

Governance

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INTRODUCING OUR BOARD

OUR COMMITTEES AND COMMITTEE CHAIRS

The Board has delegated certain responsibilities to the four Committees, each of which has written terms of reference covering the authority delegated to it by the Board. Each of these Committees has a role in ensuring the effectiveness of the Company.

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, systems of internal control, risk management, the internal capital adequacy process, and internal and external audit. Its remit also includes matters relating to whistleblowing and compliance with applicable regulations and legislation, including the Act.

The Investment Committee supports the Board and the Chief Executive in the development and implementation of the RFL Investment Strategy. It also monitors the ongoing performance and compliance of the outsourced

Investment Manager and Custodian and ensures adherence to the Board agreed investment mandate.

The Nomination Committee supports the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board. Treasury Ministers appoint the Chair of the Board (subject to reasonable prior consultation with the Company's Nomination Committee and Board) and approve final appointments of all Non-Executive Directors.

The Remuneration Committee considers and approves the remuneration arrangements for the Chair, the Executive Director and Senior Management. In line with the UK Corporate Governance Code, Non-Executive Director remuneration is a matter which is agreed by the whole Board, following recommendation from RFL's Nomination Committee.

GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

Audit and Risk Committee
The Audit and Risk Committee is chaired by Glyn Smith.

Investment Committee
A new Chair of the Investment Committee has been appointed, subject to the completion of regulatory processes, which are expected to be completed during the third quarter of 2022.

Nomination Committee
The Nomination Committee is chaired by Jane Hanson.

Remuneration Committee
The Remuneration Committee is chaired by Jenny Watson.

Find out more on pages 30 to 40.

GOVERNANCE

THE BOARD

A diligent, knowledgeable and responsible Board of Directors



JANE HANSON
Chair



ADRIAN SMITH
Chief Executive



KATHERINE GARNER
Non-Executive Director



GLYN SMITH
Senior Independent Director



JENNY WATSON
Non-Executive Director

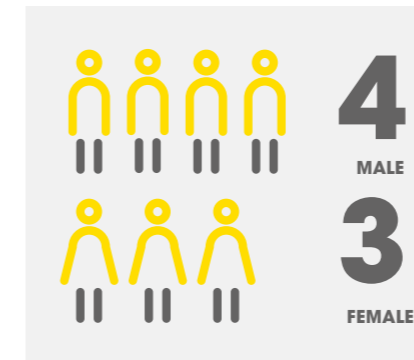


JONATHAN GORRIE
Shareholder, Non-Executive Director



HOLGER VIETEN
Shareholder, Non-Executive Director

BOARD COMPOSITION



1 JANE HANSON
CBE, JP, BA (Hons), FCA
Chair

Appointed: 7 October 2011
Experience: Jane joined the Board in 2011 and served as Chair of the Audit and Risk Committee prior to being appointed as Board Chair on 18 August 2014. A Fellow of the Institute of Chartered Accountants with over 30 years' experience in financial services. Jane's current roles include Chair of Audit Committee and Non-Executive Director of Welsh Water plc and Audit Committee Chair at the Civil Aviation Authority. Jane has also served as a Non-Executive Director and Chair of the Board Risk Committee at Direct Line Insurance Group plc, Old Mutual plc and William Hill plc. She is also the Honorary Treasurer at the Disasters Emergency Committee. Her previous executive roles include Risk and Governance Director at Aviva plc. Jane is also a Magistrate. Jane was awarded a CBE in 2022 for services to charity.

Committees: N R

2 ADRIAN SMITH
OBE, MBA
Chief Executive

Appointed: 16 November 2010
Experience: Adrian joined the Board in 2010. He was previously a senior leader at Britannia Building Society, Bank of Ireland and Bristol & West Building Society and a former Non-Executive Director of Mutual Plus Ltd. Adrian was responsible for leading the project to establish Reclaim Fund Ltd during 2009/10 and was subsequently appointed as Chief Executive. Awarded an OBE for services to the Financial Sector in 2022. Adrian is currently a member of the Dormant Assets Expansion Board. Adrian is also a Trustee of the Plunkett Foundation.

Committees: I

3 KATHERINE GARNER
BSC (HONS), FIA
Non-Executive Director

Appointed: 19 December 2018
Experience: Katherine joined the Board in 2018. A Fellow of the Institute of Actuaries since 1997, she is currently the Chief Executive Officer of Sun Life Financial of Canada in the UK and a member of its Board of Directors. Katherine started her employment with Sun Life Financial of Canada in 2008 and held various positions before taking the role of Chief Executive Officer in 2013. Prior to this Katherine was employed by HSBBC, where her roles included, Head of Operations, Head of Life Insurance and also Finance Director of the Dublin life company and Deputy Head of Investments in the UK.

Committees: A I

4 GLYN SMITH
MA, FCA
Senior Independent Director

Appointed: 4 February 2015
Experience: Glyn joined the Board in February 2015 and was appointed Senior Independent Director in 2020. He is also Chair of the Audit and Risk Committee. A chartered accountant with over 40 years' experience in financial services, Glyn held a number of senior executive positions at Barclays Bank and was Group Finance Director of Portman Building Society. He is currently also a Non-Executive Director and Chair of the Audit Committee of The Co-operative Bank plc and Chair of the West Bromwich Building Society Pension Trustees. He has held a number of public and private sector Non-Executive Directorships, including Domestic & General Group, Coventry Building Society, Stroud & Swindon Building Society, FCO Services and Covent Garden Market Authority.

Committees: A N R

5 JENNY WATSON
CBE, BA, MA
Non-Executive Director

Appointed: 3 January 2019
Experience: Jenny joined the Board in 2019. She is Chair of the House of St. Barnabas, a social purpose business in London's Soho, and of GAMSTOP. She is also trustee of the Norfolk Community Foundation. Jenny started her early career in the not for profit sector and has sat on the Boards of a number of public bodies, serving as a past Chair of both the Electoral Commission and Equal Opportunities Commission.

Committees: A N R

6 JONATHAN GORRIE
MA (OXON), MPHIL, MFIN
Shareholder,
Non-Executive Director

Appointed: 1 June 2021, resigned 6 July 2022
Experience: Jonathan joined the Board in June 2021 as a Shareholder Non-Executive Director, acting as Shareholder representative for RFL's owner, HM Treasury. He is an Executive Director at UK Government Investments, HMG's centre of excellence for governance and corporate finance, which he rejoined in 2021 having also worked at the organisation between 2015-2019. Prior to UKGI, Jonathan worked in investment management. His previous roles were as a portfolio manager at the BT Pension Scheme, running secure income and infrastructure equity portfolios, and at BlackRock, where he helped establish its infrastructure debt business. He began his career at ING Barings in its Energy, Transport, and Infrastructure group.

Committees: A N R

7 HOLGER VIETEN
BSC (HONS), MSC, PHD
Shareholder,
Non-Executive Director

Appointed: 21 April 2022
Experience: Holger joined the Board in 2022 as a Shareholder Non-Executive Director. He is Director of the Financial Institutions Group at UK Government Investments. He is also a Non-Executive Director of UK Asset Resolution. Before joining UKGI in 2018, Holger spent over twenty years advising financial institutions at investment banks including Morgan Stanley, Moelis & Co and Credit Suisse..

Committees: A N R

COMMITTEE MEMBERSHIP KEY

- Committee Chair
- A Audit and Risk Committee
- I Investment Committee
- N Nomination Committee
- R Remuneration Committee

CORPORATE GOVERNANCE REPORT

Following on from the Company's change in ownership on 30 March 2021 – RFL is required by its new shareholder to comply with the principles and provisions of the UK Corporate Governance Code ('the Code'). This was not a significant departure for the Company, as it had previously already followed the spirit of the Code on a voluntary basis. The Company therefore continues to embrace the requirements of good governance practices applying the 'comply or explain' approach.

GOVERNANCE STRUCTURE

Our governance structure is set out in our Framework Document, which has been agreed between HM Treasury and RFL.

The Framework Document provides that RFL shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of the Framework Document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations. In particular (but without limitation), the Company should seek to:

- comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (as amended and updated from time to time) to the extent appropriate to the Company or specify and explain any non-compliance in its annual report;
- comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice to the extent appropriate to the Company;
- comply with Managing Public Money ('MPM'); and
- take into account, as far as practicable, the codes of good practice and guidance set out in Appendix 6 of the Framework Document, as they apply to Arms' Length Bodies.

Purpose

The Framework Document sets out the broad governance framework within which the Company, the Shareholder, UKGI and DCMS, in its joint policy role with the Shareholder, operate. It does not convey any legal powers or responsibilities.

Common Objectives

HM Treasury and RFL share the common objective of delivering the operational activities related to the receipt and management of Dormant Assets, in line with the policy aims of Her Majesty's Government, as permitted by legislation and the Articles. To achieve this, RFL and HM Treasury work together and with

UKGI and DCMS (recognising each other's roles and areas of expertise), to provide an effective environment for RFL to achieve these objectives through the promotion of partnership and trust.

The Role of the Shareholder Ministerial Responsibility

The Economic Secretary to the Treasury has ministerial responsibility for RFL and will account for RFL on all matters concerning RFL in Parliament, although they may delegate this responsibility to a chosen Minister. Relationships between the Shareholder, the Shareholder representative and the Company are founded on professionalism, efficiency, and mutual trust.

