

Dated

16 April

2021

HER MAJESTY'S TREASURY

RECLAIM FUND LTD

**FRAMEWORK DOCUMENT
RELATING TO RECLAIM
FUND LTD**

1. Introduction and Background

1.1 Purpose of this Document

This Framework Document (the “**Framework Document**”) has been agreed between Her Majesty’s Treasury (“**HM Treasury**”, “**HMT**”, or the “**Shareholder**”) and Reclaim Fund Ltd¹ (“**RFL**” or the “**Company**”) and has been approved by HM Treasury in accordance with HM Treasury’s handbook *Managing Public Money* (as updated from time to time) (“**MPM**”).

This Framework Document sets out the broad governance framework within which the Company, the Shareholder, UK Government Investments (“**UKGI**” or the “**Shareholder Representative**”) and the Department for Digital, Culture, Media and Sport (“**DCMS**”), in its joint policy role with the Shareholder, operate. It does not convey any legal powers or responsibilities.

This document:

- sets out the Company’s core responsibilities;
- describes the governance and accountability framework that applies between the roles of the Shareholder, the Company, the Shareholder Representative and DCMS; and
- sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters, considering the framework established in the Articles of Association of the Company (the “**Articles**”) and other governance documentation.

Copies of the document and any subsequent amendments will be placed in the Libraries of both Houses of Parliament and made available to members of the public on GOV.UK and www.reclaimfund.co.uk.

1.2 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 (currently the Dormant Bank and Building Society Accounts Act 2008 (the “**Act**”) and the Articles. To achieve this, RFL and HM Treasury will 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.

1.3 RFL’s Ownership and Status

RFL is a company limited by shares, the sole shareholder of which is the Solicitor for the Affairs of HM Treasury in its capacity as nominee for HM Treasury

The Company was incorporated in 2010 pursuant to the Act as a wholly owned subsidiary of Angel Square Investments Limited (“**ASIL**”) (formerly known as Co-operative Financial Services Limited and subsequently Co-operative Banking Group Limited) within the Co-operative Group.

In September 2019, the Office for National Statistics (“**ONS**”) informed the Government of its decision to classify RFL to the central Government subsector, effective retrospectively to RFL’s establishment in 2010. As a result of the ONS classification, RFL was included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Amendment Order 2020 and became part of the

¹ References to RFL include all its subsidiaries and joint ventures that are classified to the public sector and central government for national accounts purposes. If RFL establishes a subsidiary or joint venture, there shall be a document setting out the arrangements between it and RFL agreed with the Shareholder.

budgetary regime, being consolidated in HMT's accounts and classified as a Non-Departmental Public Body (**NDPB**). The shares in the Company were transferred by ASIL to the Shareholder on 30 March 2021.

As an NDPB, RFL is a body which has a role in the processes of national Government but is not a Government department or part of one, and accordingly operates at arm's length from Ministers. In the case of RFL, it has been agreed by HMT that RFL should continue to function as closely to the status quo as possible, independently from Government, to ensure the continued success of the scheme.

Accordingly, neither the Shareholder nor the Shareholder Representative has any involvement in the day-to-day operations of the Company, save in respect of appointments as set out below in section 3.1.2 below. While the board of directors of RFL (the "**Board**") is solely responsible, subject to the Articles and the Act, for the management of RFL, and retains full operational oversight and control of RFL, it reports to the Shareholder in relation to the performance of the Company against mutually agreed objectives, and is required to seek consent for certain matters as set out in this Document.

RFL is authorised and regulated by the Financial Conduct Authority ("**FCA**" and, where the context so requires, any successor authority or authorities) as a dormant account fund operator. Accordingly, the parties acknowledge that:

- RFL's activities (and those of its directors, senior managers, employees and other staff) are subject to regulation by the FCA and/or other Applicable Law or Regulation²;
- nothing in this Framework Document or otherwise contemplated between the parties is intended, or shall be deemed, to require RFL or any of its directors, senior managers, employees or other staff to take any action or refrain from taking any action to the extent that this may be contrary to, or inconsistent with, any regulatory requirements, duties to, or expectations of, the FCA and/or any other Applicable Law or Regulation; and
- if there is any conflict between the Framework Document and any requirements or expectations of the FCA and/or other Applicable Law or Regulation, the relevant requirements or expectations of the FCA and/or such other Applicable Law or Regulation shall prevail.

