



Understanding the...  
**...What, Why & Who**  
of The British American Tobacco  
UK Pension Fund



Members'  
Charter



## Contents

	Page
Introduction	2
The Company and the Fund	3
The Trustee	4
The Pensions Team	6
Professional Advisers and Service Providers	7
Auditors, Consulting Actuaries and Investment Advisers	8
Legal Advice	9
Administration	10
Funding and the Actuary	11
Investment Management	12
Communication	13
Members – Helping Us Help You	14
Who to Contact	15
Useful Websites	16

To set out clearly the Trustee's commitment to members we have agreed the following statement of principle:

**"The Trustee Directors of British American Tobacco UK Pension Fund Trustee Limited are committed to running the Fund in accordance with the Fund Rules and best practice, and to looking after the interests of all beneficiaries of the Fund, whilst operating within the legal and regulatory framework."**

This statement forms the basis of the quality standards outlined in the Members' Charter and is the ruling principle in all our dealings with the membership.



Globe House, London  
British American Tobacco's global headquarters

## Introduction

- **How** is the Pension Fund run?
- **What** does the Trustee do?
- **What** is the Company's role in the running of the Fund?
- **How** do I know that it's run properly?
- **What** standards of service can I expect from the Fund?

These questions are important to you because the efficient and professional operation of the British American Tobacco UK Pension Fund is essential to the delivery of your retirement benefits.

After all running a pension fund is like running a business. There is money coming in and money going out. There are assets and liabilities to manage. And, like any business, it needs to be properly managed with appropriate controls and procedures in place.

That is why we have put together this Members' Charter. It explains who is responsible for what, and sets standards and targets for the efficient operation of the Fund.

It's important that, as a member of the Fund, you:

- understand how it works and who is responsible for paying for it and how it is run;
- know who to contact if you are concerned about any aspects of its operation; and
- feel involved in the way your benefits are provided.

The Trustee Directors believe that this open style of management for the Fund helps to demonstrate our commitment to providing you with a well run, high quality pension fund.

### **Brian Barrow**

*Chairman of the Board of Trustee Directors*

*The British American Tobacco UK Pension Fund*

## The Company and the Fund

The Company's chosen vehicle for the provision of pension and related benefits is the British American Tobacco UK Pension Fund.

The Fund is established under trust and encompasses both a Defined Benefit (or 'final salary') section and a Defined Contribution (or 'money purchase') section.

The Company is responsible for the financial support of the Fund and the benefits it provides. As such, it retains the right to change or amend the Fund, with the agreement of the Trustee, or to discontinue it at any time. In sponsoring the Fund the Company currently:

### Trustee Training and Support

- Facilitates and supports the nomination and election of Member Elected Directors;
- Allows Trustee Directors who are also employees of the Company sufficient paid time off to undertake training and carry out their duties;
- Meets the cost of appropriate training for the Trustee Directors;
- Meets the out-of-pocket expenses incurred by Trustee Directors in the course of their duties and the fees paid to those Trustee Directors not employed by the Company.

### Funding & Costs

- Agrees a statement of funding principles with the Trustee Directors;
- Agrees a schedule of contributions with the Trustee Directors consistent with the statement of funding principles;—
- Makes contributions to the Fund in agreement with the Trustee to enable the Fund to pay the benefits to which members and their dependants are entitled;
- Meets the cost of running the Fund through its contributions, including administration and professional fees;
- Pays the Pension Protection Fund levy in respect of the Fund through its contributions.

### Changing or Winding-up the Fund

- Consults and agrees with the Trustee Directors any proposals to change the Fund;
- Is responsible, in the event of the wind-up of the Fund, for fully funding the benefits earned by members with the aim of 'buying out' the benefits with an insurance company.

## The Trustee

Like most occupational pension schemes in the UK, the British American Tobacco UK Pension Fund is established under trust. Amongst other things, this means that the Fund's assets are legally separate from those of the Company. As a trust the Fund is run by a trustee whose primary role is to ensure the Fund is run in accordance with its governing documents and the requirements of the law. The Fund's trustee is a trustee company – British American Tobacco UK Pension Fund Trustee Limited.

