

BAKKAVÖR PENSION TRUSTEES LIMITED (THE "TRUSTEE")

Conflicts of interest policy in relation to the Bakkavör Pension Scheme (the "Scheme")

1 APPROACH

- 1.1 The Trustee approach is to register potential general conflicts, authorise any as appropriate and manage specific conflicts as they arise.
- 1.2 This document sets out:
- (a) Identifying, authorising and recording potential conflicts (Section 2);
 - (b) Managing actual conflicts that arise (Section 3);
 - (c) Additional information (appendix)

2 IDENTIFYING, AUTHORISING AND RECORDING POTENTIAL CONFLICTS

Identifying annually or on appointment

- 2.1 The Trustee will keep a register of potential conflicts of interest, which will be reviewed annually. Any new Trustee Directors will be added to the register, along with any interests which may give rise to a conflict. Advisers will also be expected to declare any potential conflicts.
- 2.2 A directors' resolution can be put in place to authorise *generally* any potential conflict which might arise from a Trustee Director (such as being a member of the Scheme, or a senior employee in the business).
- (a) This general authorisation recognises the potential for conflict. It is not a substitute for specific management of actual or potential conflicts which may arise from time to time.
 - (b) So, if a situation arises where there is a conflict of interests, even where the conflict has been authorised generally, it should be declared and managed appropriately.
- 2.3 Any such conflicts and authorisations will be recorded on the register.

Identifying at meetings

- 2.4 Conflicts of interest will be a standing agenda item at the start of each Trustee meeting, including those of its delegated sub-committees.
- (a) Directors and other attendees should identify any agenda items that give rise to a potential conflict of interest. For example, Scheme members might declare potential conflicts where discussions on benefit improvements or actuarial factors are discussed.
 - (b) The Secretary to the Trustee may assist in setting out potential conflicts in the meeting papers.
- 2.5 Any such conflicts will be recorded in the minutes.

3 EVALUATING CONFLICTS THAT ARISE IN MEETINGS OR OTHER DECISION-MAKING MEDIA

- 3.1 The Trustee Directors will determine whether the existence of any particular conflict is an actual (not potential) conflict and whether it is sufficiently material that it could raise doubt about the validity of their decisions.
- 3.2 Does the Trustee Director have an actual conflict of interest which might be seen as a relevant factor (a bias) influencing the decision-making process.
- (a) Could any decision be challenged on the grounds of the influence of bias arising from that conflict?
 - (b) Are the other Trustee Directors content for that person to continue to be a party to discussions, despite the conflict?
- 3.3 Does the Trustee Director have a legal duty to another entity (such as the sponsor) which cannot be reconciled with his or her Trustee Director duties?
- (a) Would scheme members consider the Trustee Directors' decisions to be tainted by the influence of potentially conflicted directors?
 - (b) Are the other Trustee Directors content for that person to continue to be a party to discussions, despite the conflict?

4 MANAGING CONFLICTS THAT ARISE IN MEETINGS OR OTHER DECISION-MAKING MEDIA

- 4.1 In either case 3.2 or 3.3 above, if the other Trustee Directors are not content for the conflicted director to participate, the other Trustee Directors should consider which approach should be adopted by the conflicted director:
- (a) Participate in discussions, but do not take part in any vote
 - (b) Remain present, but do not participate in the discussion or voting
 - (c) Temporarily withdraw from the meeting
- 4.2 If necessary a vote may be taken, with the Chair's vote being the casting vote in the event of there being no majority.
- 4.3 If the withdrawal of the director renders the meeting no longer quorate, the withdrawing director will be considered as having abstained from any voting which takes place and the meeting will still continue to be quorate.

APPENDIX 1

NOTES

1. Company directors owe statutory duties to their company under the Companies Act 2006. One of these duties is the duty to avoid conflicts of interest unless the conflict has been authorised by the non-conflicted directors or the situation cannot reasonably be regarded as likely to give rise to a conflict of interest. A directors' resolution can be put in place to authorise *generally* any potential conflict which might arise from a Trustee Director who is also a company director. However, this general authorisation is not a substitute for specific management of actual or potential conflicts.
2. Most Trustee Directors will have other roles and/or interests which potentially conflict with their duties as Trustee Directors (both to members and employers). These potential conflicts must be managed in a way which ensures that the Trustee Directors continue to act in a way which fulfils their legal duties. These notes are designed to help the Trustee Directors with this. These notes are not, however, a substitute for legal advice, which may be required to address the circumstances of each particular case.

Note

All types of Trustee Directors may have conflicts of interest. For example:

- Trustee Directors who are Scheme members may have a conflict between their personal interests relating to the Scheme and their Trustee Director duties to all the Scheme beneficiaries (including members and the employers)
- Trustee Directors who are also directors or other senior employees within the Bakkavör group may have a conflict between their duties as a Trustee Director and their duties to the company
- Trustee Directors who are shareholders of the Bakkavör group may have a conflict between their personal interests as shareholders and their duties as a Trustee Director
- An "independent Trustee Director" could have a conflict between their commercial interests in retaining their appointment (usually by the company) and their Trustee Director duties to the Scheme.

3. What are the implications of conflicts of interest for Trustee Directors?

If Trustee Directors make a decision that has (or appears to have) been influenced by an irrelevant factor (for example a Trustee Director's bias due to a conflict of interest), the decision may be challenged in the future, and ultimately overturned by a court. The Pensions Regulator could also decide that the conflicted Trustee Director is not a "fit and proper" person to act, and so remove him or her as a Trustee Director.

4. What are some common examples of conflicts of interest?

- a. A Trustee Director who is a Scheme pensioner who uses his or her position as a Trustee Director to try to secure increases to pensions in payment without considering the interests of the rest of the Scheme's membership.
- b. A Trustee Director who is a Scheme member who uses his or her position as a Trustee Director to try to secure augmented benefits (for example, on ill-health) for friends or relatives who are also members of the Scheme.
- c. An employer-appointed Trustee Director who is also a director of the employer and who knows confidential information in his or her company role would or might, if disclosed to the other Trustee Directors, cause them to decide a particular matter differently. The Trustee Director might, in this situation, be advised that he or she should disclose this confidential information to his or her fellow Trustee Directors. If so, a conflict would arise between the individual's duty to the employer (arising from his or her capacity as a company director) to keep confidential information confidential, and the separate duty to disclose the information to the other Trustee Directors.