Board Appointments

The Shareholder has the following appointment and approval rights in relation to the Company's Board, any such appointments to be subject to applicable regulatory requirements and approvals:

- the Shareholder will appoint the Chair, subject to reasonable prior consultation with the Company's Nomination Committee and the Board. It is intended that this appointment will be made in accordance with the principles of the Governance Code for Public Appointments;
- the Shareholder will nominate a senior employee of the Shareholder representative as a Non-Executive Director on the Company's Board (the 'Shareholder Director'). The Shareholder Director will make provision for the appointment of an alternate for such Shareholder Director (the 'Alternate Shareholder Director') as required;
- the Shareholder will approve the appointment of the Chief Executive Officer on approval by the Board and on the advice of the Nominations Committee. The selection process must be fair and open and the request to the Shareholder for approval of the final appointment should be accompanied by an explanation in writing as to why such appointment is recommended by the Board. This process also applies to proposals to appoint an interim CEO; and

- the Shareholder will approve the appointment of other Non-Executive Directors on approval by the Board and on the advice of the Nominations Committee. The selection process must be fair and open and the request to the Shareholder for approval of the final appointment should be accompanied by an explanation in writing as to why such appointment is recommended by the Board. This process also applies to proposals to re-appoint existing NEDs.

Delegated Authorities

RFL's delegated authorities are set out in the Delegation Letter from the Shareholder. RFL shall obtain, where appropriate, HM Treasury's prior written approval before:

- Entering into any undertaking to incur any expenditure that falls outside the delegations;
- Incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- Making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Shareholder;
- Making any change of policy or practice which has wider financial implications that might prove repercussive, or which might significantly affect the future level of resources required;
- Carrying out policies that go against the principles, rules, guidance and advice in managing public money.

Other Shareholder Reserved Matters:

The Shareholder is answerable to Parliament for all matters concerning RFL. In addition, the Shareholder will review and, if in agreement, give prior written approval to the following 'Shareholder Reserved Matters':

- the Operating Plan (following development and updating by the Board, the Shareholder will review and approve this annually);
- any changes to the approved capital structure and to the financial framework, including to the remuneration policy;

- the appointment of any external auditor; and
- acquisitions, disposals and joint ventures of a value greater than 15% of the Company's net assets at the relevant time.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board and its Committees continue to ensure an appropriate balance of relevant skills, sector knowledge, experience, independence and gender diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board currently includes three female Directors, including the Chair, and remains committed to furthering its skills and diversity, with diversity and inclusivity training scheduled for the Board in the course of 2022. The Board recognises and welcomes the views of all members, and Directors and management are encouraged to contribute their views in an open manner.

The Directors are committed to leading and controlling the Company effectively, using a framework of controls and policies, setting strategy and maintaining a rigorous decision-making process, and ensuring that the necessary financial and human resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators, overseeing the system of risk management and setting values and standards in governance matters.

The Board is accountable for the careful direction of the Company's affairs, in particular the safe stewardship of funds held to meet future reclaims by Dormant Account holders and the optimisation of payments to The National Lottery Community Fund for good causes. This has been an area of key focus in the last financial year, as the Board prepares for the expansion of the Dormant Assets Scheme to include other financial assets.

Under the Company's governance arrangements, certain key decisions can only be made by the Board and

may not be delegated to management. The matters reserved to the Board are set out in a formal Schedule of Matters Reserved to the Board.

The Board manages these matters at its regular Board meetings. It met 14 times during the 15-month period to 31 March 2022.

The assignment of responsibilities between the Chair and the Chief Executive is documented to ensure a clear division between running the Board and the Executive responsibility for running the Company's business.

The Chair is responsible for leading the Board, its effective functioning and promoting the highest standards of corporate governance; she encourages all Directors to actively contribute to Board meetings and promotes constructive relations between the Executive and Non-Executive Directors. The Chair represents RFL and works with the Chief Executive to develop collaborative relationships with the Non-Executive Directors, HM Treasury, DCMS and other stakeholders. The Chair annually reviews the performance of the Chief Executive and Non-Executive Directors. As RFL has transitioned to public ownership and is engaged in work to on-board new asset classes, HMT agreed to extend the tenure of the current Chair to 10 years to ensure stability of RFL through this period of change, this being an exception to the current Code.

Adrian Smith continues to be the Chief Executive Officer and Accounting Officer. As well as leading the Company's strategy, his responsibilities include closely liaising with the Chair and shareholder, communicating key decisions from the Board to the employees and Shareholder, setting objectives and ensuring that the Company acts in accordance with the Framework Document. The CEO is responsible for the overall success of the business, including the vision, mission, direction and overall strategy, including compliance with company law and applicable regulation.

GOVERNANCE

CORPORATE GOVERNANCE REPORT *continued*

Glyn Smith has been the Senior Independent Director since October 2020. The Senior Independent Director is available to employees and stakeholders if they have concerns which remain unresolved following escalation through the normal channels or where contact through these channels is not appropriate in the circumstances.

Jonathan Gorrie was appointed as Shareholder Director on 1 June 2021. Under the terms of the Framework Document an Alternate Director is required to be appointed, and, following amendment of the Company's Articles of Association to enable this to happen, Timothy Martin was subsequently appointed as Alternate Shareholder Director on 9 February 2022. Timothy Martin will attend Board meetings when the Shareholder Director is unable to do so himself. Timothy has not attended any Board meetings since his appointment. On 21 April 2022, Holger Vieten was appointed as a Shareholder Director, with Jonathan subsequently leaving the Board on 6 July 2022.

Dominic Kendal-Ward stepped down from the Board at the effective date of change in ownership on 30 March 2021, having joined the Board in December 2019 as a shareholder appointed Non-Executive Director for Co-op Group. We are grateful to have benefited from his considerable skills and experience as we transitioned to our new owner. Our thanks also go out to Jim Hardie, who retired after serving for seven years as a Non-Executive Director and Chair of our Investment Committee – a role he has performed with outstanding skill, care and diligence during times of considerable market turbulence. The tenure of Jenny Watson and Katherine Garner as Non-Executive Directors was extended by a further three years to 3 January 2025 and 19 December 2024 respectively.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the 15-month period were £555k (2020: £445k).

The Code requirement to explain the actions the Board intends to take to consult with shareholders following a 20% vote against a Board recommendation for

a resolution does not apply to RFL in the 2021/2022 financial year, as there have been no resolutions on which the Shareholder has voted against a resolution proposed by the Board.

BOARD MEETINGS

The agenda for each Board meeting is set by the Chair in consultation with the Chief Executive and Company Secretary and is informed by a two-year rolling agenda. This sets the framework for Board meetings and seeks to ensure that each meeting covers an appropriate range of topics and that, over the two-year period, the Board covers its whole remit. The rolling agenda is reviewed at each Board meeting so that all Directors are aware of agenda items for forthcoming meetings.

Board and Committee papers are distributed at least one week in advance of meetings. This provides the opportunity for Directors to prepare fully for meetings. The minutes of all meetings are available to all Directors. Tablets have been provided to Directors to provide all Board papers, including additional supporting material, solely in electronic format. This is more efficient for Directors, more environmentally sound and more secure than providing Board documentation in paper format.

There is regular communication between the Directors, the Chair, the Chief Executive and the Company Secretary between meetings. In light of continued remote working and the restrictions on travel due to the COVID-19 pandemic during early 2021, the majority of the Board and Committee meetings during the first half of the 15 month financial period were held remotely, via video conference, which has proved to be successful. In the latter part of 2021, and into 2022, the Board was able to meet in person again, running hybrid meetings, with those unable or unwilling due to personal circumstances and COVID-19 concerns to attend in person, being able to continue to participate fully in meetings.

When a Director is unable to attend Board or Committee meetings, issues can be raised with the Chair. Communication between Non-Executive Directors and management is encouraged between meetings.

REGULAR BOARD BUSINESS

During the early part of 2021, the Board convened on a monthly basis (rather than quarterly), to discuss the matters related to new ownership. Additional meetings were also convened towards the end of the year, in preparation for asset expansion in anticipation of the passing of the Dormant Assets Bill 2022.

Ahead of meetings, the Board receives reports from the Chief Executive and the Chief Risk Officer, as well as key performance indicators and an update from the Company Secretary. The Chairs of the four Board Committees (Audit and Risk, Investment, Nomination and Remuneration) also present a summary of issues raised, decisions made, and recommendations proposed at recent Committee meetings. These are noted and discussed further by the Board as required.

SPECIFIC AREAS OF FOCUS

In addition to covering the regular business discussed above, Board meeting agendas are developed in line with the Company's strategic priorities, regulatory trends and other external factors. A rolling agenda of items for Board consideration and approval is maintained and regularly updated. During 2021, the COVID-19 pandemic remained a key focus for the Board, together with the related impact on not only the Company's investments but also the Company's employees and other stakeholders, including the wellbeing of the workforce given the strong focus on remote-working. As restrictions began to be lifted, the Board kept closely in touch with senior management to ensure that the wellbeing of staff in the return to the physical office was paramount.