The Board of the Trustee Company currently has 10 Trustee Directors, 5 of whom are appointed by the Company with the remaining 5 elected by the members. One of the Trustee Directors appointed by the Company is independent, with no employment links or directorship with the Company. Details of the Trustee Directors are published in the annual Trustee's Report and Accounts.

As Trustee, the Trustee Directors undertake:

### Basic Principles

- To act according to the provisions set out in the Rules and legislation;
- To act in good faith at all times;
- To consider the interests of and act impartially between all categories of members – employed, pensioner, deferred pensioner or their beneficiaries;
- To act in accordance with the appropriate standard of care;
- To act as custodians of the Fund's assets.

### Administrative Duties

- To ensure that the Fund is properly administered;
- To keep proper records of transactions, members and their benefits;
- To pay the right benefits, to the right people, at the right time;
- To comply with all duties required by law.



## Knowledge and Understanding of the Fund and Pensions in General

- To be familiar with the provisions of the Rules;
- To acquire and demonstrate knowledge and understanding of the law relating to Trusts and other matters relating to the operation of pension schemes as specified by the Pensions Regulator;
- To assign responsibility for specific aspects of the Trustee's duties (Policy & Compliance and Investment & Funding) to sub-committees of Trustee Directors.

## Meetings

- To meet as a full Trustee Board at least 4 times a year (and more frequently if required);
- To review the actions taken by sub-committees in the full Trustee meetings;
- To keep full minutes of each meeting;
- To take decisions based on a consensus wherever possible or a majority vote where required.

## Information

- To meet, as a minimum, all disclosure of information requirements set by legislation;
- To provide members with timely and relevant information on any changes to the Fund Rules that may materially affect their benefits;
- To retain copies of all relevant information given to members, including booklets and announcements;
- To produce formal, audited accounts each year.

## Resolving Queries

- To consider any query or complaint from a member concerning the running of the Fund in accordance with our published internal dispute resolution procedure;
- To provide members with details of the Pensions Regulator, Pensions Advisory Service (TPAS) and the Pensions Ombudsman.

## The Pensions Team

The British American Tobacco Pensions Team is employed by the Company to provide support and services to the Trustee and members of the Fund. A formal service agreement is in place between the Company and the Trustee in respect of these services against which the British American Tobacco Pensions Team is monitored by the Trustee Directors on a regular basis.

In carrying out its duties the Pensions Team is tasked with:

### Supporting the Trustee

- Keeping the Trustee informed about developments in pension practice and law;
- Assisting the Trustee to comply with relevant legislation;
- Providing secretarial services and support for meetings of the Trustee Directors and sub-committees;
- Ensuring all decisions and requests arising out of Trustee Directors and sub-committee meetings are actioned by the appropriate body;
- Ensuring the Trustee complies with the requirements of the Companies Act;
- Providing a professional fund accounting service to the Trustee;
- Arranging and co-ordinating training for Trustee Directors;
- Running Member Elected Trustee Director elections.

### Co-ordinating the Activities of Service Providers including:

- Liaising with and co-ordinating the activities of the Fund's professional advisers and service providers on behalf of the Trustee;
- Monitoring the performance of the professional advisers and service providers against agreed service standards, as appropriate, and reporting to the Trustee;
- Arranging for the payment of fees under all contracts entered into by the Trustee for the purposes of the Fund.

### Member Services

- Responding to member queries and issues;
- Co-ordinating the preparation and approval by the Trustee Directors (and the Company where appropriate) of all communication to members and beneficiaries under the Fund;
- Organising and providing support for pre-retirement courses for eligible members, as required;
- Liaising with and providing administrative support for the Pensioners' Association (see page 15 for contact details) and regional pensioner groups on behalf of the Company;
- Acting as joint editor and managing the publication of Past & Present the Company pensioner magazine;
- Monitoring death notifications, referring death benefit cases for consideration and providing support to Human Resources and members' spouses and relatives, as appropriate;
- Managing the Company's membership of various pensioner welfare organisations including the Tobacco Trade Benevolent Association.



## Professional Advisers and Service Providers

The Trustee has the power to delegate some of its duties to suitable service providers and experts. The Trustee Directors also receive the help of certain professional advisers who assist them in areas where they have insufficient specialist knowledge.

