

ZF UK Pension

Plan

The role of a Trustee

The Trustee of the ZF UK Pension Plan is a company, TRW Pensions Trust Limited. There are nine Directors of TRW Pensions Trust Limited, who are responsible jointly for the administration of the ZF UK Pension Plan, and the investment of the Plan's assets.

The Trustee is required to ensure that the Plan is administered in accordance with the Plan Rules, and with the overriding legislation applicable to pensions. Trustees are not required to be experts in investments or pensions law, but are required to be conversant with the principle responsibilities that they are charged with, and are required to appoint professional advisers to assist them in performing their duties.

Duties of a Trustee

- To act prudently, honestly and conscientiously, with the utmost of good faith;
- To administer the Plan in accordance with the Trust Deed and Rules and any overriding statutory obligations;
- To act in the best interests of all beneficiaries of the Plan, and strike a fair balance between the interests of all classes of members;
- To seek advice where appropriate;
- To invest the assets of the Plan.

A Trustee's duty towards all beneficiaries of the Plan

The Trustee of the TRW Pension Plan must act in the best interests of all of the Plan's beneficiaries, and strike a fair balance between each class of member. The classes of beneficiaries are:

- Pensioners
- Deferred pensioners
- Widow(er)s
- Dependants
- The Company

Trustee directors must be able to make decisions that give appropriate consideration to each class of beneficiary. The role of a Trustee is not to represent a specific class of member ahead of the others.

Discretionary powers

The Plan's Trust Deed & Rules specifies the format of the majority of benefits payable from the Plan, but on occasion, the Trustee is required to exercise its discretion in order to pay a benefit. These include the payment of an ill health early retirement pension to a member who meets a certain level of disability; the payment of a dependant's pension where a deceased member leaves a surviving dependant who was not their legal widow(er); and the payment of a lump sum death benefit to any

number of parties who may have had a financial connection with a deceased member. When taking these decisions on behalf of the Trustee, directors must act impartially, and sensitively. They must act in accordance with the Plan's Trust deed, seek advice where appropriate, and take account of all relevant factors. These decisions are often not straightforward, and in some instances could lead to a dispute. However, the Trustee has in place a number of controls, and experienced advisors, to ensure that its decision making process is appropriate, and ensure that such key decisions are taken collectively after full consideration of the necessary facts.

Confidentiality

In order for Trustee directors to carry out their duties, they may be made aware of a large amount of sensitive and confidential information. This will range from the salary information of a particular member used to calculate their benefits or the health of a member applying for ill health early retirement. The sensitive information will include confidential details of the current health of the Company's business operations which is taken into account when determining Plan funding objectives.

In all of these circumstances, the directors are required to maintain the very highest level of confidentiality and professionalism.

Conflicts of interest

In most circumstances, directors of the Trustee have other roles and responsibilities in addition to their role on the Trustee Board. The role of the Trustee is to act with independence, and there are many circumstances where directors might face a conflict of interest between their role as a Trustee director, and their other commitments, e.g. as a Company director with responsibility to shareholders, or as a trade union official with responsibility to union membership. A Trustee director may even find themselves in a position where they are required to decide upon a matter that has a potential impact on their own benefits.

There are many opportunities for potential conflicts of interest to arise, but directors are required to identify these problems and collectively ensure they are managed appropriately. The problems presented by conflicts of interest may usually be overcome, and where a particularly difficult potential conflict of interest is identified, the Trustee will seek professional advice. On certain occasions, directors with conflicts of interests will not partake in specific decisions or even meetings.

The role of Member Nominated Directors

Three of the nine directors of TRW Pensions Trust Limited are selected from the Plan membership. These are referred to as Member Nominated Directors (MNDs). Five of the remaining Directors are appointed to the role by the Company and the final Director is an independent Director appointed by the Company. There is no difference in role or responsibilities between any of the appointed directors.

Trustee meetings

There are at least four full Board meetings a year. These are formal meetings held at the offices of ZF, Stratford Road, Shirley. Full Board meetings are generally held in the afternoon, and last for approximately four hours. Directors are provided with

extensive paperwork prior to these meetings to enable them to prepare for the business of the meetings. A period of at least one day should be allowed for reviewing meeting papers in advance of the meeting to ensure adequate preparation for meetings.

In addition to the full Board meetings, MNDs attend at least four additional meetings a year to decide upon the payment of discretionary death benefits, ill health early retirement applications and complaints against the Plan. These meetings are also held at the offices of ZF and last for approximately 2 hours.

From time to time, MNDs are invited to sit on specialist Trustee Sub-committees to deal with specific matters facing the Plan that are to be considered outside of the full Board environment.

Training

There is a legal requirement for Trustees to acquire the necessary knowledge and understanding of pensions, and their responsibilities as Trustees. In order to meet this significant requirement, the Trustee Secretary with the support of the Trustee's advisers provides training to MNDs, which is usually spread over three full days.

Support is given to MNDs wishing to sit the examinations for the Award in Pensions Trusteeship, a qualification developed by the Pensions Management Institute. Further information regarding this is available from www.pensions-pmi.org.uk.

Ongoing training is provided to all directors of TRW Pensions Trust Limited by the Trustee Secretary and the ZF Pensions Management Team, and is included within the Trustee's formal business plan.

Trustee remuneration and expenses

Directors of TRW Pensions Trust Limited (other than the professional independent Director) are not remunerated for their services. It is a voluntary role. Current employees of ZF Group will be afforded the necessary time from work to enable them to fulfil their duties as a Director of the Trustee.

All reasonable travel expenses incurred by Directors of the Trustee are remunerated by the Plan, in line with ZF Group's prevailing travel and expense policy.

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