The early part of 2021 saw the Company focusing on the change of ownership, and the consequent governance, regulatory and fiduciary changes accompanying the move to becoming a public body. Additional meetings were held during this period, to keep the Board fully engaged with the conditions within the Framework Document, which was signed at the time of change of ownership. As the Company is the Scheme's only intended authorised

reclaim fund, a key area of focus was the upcoming expansion of the Dormant Assets Scheme. Engagement with participants, the shareholder and the Government has been vital, and ongoing workstreams continue to prioritise this, as the Company embarks on this next phase of its journey.

Whilst the key area of focus was dominated by change of ownership and Scheme expansion, the Board also kept under regular review and discussion its investment opportunities and portfolio, the Company's reclaim risk model, risk management and governance matters, policies and procedures, appropriate performance measures and corporate governance. The Board also continues to keep under review its own structure, skills and areas of expertise. As the Board is committed to environmental concerns as part of its Environmental, Social and Governance ('ESG') considerations, it is also monitoring any climate-related disclosures it may consider appropriate or desirable to make, although it is currently excluded from any obligations to do so either under the Code or FCA requirements. The Board has committed to moving towards net zero by 2050 as detailed within the Sustainability report.

BOARD COMMITTEES

The Board has delegated certain specified responsibilities to the four Committees listed below, each of which has written terms of reference covering the authority delegated to it by the Board. Each of these Committees has a role in ensuring the effectiveness of the Company.

As defined within the Framework Document, the membership and terms of reference of each Committee shall be determined by the Board and reviewed and updated as necessary by the Board, on at least an annual basis. The Shareholder Director must always be a member of the Audit and Risk, Nomination and Remuneration Committees. Shareholder membership of the Audit and Risk and Remuneration Committees represent a departure from the Corporate Governance Code.

AUDIT AND RISK COMMITTEE ('AARC')

The AARC receives reports from the Company's internal and external auditors, the Chief Risk Officer and the Risk and Compliance functions. Its remit includes matters relating to compliance with applicable regulations and legislation, including the Dormant Bank and Building Society Accounts Act 2008, the effectiveness of systems of internal control, risk management, the internal capital adequacy assessment process, oversight of internal and external audit, whistleblowing and the Annual Report and Accounts. The AARC will also be ensuring compliance with the new Dormant Assets Bill 2022.

During the 15 month period to 31 March 2022 the AARC comprised:

Glyn Smith (Chair)

Katherine Garner

James Hardie (until 21 April 2021)

Jonathan Gorrie (from 1 June 2021 to 6 July 2022)

Holger Vieten (from 21 April 2022)

Jenny Watson

Although the Code requires the members of the AARC to be independent, a Shareholder Representative Director, is required to be appointed to the AARC, Remuneration Committee and Nomination Committee, pursuant to the Framework Document.

The AARC met five times during the 15-month period to 31 March 2022. At each meeting, the AARC received reports from the Chief Risk Officer and the internal auditors, including reports on individual audits undertaken. These reports informed the Committee's views when considering the annual assessment of the adequacy of the Company's systems of internal control. As in previous years, the AARC reviewed the Annual Report and

Accounts in detail, together with the external auditor's report thereon, that included confirmation of the external auditor's independence. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the measurement and key assumptions including the underlying methodology for calculating the best estimate in the provision for reclaims of Dormant Account balances and the restatement of prior periods. The Committee also considered the expected credit losses on the investment portfolio and the new reporting requirements resulting from the adoption of the Corporate Governance Code and the associated Government reporting requirements. The Committee reviewed management's Going Concern and Viability Statement assessment and the continuing impact of the COVID-19 pandemic on potential reclaim rates.

The Committee satisfied itself that the Annual Report and Accounts, taken as a whole, were fair, balanced and understandable and provided the information necessary for stakeholders to assess the performance, strategy and business model of the Company.

During the 15-month period, the AARC reviewed the annual plans of the external auditors, the internal auditors and the Risk function and undertook its biennial review of the effectiveness of internal audit. The Committee reviewed the findings from the second line's six monthly Risk and Control Self Assessment ('RCSA'), this being a process through which operational risks and the effectiveness of risk management and controls are assessed and examined. No significant failings or weaknesses were identified as part of the reviews.

GOVERNANCE

CORPORATE GOVERNANCE REPORT *continued*AARC *continued*

The Committee also reviewed the annual conclusion on the Governance, Risk and Control Framework report from internal audit that included consideration of financial, operational and compliance controls and supported the view that RFL has operated with an appropriate risk, governance and control framework throughout the period.

In addition to the regular reports referred to above, the AARC considered current and projected risk and capital positions and reports on key risk areas both from management and external experts. It also conducted an annual review of Participant agency agreements and considered the accounting and regulatory implications of a revised reclaim model. The Committee regularly reviewed governance project reports for completing the transition to becoming an Arm's Length Body and also received reports on RFL's whistleblowing arrangements. The Committee satisfied itself that the whistleblowing arrangements in place were proportionate to the size of the business RFL operates. The Committee met twice with each of the internal and external auditors, and once with the CRO without the presence of management.

The Board is satisfied that at least one member of the AARC has recent and relevant financial experience with competence in accounting and auditing, and that the Committee as a whole has competence relevant to the sector in which it operates.

INVESTMENT COMMITTEE

The Investment Committee supports the Board and the Chief Executive in the development and implementation of the RFL Investment Strategy and provides assurance to the Board with regard to the ongoing performance and compliance of the outsourced Investment Manager and Custodian within the Board agreed investment mandates and requirements

During the 15 month period to 31 March 2022 the Committee comprised:

James Hardie (Chair)
(until 2 July 2022)
Katherine Garner
Adrian Smith

The Committee met five times during the 15-month period to 31 March 2022. The Company's investments remained relatively stable despite the COVID-19 pandemic and regular investment advice and monitoring were provided by Goldman Sachs Asset Management. As such it was not felt necessary or appropriate to meet more frequently during this period.

During the period, the Investment Committee reviewed its investment policy and continued to monitor the amount of cash being invested. The Investment Committee regularly reviewed reports from management on the internal processes and controls for the investment portfolio. The Company's investment portfolio was noted by its advisers as scoring highly in terms of sustainable investments. Following a review of the liquidity forecasts produced by management, the Board approved the Committee's recommendation for an additional £50m investment with the Investment Manager.

NOMINATION COMMITTEE

The Nomination Committee supports the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board.

During the 15 month period to 31 March 2022 the Committee comprised:

Jane Hanson (Chair)
Glyn Smith
Jonathan Gorrie
(from 1 June 2021 to 6 July 2022)
Holger Vieten
(from 21 April 2022)
Jenny Watson

The Committee met five times during the 15-month period to 31 March 2022, the frequency of meetings reflecting the need to ensure that the terms of the Framework Document are complied with as regards the Non-Executive Directors recruitment process in particular. Under the Framework Document, new Non-Executive Director appointments are subject to approval by the Shareholder, on the recommendation of the Nomination Committee. Following such approval, the appointment can be formally made by the Board. Director appointments and re-appointments are overseen by the Nomination Committee, which meets to consider the engagement of appropriate external search firms (where applicable), reviews longlists of candidates (with close involvement of the Shareholder, through its representative on the Committee), before a panel interview of final candidates. Proposals are then made to the Board for formal appointment. All Non-Executive Director appointments are subject to final approval by the Economic Secretary to The Treasury. Directors disclose any

connections with external search firms used for any search as part of their declarations of interests made prior to each Committee or Board meeting. Recommendations regarding remuneration are made by the Committee.

In the course of 2021, the tenure of James Hardie as a Non-Executive Director and Chair of the Investment Committee was extended by a further year, up to July 2022. The process set out in the Framework Document was carefully followed and the extension was duly approved by HM Treasury. Additionally, the tenure of Katherine Garner and Jenny Watson as Non-Executive Directors was extended by a further three years to 19 December 2024 and 3 January 2025 respectively.

The Committee is very conscious of the benefits of having diverse representation at Board level. Female Directors account for half of the Board and the Nomination Committee, and refresher Board training in diversity and inclusivity is scheduled for later in 2022, as the Board is aware of the need for even greater diversity of representation and the benefits of seeking a variety of different opinions and viewpoints. The Committee also regularly considers succession planning, with input from the Chief Risk Officer.

As part of the recruitment process, the Committee actively considers the benefits of a diverse and inclusive Board. In addition, during the Director appointment process, candidates are made aware of the likely time commitment expected of Directors and are asked to discuss existing work commitments to ensure that sufficient time can be dedicated to fully engaging with their duties as Directors of RFL. This is kept under review in the course of a Director's tenure.

REMUNERATION COMMITTEE

The Remuneration Committee considers and approves the remuneration arrangements for the Chair, the Executive Director and senior management. In line with the UK Corporate Governance Code, Non-Executive Director remuneration is a matter which is agreed by the whole Board, following recommendation from RFL's Nomination Committee.

During the 15 month period to 31 March 2022 the Committee comprised:

Jenny Watson (Chair)
Jonathan Gorrie
(from 1 June 2021 to 6 July 2022)
Jane Hanson
Glyn Smith
Holger Vieten
(from 21 April 2022)

The Committee met four times during the 15 month period to 31 March 2022.

