

Governance Changes to the Board of Trustees and to the Common Investment Fund – May 2022

The trustees of the Santander (UK) Group Pension Scheme (SUKGPS) have historically invested the Scheme's assets in the Common Investment Fund and have delegated day-to-day investment decisions to the trustee of the Common Investment Fund (CIF).

The CIF was originally set up in 2008 to provide a common investment fund for the Abbey National Group Pension Scheme, the Abbey National Amalgamated Pension Fund, the Abbey National Associated Bodies Pension Fund and the National & Provisional Building Society Pension Fund. Since then, there has been considerable change. The original participating schemes have been merged into a single sectionalised scheme (Santander (UK) Group Pension Scheme), and three further sections have been added to the Scheme: Alliance & Leicester, Scottish Mutual and Scottish Provident. At the same time the governance arrangements have been developed and evolved materially.

Following a robust external review of the CIF, the governance arrangements of the CIF were rated as satisfactory and fit for purpose, although it was identified that there were gaps in practice versus a best practice model, and the Trustees saw substantial value in closing those gaps.

One of the efficiencies identified was a need to streamline decision-making within the CIF where the influence of the Bank appeared to have become stronger. The Trustees proposed to the Bank that the CIF board of Trustees be replaced by the SUKGPS Trustee Board with a view to streamlining the decision-making within the CIF and to minimise undue Bank influence.

As part of a parallel review of the governance of the SUKGPS it was identified that, while the size of the SUKGPS Board of Trustees (10) was typical of other large UK Bank Schemes, the number of member appointed Trustees was higher (50%). This difference compared to other similar schemes was the result of the legacy of the 7 sections of the SUKGPS having their own member appointed Trustees. As a legal minimum at least one-third of Trustees must be appointed by the members.

Following extensive discussion and consideration, it has been agreed that the composition of the board of Trustees of the SUKGPS be amended to match that of more traditional governance models and in line with industry peers so that at least 40% of the trustees are nominated by the membership. At the same time the changes to the CIF governance have been agreed so that the board of Trustees of the SUKGPS has now replaced the board of Trustees of the CIF, allowing the Trustees of the SUKGPS to have more direct decision-making powers relating to the CIF.

The following principles have been acknowledged as part of the considerations in reaching this agreement:

- All Trustees have the same duties regardless of whether they are bank appointed or member nominated
- The new SUKGPS governance structure brings the scheme in line with industry peers
- There remains an overriding commitment to ensuring that the Trustee board maintains the appropriate balance of skills

To facilitate the change in the composition of the SUKGPS board of Trustees, Alistair Campbell, previously a member nominated Trustee, has become a company appointed Trustee with effect from 22 March 2022.

The Bank has also announced that Marcelo Scenna, previously Chairman of the CIF committee, has been replaced as a company appointed Trustee by Tom Ranger, with effect from 1 April 2022.