The following professional advisers support the Trustee in carrying out its duties:

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**Consulting Actuaries** Mercer Limited

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**Investment Adviser** Lane Clark & Peacock LLP

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**Legal Advisers** Linklaters LLP

The following service providers are also appointed to support the Fund:

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**Fund Managers** Panel of professional investment managers

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**Administrators** Capita

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**Custodians** Bank of New York Mellon Asset Servicing

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**Auditors** KPMG LLP

The Trustee Directors follow a set of basic principles in dealing with their professional advisers and other service providers:

### Terms of Engagement

- A written contract setting out the terms of engagement must be agreed with each professional adviser or service provider before their appointment.

### Fees and Expenses

- Professional fees and expenses must be agreed before any work is carried out.

### Conflicts of Interest

- Any possible conflicts of interest must be identified by professional advisers or service providers at the earliest possible stage.

### Standards of Performance

- Appropriate performance standards are agreed with each professional adviser or service provider;
- The Trustee Directors are committed to monitoring performance against these standards.

## Auditors, Consulting Actuaries and Investment Advisers

As the Fund's auditors, KPMG are responsible for auditing the Fund's financial statements in accordance with the relevant legal and regulatory requirements and UK auditing standards issued by the Auditing Practices Board.

The Trustee Directors receive actuarial services (see page 11) and advice on best pension practice in general from Mercer and advice on investment strategy and performance from Lane Clark & Peacock (see page 12).

### The Trustee Directors require their advisers:

- To ensure that advice complies with the terms of their own professional standards and procedures and all relevant legislation;
- To endeavour at all times to provide advice that is correct, timely, relevant, clear and concise;
- To inform the Trustee Directors about relevant and topical issues;
- To be responsive to changes (both external and internal) that might affect the Fund;
- To respond promptly within agreed timescales to specific requests;
- To understand the needs of the Trustee, members and Company.



## Legal Advice

Trust and pensions law are complicated areas. Recent years have also seen an ever increasing amount of legislation regulating the way occupational pensions are provided in the UK. To keep the Trustee up to date with legal developments and provide specific advice on their activities, the Trustee Directors employ the services of the law firm, Linklaters.

Operating the Fund within the current legal and regulatory framework is the cornerstone to the way the Trustee Directors approach their responsibilities. Therefore, clear and correct legal advice is essential to the way they manage the Fund.

### The Trustee Directors therefore commit:

- To keep the Fund's Rules updated and available for members to inspect;
- To implement new legislation or statutory requirements as soon as it is reasonably practicable as they come into force;
- To keep up to date with any legal developments that might affect the Fund.

### The Trustee Directors require Linklaters:

- To provide clear, accurate and understandable legal advice;
- To explain new legislation, regulations and other legal developments and their impact on the Fund;
- To provide advice within agreed timescales;
- To be proactive in informing the Trustee Directors in relation to legal developments which may affect the Fund;
- To advise the Trustee Directors of any possible conflicts of interest.



## Administration

The Trustee Directors delegate the day to day administration of the Fund to the British American Tobacco Pensions Team and a specialist third party administrator, Capita. Overall responsibility for administration remains with the Trustee Directors.

The British American Tobacco Pensions Team is responsible for coordinating the services and work done by Capita. It is also responsible for dealing with general enquiries about the Fund from members. Capita is responsible for dealing with personal benefit enquiries from active members, pensioners, deferred pensioners and their beneficiaries.

A detailed schedule of service standards has been agreed with Capita and their performance against these standards is monitored at regular intervals. In all its dealings with members, the Capita team will aim to deal with queries in a courteous and efficient manner. They will seek to provide accurate information based on their knowledge of your benefits. And if your experience is not a positive one, there is a complaints procedure in place. The following sets out those standards that are directly relevant to members.