During the period, the Remuneration Committee reviewed the 2021/22 performance and bonus awards for the Chief Executive, senior management and employees, and continued its work on reviewing the framework for the employee bonus scheme. It also reviewed the Remuneration policy and the Directors' Expenses policy. RFL operates a remuneration policy that is annually reviewed and approved by the Board upon the recommendation of the Remuneration Committee. The policy incorporates a Remuneration Framework that aims to support the attraction, recruitment, retention, and motivation of a commercial executive team, but which does not lead to excessive pay. Decisions on pay for staff are delegated to the

GOVERNANCE

CORPORATE GOVERNANCE REPORT *continued*REMUNERATION COMMITTEE *continued*

Remuneration Committee, and with full transparency for HM Treasury via the Shareholder representation on the RFL Remuneration Committee.

Through the Remuneration Committee, RFL assesses and governs senior pay to ensure it is proportionate and justifiable, and that terms and conditions are in line with other staff. Pay controls are examined to stay in line with our status as an ALB and compliant with the guidance set out in Public Sector Pay Controls.

Benchmarking takes place to substantiate the appropriate level of pay. RFL partners with a specialist HR services provider to support our remuneration policy, pay points and benefits proposition. They have access to benchmarking tools and also support us with market analysis for our staff roles.

Benchmarking is conducted on a periodic basis and in more depth where there is an imperative to better understand the market, skills and pay ranges.

Further details of the Remuneration Committee and its work are set out in the Remuneration and staff Report on page 41.

ATTENDANCE

The following table sets out the number of Board and Board Committee meetings each Director was eligible to attend (number in brackets) along with the actual meetings attended during the 15 months to 31 March 2022.

	BOARD	AUDIT AND RISK COMMITTEE	INVESTMENT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Katherine Garner	14(14)	5(5)	5(5)	-	-
Jonathan Gorrie* (Appointed on 1 June 2021) (Resigned on 6 July 2022)	6(6)	3(3)	-	4(4)	2(2)
Jane Hanson	14(14)	-	-	5(5)	4(4)
James Hardie** (Resigned on 2 July 2022)	14(14)	2(2)	5(5)	-	-
Dominic Kendal-Ward (Resigned on 30 March 2021)	6(6)	-	-	-	-
Adrian Smith	14(14)	-	5(5)	-	-
Glyn Smith	14(14)	5(5)	-	5(5)	4(4)
Jenny Watson	14(14)	5(5)	-	5(5)	4(4)

* Jonathan Gorrie is the Shareholder nominated Non-Executive Director, with an alternate nominated Director in place should Jonathan be unable to attend. Only one of these Directors is required to be present for the meetings to be quorate. At no point during the 15-months was the Alternate Director required.

** James Hardie resigned from the Audit and Risk Committee on 21 April 2021.

Holger Vieten is excluded from the table as his appointment date was after the final meetings of the period to 31 March 2022.

PROVISION OF ADVICE TO DIRECTORS

There is an agreed procedure by which Directors may take independent professional advice at the Company's expense in furtherance of their duties.

TRAINING AND PROFESSIONAL DEVELOPMENT

The Chair and the Board actively encourage the ongoing professional development of the Directors. Training sessions were held on cyber security and the development of expanded Dormant Assets. Training sessions on diversity and inclusion, ESG and continued sessions on Scheme expansion are planned for 2022 and 2023.

THE SECRETARY TO THE BOARD

The Secretary is professionally qualified and is responsible for advising the Board through the Chair on all governance matters. The Directors have access to the advice and services of the Secretary.

The Articles of Association and the schedule of Matters Reserved to the Board for decision provide that the appointment and removal of the Secretary is a matter for the full Board. Vistra Company Secretaries Ltd was Secretary throughout the period.

BOARD AND BOARD COMMITTEE EVALUATION

The Board undertakes a review of its effectiveness and that of its committees on a two-year cycle, alternating between a high level review and a full independent review, both of which are completed every four years.

As part of the ongoing process to comply with the requirements of the Code, and the Board's commitment to good governance practice, at the end of the 2021/22 financial year an independent Board Effectiveness Review ('BER') based on the Code's five Principles emphasising the value of good corporate governance to long-term sustainable success was carried out by Vistra Corporate Law Limited ('Vistra'). Directors and management fully participated in the completion of a questionnaire, which was designed around the Code's Principles, and both scores

and comments were carefully reviewed. The questionnaire was followed up with informal one-to-one conversations between the Chair and individual Directors and management.

The role of Company Secretary enabled Vistra to incorporate in the BER its representative's own observations from regular attendance at Board and Committee meetings throughout the financial year, to which was added observations and feedback received by the Chair during the informal discussions supplementing the questionnaire. Vistra will present formal findings from their evaluation to the Board in the second half of 2022, and any actions resulting from their work will be detailed and explained in the 2022/2023 Annual Report and Accounts.

OWNERSHIP

RFL is ultimately owned by the Treasury Solicitor as nominee for HM Treasury, following the acquisition from the Co-operative Group Ltd, via its subsidiary Angel Square Investments Limited, on 30 March 2021.

SHAREHOLDER ENGAGEMENT

In addition to the formal discussions at regular Board and Committee meetings, at which the views of the Shareholder representative are actively sought, there is regular and frequent communication between the Chair, the Chief Executive Officer and the Shareholder representative, with regular meetings being scheduled to discuss ongoing governance and best practice, to foster full engagement with the Shareholder as well as to ensure compliance with the requirements of the Framework Document.

EXTERNAL AUDIT

The performance of the external auditors is regularly monitored by the AARC to ensure it meets the needs of the Company.

In the course of the year, the Company's auditors were changed, to reflect the change of ownership. The Comptroller and Auditor General is now responsible for auditing the Annual Report and Accounts.

RFL has a non-audit work policy that establishes the principles by which it is able to appoint the external and internal auditors for non-audit services. The policy also establishes a framework governing the process by which non-audit services are approved. The AARC reviews this policy on a triennial basis. No non-audit services were provided by the external auditors during 2021/22.

INTERNAL AUDIT

The internal audit function is an independent function, which reports to the AARC, carried out by Deloitte LLP. Its primary role is to provide assurance over the adequacy and effectiveness of the internal control framework including risk management practices.

Internal audit seeks to discharge the responsibilities set down in its charter by completing a risk based internal audit plan, that is approved by the AARC on an annual basis. The plan sets out a framework for the review of business processes and ensures that key business risks are effectively managed by key controls.

The AARC carries out a formal review of the effectiveness of the outsourced internal audit function every two years. Members and attendees of the AARC participated in this review in January 2022, which concluded that the internal audit function remained effective. The next formal review of the internal audit function will be conducted in 2024.

Internal audit also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which business risks are identified and managed.

Internal audit reports are submitted to, and significant issues arising are considered at, the AARC.

GOVERNANCE

CORPORATE GOVERNANCE REPORT *continued***THE LEADERSHIP TEAM**

It is the responsibility of the leadership team to implement the strategic objectives agreed by the Board. The leadership team, led by the Chief Executive, is responsible for the day-to-day management of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

The Board and Executive management have the primary responsibility for identifying the key business risks facing the organisation.

Internal controls are the activities undertaken by management, the Board and other parties to enhance risk management and increase the probability that established objectives and goals will be achieved. The Board has overall responsibility for the Company's system of internal controls which aims to ensure effective and efficient operations, quality of internal and external reporting, safeguarding of the Company's assets and compliance with laws and regulations. The Board recognises that any system can only be designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management framework includes an ongoing process for identifying, evaluating and managing significant risks (including emerging risk) and has been in place for the whole period under review and up to the date of the approval of the Annual Report and Accounts. The Board considered and agreed with the assessment by the AARC that financial, operational and compliance controls had operated with an appropriate risk, governance and control framework throughout the period. Further detail is provided in the Risk Management section of the Strategic review on pages 26 to 27.

A Conflicts of Interest policy is in place to ensure the independence of Directors and the management of potential conflicts.

VIABILITY STATEMENT

The Directors' confirmation that they have adopted the going concern basis in preparing the Annual Report and Accounts is set out on page 71.

In addition to performing a review of the going concern status of the Company, the Directors have also, in accordance with the Corporate Governance Code, assessed its prospects over the period to 31 March 2025. A period of three future years has been selected to be short enough to be reasonably assessable but long enough to reflect RFL's risk profile. Three years also reflects the time period over which we produce our Annual Business Plan which is supported by three-year forecasts from our Participants.

The Company was originally established as an authorised reclaim fund under the Financial Services Authority ('FSA', now 'FCA') Regulating Reclaim Funds Policy Statement (PS09/12) and is required to produce liquidity and capital forecasts that are considered by the AARC and approved by the Board annually.

Liquidity and capital management forecasting are a key part of the risk management framework of RFL and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected liquidity and capital positions. The process assists RFL in evaluating, over the period to 31 March 2025, the key known risks to which it is exposed and the levels of capital and other financial resources that should be maintained to safeguard the liquidity and capital positions of the business at all times, including during a stress scenario. Realistic scenarios are developed with actuarial support whereby plausible economic, regulatory, and technological developments are modelled to reflect a substantial fall in transfers into the Scheme and an increase in reclaim rates. As part of the stress testing the scenarios take into consideration amounts already committed for distribution by RFL, and the additional costs of administering such large reclaims. A reverse stress test exercise was also performed. This test

involved an assessment of the extent to which reclaim rates would need to increase before the Company would be unable to meet liabilities as they fall due. The Directors concluded that the likelihood of such a scenario occurring was extremely remote.

