

IBM UNITED KINGDOM PENSIONS TRUST LIMITED

Arrangements for Nomination and Selection of Member Nominated Directors

The revised arrangements (the '**Arrangements**') which IBM United Kingdom Pensions Trust Limited, the Trustee of the IBM Pension Plan and the IBM IT Solutions Pension Scheme (the '**IBM Plans**') has agreed for the nomination and selection of Member Nominated Directors ('**MNDs**') are detailed below. The Arrangements were adopted by the Trustee on 22 October 2009.

Basic Arrangements

- The Trustee has decided to treat the IBM Plans as one single scheme for the purposes of the MND requirements.
- The Trustee Board will have a maximum of twelve directors, one third of whom must be nominated and selected by all active and retiree members (generally under these Arrangements a 'retiree member' or 'retiree' is a person who is in receipt of a pension either in respect of his pensionable service under the IBM Plans or by reason of transfer credits).
- The MND profile on the Trustee Board will be two active and two retiree members (subject to the provisions below concerning '**Change of Membership Status Following Election**').
- If a casual vacancy arises (see below), the Trustee shall operate the nomination and /or the selection process to fill the casual vacancy to maintain or rebalance, as appropriate, the MND profile (set out in the paragraph above) to the extent possible taking into account the profile of the Trustee Board at that time.
- Deferred members will not be allowed to put themselves forward for nomination as MNDs nor will they be allowed to participate in the nomination or selection process for MNDs.
- The Principal Employer ('**IBM**') will require that its consent be given for a person who is not a member of the IBM Plans to qualify for selection as an MND.
- MNDs, whether retiree or active members, as trustee directors, will have responsibility for all members of the IBM Plans including active, deferred and retiree members.
- The basic term of office for MNDs will be a four year term. This may be different in the case of an MND filling a casual vacancy.
- An MND can stand again for nomination and selection as an MND at the end of his/ her term of office.
- An individual who is in receipt of a pension whilst still employed by IBM and who could, therefore, be considered to be both an active and a retiree member, will be considered to be a retiree member for the purposes of these Arrangements.
- The nomination and selection process, as set out in this document, will take place within six months of any requirement arising to appoint an MND (or such other period as is reasonable in the particular circumstances and which is consistent with The Pension Regulator's Code of Practice).
- The removal of an MND requires the agreement of all the other directors of the Trustee.
- MNDs will not be excluded from any function(s) exercised by the directors of the Trustee by reason only of the fact that they are MNDs.
- An active or retiree member will not be eligible to be appointed and will be disqualified as an MND if he/she is:
 - aged under 18 at the date of appointment;
 - an undischarged bankrupt;
 - disqualified from being a company director or convicted of an offence involving dishonesty or deception; or

- prohibited or suspended from being a pension scheme trustee/trustee director by The Pensions Regulator;
- prevented from doing so by virtue of the provisions of any applicable legislation and/or the Articles of Association of the Trustee Company

The Nomination Process

- Only active and retiree members of an IBM Plan are eligible to be nominated to serve as MNDs and they must also have a minimum of two years IBM Plan membership (which may include transferred in service – i.e. as a result of a TUPE transfer).
- Nominations must be supported by five other active or retiree members from the IBM Plans.
- For a casual vacancy, where there is a need to fill the vacancy particularly promptly, the Trustee shall have discretion to decide that the nominations will be supported by five members in the relevant category (i.e. either active or retiree depending on the category of member being nominated). If this discretion is not exercised, nominations must be supported in accordance with the preceding bullet point.
- Where an active or retiree member of an IBM Plan is nominated as a candidate for an MND post, the nominee's written consent to stand as an MND must be obtained in advance.
- Individuals will not be allowed to nominate themselves and no representative organisations will be involved in the nomination process.
- There will be no age-related limitation for candidates taking up the role of an MND.
- Candidates must be normally resident in the UK

After Nominations

- Where the number of nominations for either the active or retiree MND positions is equal to, or less than, the number of vacancies in the relevant category (including casual vacancies), the MND candidate(s) in that category will be deemed to have been selected. If there are more active or retiree nominees than there are vacancies in each category, an election will be held for that active or retiree category.
- Where a vacancy is not filled because there are insufficient nominations in either the active or retiree category for MND positions (including casual vacancies), the nomination and selection process will be run again for the particular vacancy, to bring the number of MNDs up to the full complement of four. It will be run at an interval of six months from the end of the original selection process (or at such earlier interval as the Trustee shall decide). In the event that the re-run of the nomination process is again unsuccessful, the Trustee shall re-run the nomination and selection process again at such intervals as the Trustee shall decide, but not being at an interval of more than three years from the end of the last nomination and selection process.
- The Trustee may decide that the term of office of a person appointed as a result of a re-run nomination process may be varied from the basic four year term and will take a similar approach to that set out in the casual vacancies section below.
- Where the Trustee has discretion to decide upon an interval or term of office as set out above, its decision shall be consistent with the Pensions Regulator's Code of Practice.