### Administration Standards

- Provide members with a statement of estimated benefits 60 working days before Normal Retirement Age;
- Provide a final statement of benefits and options within 5 working days of receipt of a completed retirement notification;
- Process tax-free cash sum payments within 2 working days of a member's retirement date or within 2 working days of receipt of the final data, if later;
- Begin and maintain payment of pensions on the due date (quarterly or monthly in advance);
- Set up and put into payment benefits arising on the death of a member within 3 working days of receiving completed documentation;
- Provide early or late retirement quotations within 5 working days of receipt of the request;
- Answer routine enquiries and respond to or acknowledge correspondence relating to members' benefits within 8 working days;
- Provide a statement of deferred benefits for members leaving the Fund within 5 working days of notification;
- Subject to current funding and transfer arrangements, provide transfer value details to the new pension arrangement of a member who has left the Fund within 5 working days of receipt of the member's written request.
- Where any of the above standards cannot be met members will be advised of the reason, and kept up to date on progress on a regular basis.

## Funding and the Actuary

The Trustee Directors work with the Company to ensure that the Fund has the funding required to pay the benefits that members have earned to date and which they can be expected to earn in the future.

To help them achieve this objective, the Trustee Directors use the services of an actuary from Mercer. The actuary is a highly qualified specialist who carries out a funding review every year and a full valuation of the Fund at least every three years. Based on assumptions about a range of factors (earnings, investment returns, life expectancy etc.) the actuary's job is to estimate how much money the Fund needs to pay benefits when they are due.

### The Trustee Directors require the Fund's Actuary:

- To carry out all actuarial work to the professional standards required and defined by the Institute and Faculty of Actuaries;
- To produce work without errors of fact, calculation or presentation;
- To produce work which is clear and understandable to the Trustee Directors;
- To meet the timescales agreed for their work;

### The Trustee Directors are also committed:

- To work with the Company to ensure that the Fund has sufficient assets to pay for the benefits to which members are entitled, when they fall due;
- To preparing and maintaining a statement of funding principles setting out the Trustee's policy for meeting the statutory funding objective and agreeing it with the Company;
- To agree a schedule of contributions with the Company, which is consistent with the funding principles, and monitor contributions received against this schedule;
- To agreeing a funding recovery plan and timescales with the Company, if the funding level falls below the statutory funding objective;
- To producing a summary funding statement each year which sets out the position of the Fund on a 'buy-out' and continuation funding basis;
- To have the Fund valued at least every three years by a qualified actuary.

## Investment Management

The assets of pension schemes are invested to provide a return which helps to pay for the benefits to which members and their dependants are entitled.

The Trustee Directors have overall responsibility for the investment of the Fund's assets and have appointed a separate investment sub-committee to focus on this activity. They are also responsible for selecting and regularly reviewing the range of funds available to members of the Defined Contribution section. The Trustee Directors also receive independent advice from their investment consultants, Lane Clark & Peacock LLP.

In accordance with the Pensions Act 1995 the Trustee Directors have prepared and maintain a detailed statement of investment principles which sets out the investment arrangements of the Fund, including risk management, a copy of which is available to members on request.

The Trustee Directors and investment sub-committee are not investment experts and delegate routine, day to day investment decisions to a panel of investment managers. The investment managers work to clear targets set by the Trustee Directors.

In addition the Trustee Directors have appointed the Bank of New York Mellon Asset Servicing to act as custodians of the Fund's investments. As custodians the Bank's responsibilities include settling trades, collecting income and providing record keeping and reporting services.

### The Trustee Directors undertake:

- To provide each investment manager with written instructions on the investment objectives and strategy they are mandated to implement;
- To keep those instructions up to date;
- To set clear targets for each investment manager based on their individual mandates;
- To monitor the performance of each investment manager regularly, using an independent investment performance measurement company;
- To set an investment policy, taking into account risk and return, and prepare a statement of investment principles in consultation with the Company;
- Not to invest in shares in British American Tobacco plc, or to allow the Company to borrow money from the Fund.

### The Trustee Directors have also agreed the following general standards with all the Fund's investment managers, who are required:

- To translate the Trustee's investment policy and strategy into effective investment decisions;
- To comply with established stock exchange procedures and regulatory requirements;
- To report back regularly to the investment sub-committee and Trustee Directors on their markets and their performance against targets, in a clear and understandable way;
- To monitor voting resolutions in respect of shareholders on behalf of the Trustee and to report back on the outcome.

## Communication

Effective communication is essential to a well-run pension fund. This Members' Charter demonstrates the Trustee Directors' commitment to open communication.