The Board has a number of mitigating actions that it can use to address any liquidity shortfalls, the most significant being amending the timing and amount of assumed distributions, which is in line with the Articles of the Company which determine that the Board has total discretion over such matters.

In light of the change in ownership to a NDPB, in early 2021, the Board received correspondence from the Economic Secretary to the Treasury of HM Treasury's intention for RFL to remain operationally independent under its new status. The Board is therefore confident that its discretion as regards the amount of distributions will remain unchanged.

Based on the results of the liquidity and capital management forecasting, and the assessment of the Company's legal position, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2025.

On behalf of the Board of Directors

**JANE HANSON CBE
Chair**

15 July 2022

REMUNERATION AND
STAFF REPORT

In accordance with the Framework Document, RFL is required to produce a Remuneration and staff report. RFL employs a small team of eleven staff who carry out work to support the day-to-day operations of the business, fulfilling first and second line responsibilities. Given the limited number of staff employed, it is not appropriate to detail the organisational structure of the business given many roles inter-play between team members and responsibilities. During the 15-month period, RFL has also sourced external resource to support the journey to on-boarding new asset classes following the introduction of the new Act, which has temporarily grown the number of staff working for RFL. The disclosures in this report align to the requirements of being an Arm's Length Body whilst being proportionate to the size of RFL.

In this report, the disclosures on Directors' remuneration, pensions, fair pay, staff numbers, costs and exit payments have been audited. No other disclosures have been audited.

REMUNERATION POLICY

The remuneration of our team is key to ensuring that we attract, motivate, and retain the appropriate skills and talent, that we need to effectively operate the business.

Our goal is to ensure that our reward package is competitive in the business environment where we are competing for such skills and talent, while remaining in accordance with our commitments as a publicly owned body and adhering to the principles of Managing Public Money.

Our policy is structured to achieve the following outcomes:

- an employment arrangement that links back to the business strategy and is aligned with the purpose and mission of the organisation; of achieving operating excellence, supporting our core values, and ultimately driving our organisational outcomes;
- the right behaviours and desired performance levels, encouraging colleagues to excel in their role, achieving our success through people, and linking remuneration of all employees to performance in line with our Operating Plan;
- appropriate reward to position us as an employer of choice, where our colleagues actively encourage other talented individuals to come and work for us, the offer being sufficient to attract and motivate high calibre individuals to deliver our purpose and mission;
- making our employees feel valued by us and confident that they are committed to the future of RFL and understand how they can contribute to the success of the business and impact their own remuneration; and
- working within the framework of our regulated status to align with the principles of delivering Value for Money, taking account of Managing Public Money, and considering remuneration levels within comparable public sector organisations, thereby ensuring that RFL's remuneration approach is consistent with wider public sector pay policy.

The Remuneration policy is formally approved by the Shareholder.

DIRECTORS' EMOLUMENTS (AUDITED)

Details of the aggregate Directors' emoluments for the 15-month period ended 31 March 2022 and year ended 31 December 2020 are shown below. The fees for Non-Executive Directors include only those for whom the Company incurs the cost. The level of remuneration paid by the Company to the non-governmental Non-Executive Directors reflects the time commitment and responsibilities of the role. The Shareholder appointed Non-Executive Directors do not receive any fees. Given 2021/2022 represents a 15-month accounting period, an additional column has been added to the table below that reflects the Full Year Equivalent ('FYE') value to enable a meaningful comparison to the previous 12-month accounting period.

GOVERNANCE

REMUNERATION AND STAFF REPORT continued

SINGLE TOTAL FIGURE OF REMUNERATION

15-month period ended 31 March 2022	Salary/Fees ⁷ (£'000)	Performance-related pay ¹ (£'000)	Pension contributions ³ (£'000)	Cash in lieu of pension ⁴ (£'000)	Benefits in Kind ^{5,6} £'s	Total for the 15 months (£'000)	FYE (£'000)
Executive Director Salary							
Adrian Smith ²	230-235	65-70	23	-	11,300	335-340	(265-270)
Non-Executive Directors' Fees							
Jane Hanson	55-60	-	-	-	-	55-60	(45-50)
Glyn Smith	45-50	-	-	-	-	45-50	(35-40)
Katherine Garner	35-40	-	-	-	-	35-40	(25-30)
James Hardie	40-45	-	-	-	-	40-45	(30-35)
Jenny Watson	40-45	-	-	-	-	40-45	(30-35)

12-month period ended 31 December 2020	Salary/Fees ⁷ (£'000)	Performance-related pay ¹ (£'000)	Pension contributions ³ (£'000)	Cash in lieu of pension ⁴ (£'000)	Benefits in Kind ^{5,6} £'s	Total for the 12 months (£'000)
Executive Director Salary						
Adrian Smith ²	180-185	30-35	6	11	9,000	240-245
Non-Executive Directors' Fees						
Jane Hanson	45-50	-	-	-	700	45-50
Glyn Smith	35-40	-	-	-	700	35-40
Katherine Garner	25-30	-	-	-	1,200	25-30
James Hardie	30-35	-	-	-	700	30-35
Jenny Watson	30-35	-	-	-	700	30-35
Adrian Coles	20-25	-	-	-	200	20-25

1 Performance-related pay is based on financial and non-financial performance targets and aligns with the period disclosed – see more detail below.

2 This represents emoluments of the highest paid Director of £335-340k (2020: £240-245k).

3 During the year one Director (2020: one) was a member of a money purchase pension scheme.

4 This represents cash taken in lieu of pension for the Executive Director.

5 Benefits in kind are in respect of car allowances for the Executive Director. Numbers are presented to the nearest £100.

6 Non-Executive Directors' benefits in kind relate to travel, accommodation and subsistence for which Pay As You Earn and National Insurance Contributions are due. Numbers are presented to the nearest £100.

7 Salary includes gross salary. All other forms of remuneration are separately disclosed in the table above.

SENIOR PAY

Unless alternative arrangements are agreed with HM Treasury Ministers, remuneration packages above the senior pay threshold require the approval of the Chief Secretary to the Treasury in accordance with the guidance on the approval of senior pay which came into force on 1 January 2018 or any updates thereafter.

An exemption from Government pay controls for existing staff, including the Executive Director was made at the time of transfer to become a public body, and is part of RFL's Framework Document, recognising its previous ownership by the Co-operative Group and resulting protected terms and conditions.

PERFORMANCE-RELATED PAY

The Company operates a performance-related bonus scheme based on Company and individual performance approved by its Remuneration Committee. The bonus scheme provides an opportunity for the Executive Director and staff to receive a bonus based on their personal contribution during the bonus year, as well as the performance of RFL. The business element is based on an assessment by the Board and Remuneration Committee of RFL's achievement against its strategic objectives during the bonus period. This element represents a recognition of the commitment and effort that colleagues have collectively put into delivering RFL's purpose and mission. The personal element is determined by the performance rating agreed as part of the year-end performance review. Given the nature of the business, Executive bonus remuneration is not deferred nor does it include clawback arrangements.

Bonus payments are based on performance levels achieved in the 15-month period to 31 March 2022 and the year to 31 December 2020 respectively.

FAIR PAY DISCLOSURES (AUDITED)

As a reporting body, RFL is required to disclose the relationship between the remuneration of the highest paid Director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest paid Director employed by RFL in the 15-month period 2021/22 was £335-£340k (full year equivalent: £265-£270k) (2020: £240-245k). This was 6.5 times (2020: 6.4 times) the median remuneration of the workforce, which was £45-50k (full year equivalent: £35-40k) (2020: £35-40k).

In 2021/22, no employees received remuneration in excess of the highest paid Director (2020: none). Staff remuneration ranged from £25-30k to £335-340k (full year equivalent £20-25k to £265-270k) (2020: £20-25k to £240-245k).

Total remuneration within the calculations below includes salary, performance-related payments and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash-equivalent transfer value of pensions (as RFL does not participate in the Civil Service pension scheme).

	15 months to 31 March 2022		12 months to 31 December 2020	
	Salary component	Total remuneration	Salary component	Total remuneration
Band of Highest Paid Director's total remuneration (£'000)	230-235	310-315	180-185	225-230
Median remuneration (£'000)	40-45	45-50	30-35	35-40
Ratio		6.5		6.4
25th percentile remuneration (£'000)	30-35	35-40		*
Ratio		8.4		*
75th percentile remuneration (£'000)	50-55	55-60		*
Ratio		5.5		*

* Lower and upper quartile comparative disclosures are not required for FY 2020.

GOVERNANCE

REMUNERATION AND STAFF REPORT continued

RFL believes the median pay ratio for the financial period is consistent with the pay, reward and progression policies for the entity's employees taken as a whole.

STAFF NUMBERS AND RELATED COSTS (AUDITED)

The average number of full-time equivalent persons employed during the 15-month period to 31 March 2022 was eleven (FY 2020: ten). Permanent and FTE staff costs exclude Non-Executive Directors and contractors.

	15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
Staff costs comprise:		
Wages and salaries	860	747
Social security costs	133	119
Other pension costs	86	50
Total staff costs representing staff with a permanent (UK) employment contract with RFL	1,079	916
Full time equivalent persons employed representing staff with a permanent (UK) employment contract with RFL: average for the year	11	10

CONSULTANTS

Total expenditure made to external consultants during the 15-months to 31 March 2022 amounted to £657k (2020: £97k). The increase reflects the requirement to use external support and expertise to support the expansion of the Scheme, the adjustment to being an Arm's Length Body and project management support for actuarial modelling.