2. Activity and Objectives of RFL

2.1 Principal activity and background

The principal activity of RFL is the receipt and management of dormant account monies and the meeting of reclaims, pursuant to the Act and subject to its authorisation and regulation by the FCA to act as a reclaim fund.

The purpose of the Act is to set up the framework for a scheme under which money in dormant bank and building society accounts can be distributed for the benefit of the community, whilst ensuring the right of owners to reclaim their money is protected. A dormant account is an account in respect of which there have been no customer-initiated transactions for 15 years.

The Act enables those banks and building societies that choose to participate, to transfer money from their dormant accounts to the Company. The Company then reserves a proportion of its funds to meet reclaims that it is prudent to anticipate and meet its expenses and capital requirements and then

² For the purposes of this Framework Document, "Applicable Law and Regulation" shall mean all applicable laws, enactments, regulations, regulatory policies, regulatory permits, regulatory licenses or associated guidance, industry codes or principles which are in force from time to time.

distributes funds that the Board considers to be surplus to the Company's requirements. Under the 'Main Scheme', surplus funds are distributed to The National Lottery Community Fund ("TNLCF") and then onwards to social and environmental initiatives across the UK. Alternatively, under the 'Alternative Scheme', a participating bank or building society can choose to transfer an agreed proportion of a dormant account balance to RFL and the remaining portion to one or more eligible charities of the participant's choice.

In February 2020, HM Treasury and DCMS launched a consultation on proposals to expand the Dormant Accounts Scheme to include assets in the insurance and pensions, investment and wealth management, and securities sectors. The Government published a response to the consultation on 9 January 2021 and will be legislating to expand the Scheme when parliamentary time allows. The Company's principal activities and objectives will be amended in line with the terms of the expanded Scheme when the new legislation comes into force.

2.2 Objectives

Pursuant to the objectives of the Act and the policy on dormant assets as developed by HM Treasury and DCMS, the objectives of the Company are to meet repayment claims from dormant assets and to enable money from dormant assets be distributed for the benefit of the community in accordance with the relevant legislation by operating as a reclaim fund within the meaning of section 5(1) of the Act (together being the "Objectives").

3. Governance and Accountability

The Company shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this 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:

- a) comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (the "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;
- b) 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;
- c) comply with MPM; and
- d) take into account, as far as practicable, the codes of good practice and guidance set out in **Appendix 6** of this Framework Document, as they apply to arms' length bodies.

The Company shall provide an account of corporate governance in its annual governance statement including the Board's assessment of its compliance with the Code with explanations of any material departures. To the extent that the Company does intend to materially depart from the Code, the Shareholder and Shareholder Representative should be notified in advance.

3.1 The role of the Shareholder

3.1.1 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 will be founded on professionalism, efficiency, and mutual trust.

3.1.2 Board Appointments

The Shareholder shall have 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 ("**CEO**") 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.

In each case, the Board will give legal effect to the appointment.

3.1.3 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 (as defined in 3.10 below) (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 (as set out in Section 4 below), including to the remuneration policy as set out in Section 7 below;
- 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.

At the reasonable request of the Shareholder, the Directors shall:

- meet the Shareholder or its representatives to discuss the affairs of the Company; and
- provide such information in relation to the affairs of the Company as the Shareholder may reasonably require for the purpose of carrying out its role as shareholder.

The Shareholder is committed to giving the Board the freedom to operate the Company in line with the spirit of this Framework Document. Decisions on the day-to-day management of the Company will be taken by the Board in accordance with their statutory, regulatory, common law and fiduciary duties.

3.2 The role of the Shareholder Representative (UKGI)

The Shareholder Representative is responsible for discharging the responsibilities of the Shareholder and will seek regular input from the Shareholder.

