that an MND leaves office before the expiry of his or her term of office, the selection process will be implemented using the pool of current nominations so that a suitable replacement is found as soon as possible. At the end of the term of office, an MND can be re-nominated provided that he or she continues to satisfy the criteria set out above.

Reviewing the MND arrangements

These arrangements can be reviewed by the Trustee Board at any time. In accordance with guidance from the Pensions Regulator, it is proposed that the arrangements will be formally reviewed after three years. That is, of course, unless a significant event should occur which would make it appropriate to review the arrangements earlier.

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