The Election Process

- MNDs will be elected by a ballot of all IBM Plans' active and retiree members. Where there are MND elections as a result of a casual vacancy and the vacancy needs to be filled particularly promptly, the Trustee shall have discretion to decide that the MND elections will only involve a ballot of either active or retiree members of the IBM Plans, depending on the category of membership being elected. If this discretion is not exercised a ballot of all IBM Plan's active and retiree members shall be held to fill the casual vacancy.
- The ballot process will be conducted by the 'Electoral Reform Services' or other suitable independent entity using the Single Transferable Voting system. Where there is a casual vacancy and the vacancy needs to be filled particularly promptly, the Trustee has the discretion to decide

whether the Single Transferable Voting system or the First Past the Post system may be used. If this discretion is not exercised the Single Transferable Voting system shall be used.

- The electorate may cast their votes using either electronic or postal voting. In the event of an election following a casual vacancy which involves only active members, the Trustee may decide that only electronic voting will be used for those active members who are not on Leave of Absence. Postal voting will be used for members on Leave of Absence in these circumstances.
- IBM's Pensions Trust department will be responsible for managing the overall process and for answering any questions which may arise.

Change of Membership Status following Election

- Following the election of an MND, if he/she ceases to be an employee of IBM and becomes a deferred IBM Plan member, he/she will cease to be an MND. This will result in a casual vacancy.
- Where following the election of an MND, he/she ceases to be an employee of IBM and becomes a retiree member of an IBM Plan; he/she will be entitled to remain on the Trustee Board as an MND. It is explicitly acknowledged that in these circumstances this will result in more retiree MNDs than employee MNDs. Where the MND decides not to remain on the Trustee Board this will result in a casual vacancy.

Casual Vacancies

- If a casual vacancy arises (for example, on the resignation or death of an MND), the Trustee shall operate the nomination and selection process to fill the casual vacancy within the relevant category of MND required to reach the MND profile of two active and two retiree members (i.e. active or retiree as appropriate) to the extent possible taking into account the profile of the Trustee Board at that time.
- The nomination and selection process shall take place within a six month period of the vacancy arising or, within such other period as seems reasonable to the Trustee having regard to the particular circumstances of the IBM Plans. For the avoidance of doubt, in appropriate circumstances, this may include waiting until the next scheduled nomination and selection process to fill the vacancy.
- The term of office of any MND appointed to fill a casual vacancy may be either the basic term of four years or it may be adjusted so as;
 - to be less than four years, being the same as the remainder of the term of office of the MND who created the casual vacancy, or
 - to be more than four years constituting a term of four years, plus the balance of the term of office of the MND who created the casual vacancy (for example where the casual vacancy arises late in the four year term of office of the MND who created the casual vacancy).
- Where the Trustee has discretion to decide upon a reasonable period or term of office as set out above, its decision shall be consistent with the Pensions Regulator's Code of Practice.
- Where a vacancy arises and it is decided to wait until the next scheduled nomination and selection process to fill the MND vacancy, the Trustee shall have discretion to appoint a temporary Trustee director who shall be the next person from the 'List of Reserves' with the highest number of votes recorded. This appointee will not have the status of an MND but will be a Trustee director filling the vacancy on a temporary basis. The List of Reserves will be a published list of the five retiree and five active IBM Plan members who were ranked next highest in the most recently held elections, behind the candidates who were actually appointed as MNDs. The Trustee shall appoint a temporary director from whichever category is required to maintain the correct balance of two active and two retiree MNDs. If an active member has become a deferred member since the List of Reserves was published, that person shall not be considered for a temporary Trustee director role.

MND Trustee Knowledge and Understanding (TKU)

- Education, training sessions and information will be available to potential nominees, actual nominees and successful candidates to enable them to understand the roles and responsibilities of the position.

Reviewing the Arrangements

The Arrangements will be reviewed by the members of the Trustee Board at four year intervals or earlier if there is a material change to the IBM Plans' circumstances and/or the membership taking into account the requirements of the Pensions Regulator's Code of Practice.