PERCENTAGE CHANGE IN TOTAL SALARY AND BONUSES FOR THE HIGHEST PAID DIRECTOR AND THE STAFF AVERAGE:

In 2020, the Company reduced bonuses for staff and the Highest Paid Director as the Board considered the impact to businesses and employees of COVID-19 which contributed to the ratio falling in 2020 before returning to more typical levels in 2021/2022. Based on a comparison of salary only, the trend is more stable.

	2021/22 (annualised*)		2020	
	Total salary and allowances	Bonus payments	Total salary and allowances	Bonus payments
Staff average	2%	67%	2%	(47%)
Highest Paid Director	2%	62%	2%	(38%)

* The 2021/22 figures represent annualised changes to remuneration from 2020.

Staff and the Highest Paid Director had the same inflationary increases in both periods.

PENSIONS

A defined contribution plan is a pension arrangement where the employer pays fixed contributions into a separate fund. The costs for the defined contribution schemes are recognised as an expense in the Income Statement as incurred. For defined contribution plans, the employer has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. RFL does not participate in the Civil Service pension scheme.

STAFF TURNOVER PERCENTAGE

During the 15-month period there were no changes to the permanent staff employed by RFL.

Staff turnover, as defined in the Government Reporting Framework, requires disclosure for all changes to permanent staff and fixed term contractors and during the 15-month period which equated to one change in staff in 2021/2022 (2020: one). Disclosing the percentage change to staff turnover is not considered of benefit given the size of the staff numbers involved.

SERVICE AGREEMENTS AND EXIT PAYMENTS (AUDITED)

Our policy is to employ Executive Directors on standard contracts of employment with a six month employer notice period and Non-Executive Directors' notice periods are three months. There were no exit payments made in 2021/22 (2020: nil).

MALE / FEMALE STAFF BREAKDOWN

The number of male and female staff at the end of each period was as follows:

	31 March 2022		31 December 2020	
	Male	Female	Male	Female
Non-Executive Directors	3	3	3	3
Executive Directors	1	-	1	-
Staff	2	8	2	7
Total	6	11	6	10

OFF-PAYROLL ENGAGEMENT

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll. There were 5 off-payroll engagements during 2021/2022 (2020: one).

The tables below show off-payroll engagements by RFL during the 15 months to 31 March 2022 for more than £245 per day and lasting for longer than six months. There have been no Directors and/or senior officials with significant financial responsibility engaged off-payroll between 1 January 2021 and 31 March 2022.

	15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
All off-payroll appointments as of 31 March 2022, earning at least £245 per day		
That have existed for less than 1 year at reporting date	4	-
That have existed between 1 and 2 years at reporting date	-	-
That have existed between 2 and 3 years at reporting date	-	-
That have existed between 3 and 4 years at reporting date	-	-
That have existed for 4 or more years at reporting date	1	1
Total	5	1

	15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
All off-payroll appointments engaged at any point during the period and earning at least £245 per day		
Number where the off-payroll legislation does not apply	-	-
Number where off-payroll legislation does apply and assessed as within scope of IR35	-	-
Number where off-payroll legislation does apply and assessed as not within the scope of IR35	6	1
Number of appointments that were reassessed for consistency /assurance purposes during the year	-	-
Of which: No. of engagements that saw changes to the IR35 status following the assurance review	-	-
Total	6	1

GOVERNANCE

REMUNERATION AND STAFF REPORT continued

STAFF SICKNESS ABSENCE (ANNUAL WORKING DAYS LOST)

The average number of working days lost to sick absence per employee during 2021/22 was 1.7 days (2020: 1.5 days).

MENTAL HEALTH AND WELLBEING

RFL has implemented a suite of individual and collective measures to ensure that employee welfare is robustly addressed: regular, informal, interactive weekly and periodic verbal and written communications supplement day-to-day team and line management interactions. Mental health first aiders have been trained within the business and RFL has recently secured 'Investors in People, We Invest in Wellbeing' certification.

EQUAL OPPORTUNITIES

RFL is an equal opportunities employer. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of sex, gender, gender re-assignment, marital or family status, colour, racial origin, sexual orientation, age, background, religion, disability, or by any other condition or requirement.

RFL recognises diversity and inclusion as necessities, both from a human and business perspective, and champions this policy across the organisation.

Diversity and Inclusion approaches and targets, feature in the RFL Sustainability ESG Framework. The FCA's proposed diversity and inclusion targets, set out in their consultation paper (CP21/24 Diversity and inclusion on company boards and executive committees - July 21), are considered to be best-practice and are adopted by RFL and reflected in its risk appetite.

Within RFL's Equal Opportunities, Diversity & Inclusion policy, the Board has agreed Diversity & Inclusion targets which aim to:

- have >40% of women on the Board; and
- have one member of the Board from an ethnic minority background.

The wider organisation aims to reflect these targets across business leadership teams as well as the wider team. RFL's expansion plans are an opportunity to realise our targets.

Our role as an Arm's Length Body within Government points us to a range of guidance around Government-wide Corporate Legislation, Codes of Good Practice and Guidance. A key part of our agreement is our application of The Equalities Act 2010.

RFL is committed to valuing diversity and seeks to provide all employees with the opportunity for employment, career, and personal development on the basis of ability, qualifications and suitability for the work as well as their potential to be developed in their current role.

HEALTH AND SAFETY

RFL recognises and accepts its responsibility as an employer to maintain, so far as is reasonably practical, the safety and health of its employees, and of other persons who may be affected by its activities.

SUSTAINABILITY REPORT

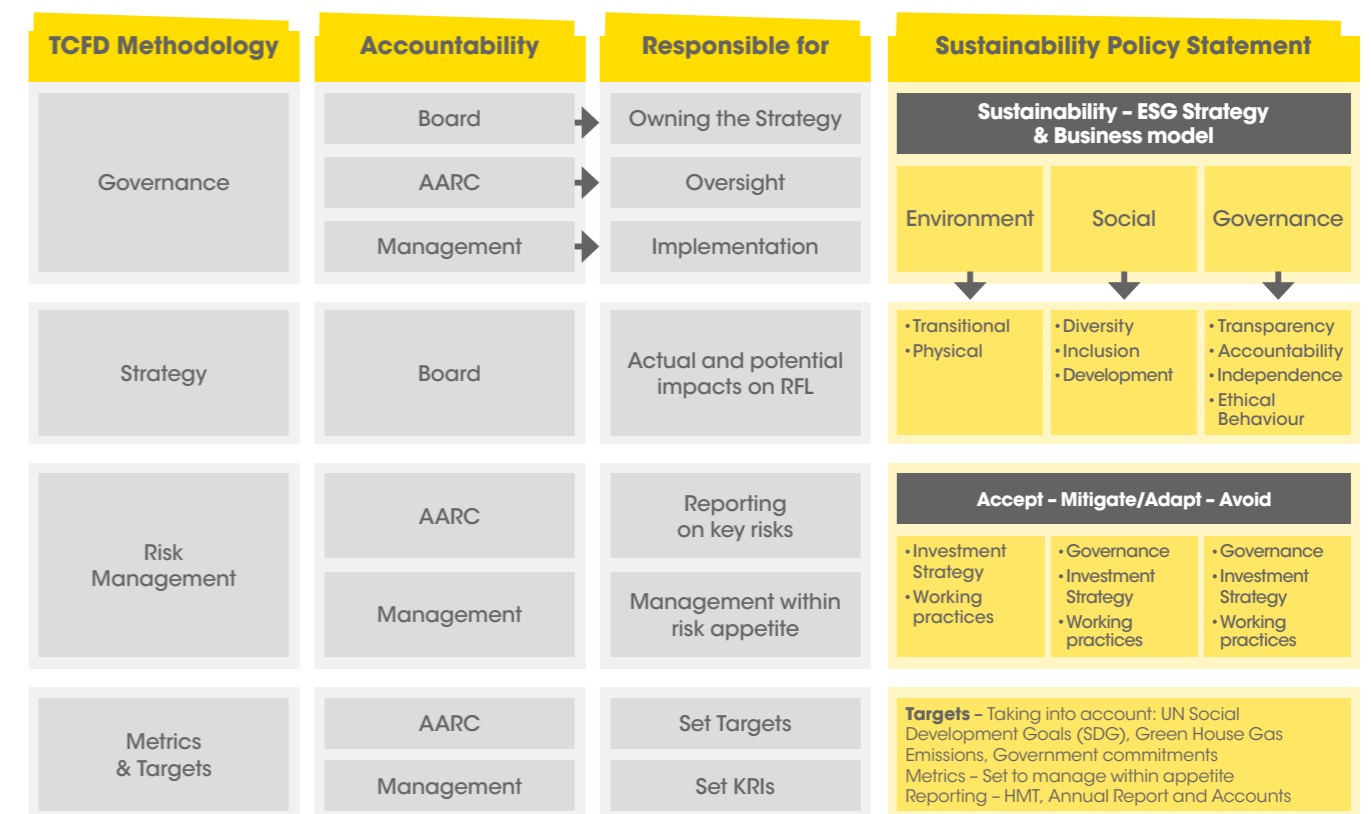
RFL has an exemption under the Government Greening Commitments reporting due to its operational footprint being below the required threshold of having less than 50 employees and an office square meterage under 500m²; therefore this report is made on a voluntary basis.