The Trustee Directors believe in keeping members fully informed about the Fund so they go beyond meeting legal requirements. The Trustee Directors' aim is to make the Fund and its operation as clear and as easy to understand as possible.

### The Trustee Directors' communication standards are:

- To use plain English in all communication about the Fund;
- To answer members' questions as fully and clearly as possible;
- To actively and regularly seek feedback from members on the way the Fund is run;
- To produce an annual report and accounts each year, copies of which are available to members on request;
- To produce and issue to all members (employed, pensioner and deferred pensioner) an annual summary funding statement;
- To produce a regular member newsletter, FYI, to keep members up to date with the progress of the Fund and events which might affect it;
- To provide information about the Fund online through a dedicated internet website [www.hartlinkonline.co.uk/batpensions](http://www.hartlinkonline.co.uk/batpensions);
- To give each new eligible employee an information pack about the Fund as they join the Company;
- To give currently employed members an annual benefit statement;
- To notify pensioners in advance of increases to pensions in payment;
- To make a copy of this Members' Charter available to all members.



## Members - Helping Us Help You

We hope you find this Members' Charter a useful guide to the principles, practice and standards which lie at the heart of the Fund's operation. We also hope that it demonstrates the commitment of the Trustee Directors and all those involved in running the Fund to achieving best practice and delivering high standards of service.

As members there are also some things that you need to do to help us continue to meet those high standards and ensure you get the most out of the Fund.

### To ensure we can provide you with the best possible service we need you:

- To keep the Administrators informed, in writing, of any changes in your personal circumstances including:
  - change in marital status
  - entry into or termination of a Civil Partnership
  - children and/or dependants' details
  - change of address
- To provide and maintain an up to date Nomination Form to let the Trustee know who you would like any lump sum benefits paid to in the event of your death;
- To provide any information required to enable the prompt payment of benefits, including:
  - A completed benefit option form at retirement or on leaving;
  - Medical evidence of health in the event of ill health retirement;
  - A certificate of existence;
  - Where applicable, confirmation that when it becomes due for payment your Fund pension, when combined with any other pension benefits you have built up, does not exceed the Lifetime Allowance.





## Who to Contact

If you need to contact someone about any aspect of the Fund or your benefits, there are a number of channels open to you.

The British American Tobacco UK Pension Fund's dedicated administration team, operated by Capita, is available to answer any queries you may have about your individual benefits. You can contact them as shown below:

**By phone:** +44 (0) 114 229 7609

**By fax:** +44 (0) 114 273 0299

**In writing:** BAT Pensions Administration Team  
Capita  
Hartshead House  
2 Cutlers Gate  
Sheffield S4 7TL

**By email:** [batpensions@capita.co.uk](mailto:batpensions@capita.co.uk)

**Website:** [www.hartlinkonline.co.uk/batpensions](http://www.hartlinkonline.co.uk/batpensions)

The British American Tobacco Pensions Team are also available to assist you with any queries you may have about the Fund in general. You can contact them at Globe House, 4 Temple Place, London WC2R 2PG.

In addition, the Pensioners' Liaison Officer with the British American Tobacco Pensions Team, is available to assist pensioners with welfare issues and is contactable at the Globe House address shown above or on **020 7845 1015**.

If you have any queries about the management or general running of the Fund, please write to the UK Pensions Manager at the Globe House address shown above.

If you would like to contact the British American Tobacco Pensioners' Association you should write to the Secretary of the British American Tobacco Pensioners' Association, c/o Pensions Team at the Globe House address shown above.



## Useful Websites

Information about the Fund is also available to all members 24 hours a day, 7 days a week at the Fund's website at [www.hartlinkonline.co.uk/batpensions](http://www.hartlinkonline.co.uk/batpensions)



A wealth of information and advice about pensions in general is also available on the internet. Below we have provided details of some of the official websites currently available:

Government services and information  
[www.gov.uk](http://www.gov.uk)



The Pensions Advisory Service  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)



The Pensions Regulator  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)



The Pensions Ombudsman  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)



Independent Financial Advice Promotion  
[www.unbiased.co.uk](http://www.unbiased.co.uk)