The Company has assessed its energy consumption against energy and carbon criteria in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and it is under the 40,000 kw minimum criteria. The Company has therefore taken the decision to omit these disclosures in the Sustainability report.

The Board of RFL has taken the approach of setting out its Sustainability Framework, incorporating Environment, Social and Governance elements, with a high-level policy statement setting out RFL's risk appetite and targets. This is set out in the diagram below:

This uses the Task Force for Climate related Financial Disclosures (TCFD) framework to cover all three elements.

SUSTAINABILITY FRAMEWORK



KEY ELEMENTS OF RFL'S SUSTAINABILITY POLICY STATEMENT

The Board has defined its sustainability risk, the Company's risk appetite, key targets and metrics and the governance framework which is in place to ensure RFL operates within its risk appetite. The Board will continue to reassess progress and suitability of the framework on a regular basis.

Definition of Sustainability risk:

"An uncertain social, governance or environmental event or condition that, if it occurs, can cause significant negative impact on the Company."

Risk Appetite statement:

"The Board has no appetite for activities that could impact RFL's journey to a sustainable position, this being aligned to the UK Government's Net Zero by 2050 target, the 'Paris Agreement' and the FCA's Social and Governance aims on diversity and inclusion."

GOVERNANCE

SUSTAINABILITY REPORT continued

Risk Assessment: The Board, supported by management has carried out a risk assessment across the three elements of ESG to identify where the Company can have a material impact. This disclosure focuses primarily on the following:

- Environmental: transition, physical and litigation risk factors and related opportunities;
- Social: human rights, modern slavery and discriminatory risk factors and related opportunities;
- Governance: diversity, inclusion and general corporate governance risk factors and related opportunities.

Key Targets: Sustainability Framework

The elements of the framework are set out below:

Governance

This starts with the Board, providing oversight of the risk and opportunities, then disseminates throughout RFL, from Board Committees down to management who carry out the day-to-day assessment and management of climate-related risks and opportunities.

Strategy

The Board assessed the risks and opportunities identified over the short, medium, and long term which are specific to RFL. In carrying this out, RFL ensures that it aligns with its parent HM Treasury, particularly in relation to any change in its investment mandate and that any changes to operations and investment management are proportionate, manageable and cost effective.

Risk Management

The Board integrates these risks and opportunities into RFL's Enterprise Risk Management Framework. This includes RFL's Internal Capital Adequacy Assessment Process ("ICAAP") and Business Plan.

Metrics and Targets

Environmental, Social and Governance Targets which, following an assessment, have been split between RFL's investment portfolio and operational targets, have been set and approved by the Board of RFL and reported as at 31 March 2022 as set out in the table below. The metrics and targets for the investment portfolio are taken from MSCI, an ESG ratings tool that measures a company's resilience to long-term industry material ESG risks, using a rules-based methodology to identify industry leaders and those less advanced according to their exposure to ESG risks and how well they manage those risks relative to peers.

	2022 to 2050 Target Range	Position at 31 March 2022	Status
Investment Portfolio			
Environmental - Greenhouse Gas ('GHG') Carbon intensity (MSCI T CO _{2e} / \$MM ¹)	40 reducing to 0	30.1	On track
Environmental - Overall MSCI rating ¹	6.4 - 7.1 (A) increasing to 10 (AAA)	6.9 (A)	On track
Social - Overall MSCI rating	5.0 - 6.4 (BBB) increasing to 8.6 (AA)	5.3 (BBB)	On track
Governance - Overall MSCI rating	5.0 - 6.4 (BBB) increasing to 8.6 (AA)	6.0 (BBB)	On track
RFL Governance and Operations			
Environmental - GHG emissions	RFL has an immaterial GHG operational footprint	RFL has an immaterial GHG operational footprint	On track
Social - Modern Slavery	Key supply chain monitoring of adherence to supply code of conduct	As a result of RFL's active monitoring RFL is unaware of any modern slavery concerns within its current supply chain.	On track
Governance - % women on Board	>=40%	43%	On track
Governance - Ethnic minority representation on the Board	1	0	RFL's Nomination Committee is incorporating these requirements into its current succession planning.

¹ MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. They use a rules-based methodology to identify industry leaders and less advanced companies according to their exposure to ESG risks and how well they manage those risks relative to peers. Their ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to less advanced (B, CCC).

DIRECTORS' REPORT

To ensure the successful delivery of the Company's strategy, our Board consists of Directors with a wide range of relevant skills, knowledge and experience.

The composition of the Board during the year is set out in the Corporate Governance report on pages 30 and 31.

EMPLOYEES

The average number of employees during 2021/22 was eleven (2020: ten).

The Company is responsible for recruitment of its own staff. It welcomes diversity and actively promotes a policy and practice of equality of opportunity for all staff regardless of age, disability, ethnicity, gender, religion or belief, or sexual orientation.

FINANCIAL INSTRUMENTS

Financial risk management objectives can be found in the Risk Management note to the Financial Statements on page 84.

ANNUAL REPORT AND ACCOUNTS

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all requisite steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A statement by the Directors as to their responsibilities for preparing the Annual Report and Accounts is included in the statement of Directors' responsibilities on page 50.

The Directors of the Company during the period 1 January 2021 to 15 July 2022 were:

NON-EXECUTIVE DIRECTORS

- Jane Hanson (Chair)
- Katherine Garner
- Jonathan Gorrie (appointed 1 June 2021, resigned 6 July 2022)
- James Hardie (resigned 2 July 2022)
- Dominic Kendal-Ward (resigned 30 March 2021)
- Glyn Smith (Senior Independent Director)
- Holger Vieten (appointed 21 April 2022)
- Jenny Watson

EXECUTIVE DIRECTOR

Adrian Smith (Chief Executive)

DISTRIBUTIONS

Under the Dormant Bank and Building Society Accounts Act 2008, the only distributions the Company is permitted to make are to TNLCF. £144.3m distributions were paid to The National Lottery Community Fund during the 15-month period to 31 March 2022 (2020: £68.5m).

No dividend distributions were made to the current parent, the Treasury Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for HM Treasury, nor our previous parent, ASIL, as this is not permitted by The Act.

GOING CONCERN AND VIABILITY STATEMENT

In accordance with the provisions within the Corporate Governance code, the Directors have made a voluntary assessment of the viability of the Company. The Viability Statement, which supports the Going Concern basis, is included in the risk management section of the Corporate Governance Report.

The Directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development

and performance. In particular, the Directors have given careful consideration to the expected cash outflows compared to the available cash and liquid assets in a normal and stressed scenario; this includes consideration of realistic scenarios whereby plausible economic, regulatory, and technological developments are modelled to reflect a dramatic fall in transfers into the Scheme and an increase in reclaim rates.

Based on the above and noting the considerable cash headroom even under a reasonable stress, the Directors believe that the Company will be able to meet liabilities as they fall due for a period of at least one year from the date of approval of the Financial Statements and therefore consider it appropriate to prepare the Financial Statements on a going concern basis.

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations were made during the period (2020: £nil).

MATTERS COVERED IN THE STRATEGIC REPORT

All mandatory disclosures which the Directors consider to be of strategic importance are disclosed in the Strategic report.

AUDITORS

Pursuant to the Framework Agreement in place, the auditors will be deemed to be reappointed and the Comptroller and Auditor General will therefore continue in office.

By order of the Board

**ADRIAN SMITH OBE
Chief Executive**

15 July 2022

Reclaim Fund Ltd
Registered number: 07344884

GOVERNANCE

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT, THE DIRECTORS' REMUNERATION AND STAFF REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic report, the Directors' report, the Directors' remuneration and staff report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Annual Report and Accounts for each financial period. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with UK Adopted International Accounting Standards ('IAS').

Under company law, the Directors must not approve the Annual Report and Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Annual Report and Accounts, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ('IFRS') is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the Annual Report and Accounts, state whether UK Adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Report and Accounts; and

- prepare the Annual Report and Accounts on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms that, to the best of their knowledge and belief:

- the Financial Statements, prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable, providing the information necessary for the Shareholder to assess the Company's position and performance, business model and strategy.

Under applicable United Kingdom law and regulations, the Directors are also responsible for preparing a Strategic report and Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

This report has been approved by the Board of Directors and is signed by the Chief Executive Officer on behalf of the Board of Directors.

The Accounting Officer of HM Treasury has designated RFL's Chief Executive Officer as the Accounting Officer of RFL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding RFL's assets, are set out in 'Managing Public Money', published by HM Treasury.

In preparing the Financial Statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual where this requires additional disclosure that does not conflict with IFRS and the Companies Act and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statements;
- prepare the Financial Statements on a going concern basis.
- take all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that RFL's auditors are aware of that information.

ADRIAN SMITH
CHIEF EXECUTIVE OFFICER, on behalf of the Board

15 July 2022

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

The accounts of RFL are audited by the Comptroller and Auditor General under the terms of the Framework Document. The audit fee charged was £150k. The auditors did not provide any non-audit services. The auditors have been provided with all relevant audit information necessary to complete their audit and the Accounting Officer has taken all of the necessary steps to ensure that the auditors are aware of any relevant information.

All expenditure was applied to the purpose intended by Parliament (audited).

RFL has not incurred any losses or special payments, nor made any gifts or severance payments during the reporting period to 31 March 2022 (2020: none) (audited).

In accordance with the terms of The Act, RFL has inherited the liability for all Dormant Balances transferred from Participants and as such recognises contingent liabilities totalling £887.5m (2020: restated £795.0m), this balance representing the remaining exposure that RFL may be required to settle above and beyond the amounts already set aside within the provision for reclaims and capital reserves.

RFL's operating expenditure during the 15-month accounting period was £4,441k (2020: £3,596k) (audited).

ADRIAN SMITH OBE
CHIEF EXECUTIVE OFFICER

15 July 2022

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD

OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements of Reclaim Fund Ltd for the 15-month period ended 31 March 2022 which comprise the Reclaim Fund Ltd's

- Statement of Financial Position as at 31 March 2022;
- Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the period then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards

In my opinion the financial statements:

- give a true and fair view of the state of Reclaim Fund Ltd's affairs as at 31 March 2022 and of the surplus for the period then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON REGULARITY

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

BASIS FOR OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Reclaim Fund Ltd in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	Companies Act 2006
Parliamentary authorities	Dormant Bank and Building Society Accounts Act 2008 Dormant Assets Act 2022
HM Treasury and related authorities	Managing Public Money Framework Document between HM Treasury and Reclaim Fund Ltd dated 16 April 2021
Regulatory authorities	Financial Conduct Authority regulation

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, I have concluded that Reclaim Fund Ltd's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included evaluation of management's liquidity and capital forecasts which evaluate known risks and a range of stress scenarios. Reclaim Fund Ltd's regulatory capital requirements are such that the capital it is required to retain is forecast to be sufficient to meet liabilities as they fall due in an extreme stress scenario.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Reclaim Fund Ltd's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to Reclaim Fund Ltd's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the Director's considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW OF MY AUDIT APPROACH

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in my report.

I consider the following areas to be of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of fraud through management override of controls, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on pages 35 and 36.

This is the first year in which an extended audit report has been provided for Reclaim Fund Ltd and is also the first year of my audit. In this year's audit there have been no changes to the significant risks identified as compared to the prior year.

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued*

ACCOUNTING FOR THE PROVISIONS FOR RECLAIMS OF DORMANT ACCOUNT BALANCES

Description of risk

Dormant Account balances are transferred to Reclaim Fund Ltd from UK financial institutions under the Dormant Accounts Bank and Building Societies Accounts Act 2008. Under the requirements of the Act, the obligation to repay Dormant Account holders who subsequently reclaim their money is transferred to Reclaim Fund Ltd. As at 31 March 2022, Reclaim Fund Ltd recognised a provision of £176.0m (31 December 2020 (restated): £139.4m).

The provision for reclaims of Dormant Account balances is the main source of estimation uncertainty in the financial statements and I considered it to be a significant risk of material misstatement.

As explained in note 1 to the financial statements, management has measured the provision using an actuarial model developed by experts which forecasts future cash flows based on historic experience of reclaims observed (the "base model"). Management adds an additional margin to reflect that historic reclaims have been in a benign economic environment and may not be indicative of future expectations. The assumptions made in measuring the provision, particularly in relation to the additional margin are an area of significant management judgement. As disclosed in note 1 to the financial statements, management considers the measurement of the provision to be inherently complex with significant estimation uncertainty relating to the quantum of reclaims expected and the time period over which reclaims will continue.

My risk assessment procedures identified that the provision recognised in previous years included elements which were not consistent with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets, which requires the provision to be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Management has restated prior periods to measure the provision on a consistent basis with the current year using the actuarial model and other information available at the time which has been possible without the use of hindsight. The impact of the restatement is to increase the capital reserve which I have considered as part of my work on this risk.

HOW THE SCOPE OF MY AUDIT RESPONDED TO THE RISK

I understood and evaluated the design and implementation of key controls including the controls and governance in place over the development of the best estimate model and review of the independent validation of the model commissioned by management.

I also performed the following procedures:

- I assessed the approach to measuring the provision against the requirements of IAS 37 to determine a best estimate of the expenditure required to settle the obligation.
- I engaged an independent actuary as an auditor's expert to assess the methodological approach taken by management's experts to determine the best estimate of the provision.
- I assessed the application of the methods used to calculate the base model by using my auditor's expert to review and re-perform the challenger model developed as part of the independent validation commissioned by management and re-performed the discounted cashflow calculation to estimate the model output at the reporting date.
- I tested the application of methods used to calculate the additional margin by reperforming management's calculations.
- I evaluated the overall provision calculated by management against a range developed by my auditor's expert.
- I tested the completeness and accuracy of the input data used in the base model by testing a sample of transfers of Dormant Account balances and reclaims and reconciling these to the financial statements and input data used in the model.
- I assessed the completeness and appropriateness of significant assumptions in both the base model and additional margin using my auditor's expert. My auditor's expert also reviewed the approach to determining the additional margin including the rationale for key judgements and the reasonableness of assumptions which they discussed with the actuary on whose report this was based.
- I assessed the actuaries that developed and validated the model and the actuary whose report was used as the basis for the additional margin as management's experts under ISA (UK) 500 Audit Evidence to enable me to use their work as audit evidence.
- I have reviewed management's assessment of estimation uncertainty and the disclosures made.

In addition to the above procedures performed on the provision as at 31 March 2022, I also reviewed the measurement of the provision at the 1 January 2020 and 31 December 2020 used to restate the balances as a result of the prior period adjustment to confirm that these were determined on a consistent basis in line with information available at the time and to confirm that the accounting treatment for the restatement was appropriate.

KEY OBSERVATIONS

Based on the evidence I concluded that the assumptions and data used in the provision estimate were reasonable and that management's estimate was within the range developed by my auditor's expert.

The value of the provision is highly dependent on the assumptions made by management in relation to the additional margin. Management considers it appropriate to add the margin to reflect the risk that future reclaims will be higher than historic levels. The financial statements (note 1) disclose the sensitivities estimated by management which I am content are adequately disclosed.

APPLICATION OF MATERIALITY

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for Reclaim Fund Ltd's financial statements as a whole as follows:

	Audited Entity
Materiality	£ 6,866k
Basis for determining materiality	1% of total assets less committed distributions of £686.6 million
Rationale for the benchmark applied	I have based materiality on total assets less committed distributions on the basis that this represents the assets received from Dormant Account holders and under Reclaim Fund Ltd's control. It is available to repay reclaims from Dormant Account holders or to make future distributions, subject to the Company complying with its regulatory capital requirements. I assess this to be the primary focus of the key users of the accounts including Participant banks, Dormant Account holders and The National Lottery Community Fund.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the period ended 31 March 2022. This takes into consideration the fact that it is my first year auditing the entity.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in disclosures of Directors' remuneration. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £68,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

Total unadjusted audit differences reported to the Audit and Risk Committee would decrease net assets by £148,000.

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued***AUDIT SCOPE**

The scope of my audit was determined by obtaining an understanding of Reclaim Fund Ltd and its environment, including the entity wide controls, and assessing the risks of material misstatement:

OTHER INFORMATION

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The Directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In my opinion the part of the Directors' Remuneration and staff report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual.

In my opinion, based on the work undertaken in the course of the audit:

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements;
- the information given in the Strategic report and the Directors' report for the period for which the financial statements are prepared is consistent with the financial statements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about Reclaim Fund Ltd corporate governance code and practices and about its administrative, management and supervisory bodies and their Committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

MATTERS ON WHICH I REPORT BY EXCEPTION

In the light of the knowledge and understanding of Reclaim Fund Ltd and its environment obtained in the course of the audit, I have not identified material misstatements in:

- the Strategic report or the Directors' report.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' Remuneration and staff report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Report relating to Reclaim Fund Ltd's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Report is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 49 to 50;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 40;
- Directors' statement on fair, balanced and understandable set out on page 50;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 26 to 27;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 37; and
- The section describing the work of the Audit and Risk Committee set out on pages 35 to 36.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the Directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing Reclaim Fund Ltd's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

GOVERNANCE

INDEPENDENT AUDITOR'S REPORTTO THE MEMBERS OF RECLAIM FUND LTD *continued***Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of Reclaim Fund Ltd's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, Reclaim Fund Ltd's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Reclaim Fund Ltd's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Reclaim Fund Ltd's controls relating to Reclaim Fund Ltd's compliance with the Companies Act 2006, Dormant Bank and Building Society Accounts Act 2008 and Dormant Assets Act 2022, Tax, regulatory requirements imposed by the Financial Conduct Authority and Managing Public Money; and
 - discussing among the engagement team and involving relevant external specialists, including actuaries regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Reclaim Fund Ltd for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Reclaim Fund Ltd's framework of authorities as well as other legal and regulatory frameworks in which Reclaim Fund Ltd operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Reclaim Fund Ltd. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, Dormant Bank and Building Society Accounts Act 2008, employment law and tax legislation and regulatory requirements imposed by the Financial Conduct Authority.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- consideration of compliance with the Dormant Bank and Building Society Accounts Act 2008.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including external specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

STEPHEN YOUNG
(Senior Statutory Auditor)
15 July 2022

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
 National Audit Office
 157-197 Buckingham Palace Road
 Victoria
 London
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