The Shareholder Representative shall:

- establish and maintain appropriate and effective corporate governance foundations which govern the Shareholder, Shareholder Representative and the Company's relationship;
- promote effective objectives, business planning and performance against the Operating Plan;
- promote the organisational capability of the Company to deliver against the Operating Plan;
- promote effective leadership (high quality boards and senior management);
- promote effective relationships between the Shareholder, Shareholder Representative and the Company; and
- support and supplement the activities outlined above by providing an experienced Non-Executive Director on the Board of the Company.

3.2.1 The Shareholder's specific accountabilities and responsibilities as PAO

The Permanent Secretary of the HMT is the PAO for the activities of the Company.

The PAO designates the Chief Executive of the Company as the Accounting Officer and ensures that he / she is fully aware of his or her responsibilities. The PAO issues a letter appointing the Accounting Officer, setting out his or her responsibilities and delegated authorities. Whilst the CEO will typically be AO, if deemed appropriate, the PAO may designate another employee of the company as AO.

The general responsibilities of a departmental PAO are set out in chapter 3 of MPM. The PAO is responsible for advising the responsible Minister:

- on an appropriate framework of objectives and targets for the Company in the light of its Objectives and the Operating Plan; and

- how well the Company is achieving its Objectives and whether it is delivering value for money.

The PAO is also responsible for ensuring arrangements are in place in order to:

- monitor the performance of the Company's activities against the delivery of the Operating Plan;
- address significant problems in the Company;
- periodically carry out an assessment of the risks both to the Shareholder and the Company's objectives and activities;
- inform the Company of relevant Government policy in a timely manner; and
- bring concerns about the activities of the Company to its full Board requiring explanations and assurances that appropriate action has taken place.

The Shareholder Representative will be the primary point of contact between the Shareholder and the Company. They are the main source of advice to the responsible minister and PAO on the discharge of their responsibilities in respect of the Company. Therefore, the Company should engage with the Shareholder Representative as the initial point of contact between the Company and the Shareholder.

3.3 The Joint Policy role of the Shareholder and DCMS

The Shareholder also has a joint policy role with DCMS for the Dormant Assets Scheme.

To ensure that the Company does not receive conflicting policy communications, HM Treasury and DCMS will work together to ensure clarity and consistency in respect of dormant assets policy in a way that preserves the agreed operational freedoms for RFL and recognises UKGI's role as the Shareholder Representative.

As part of their joint policy role, HMT and DCMS responsibilities will include:

- agreeing annual policy objectives for the Dormant Assets Scheme;
- advising RFL, UKGI, and each other, on relevant policy and guidance in a timely manner, including advising on the annual policy objectives for the Dormant Assets Scheme in relation to the Company's Operating Plan and objectives;
- advising HMT and DCMS Ministers on RFL's progress against agreed policy objectives; and
- engaging closely with RFL on wider policy developments and cross-Government priorities impacting on, or affected by, the work of RFL (including, if appropriate, the issuance of guidance).

UKGI, as the Shareholder Representative, has no role in policy. DCMS has no role in governance or oversight of the Company. The clear separation of the shareholder function from the policy function ensures clarity and transparency in decision making as between shareholder and policy.

For the avoidance of doubt the Company's responsibilities under this Framework Document are to the Shareholder alone, and not, for instance, to individual departments across Government.

3.3.1 Information Flows

The Company will provide the Shareholder, the Shareholder Representative and DCMS with its quarterly (or more frequent if produced) Reporting Pack in such form as is approved by the Board.

In addition, and to help the Shareholder Representative in fulfilling its function, the Company shall provide such relevant information as the Shareholder Representative may reasonably request including on, but not limited to its operational business plans, financial forecasts and budgets, financial performance, achievements against targets, capital expenditure and investment decisions, governance matters including Board appointments and remuneration, and reports on key corporate risks.

Where the Shareholder Director receives information:

- in his or her capacity as the Shareholder Director he or she shall be authorised (but not required) to share this information with the Shareholder, the Shareholder Representative and DCMS (subject to taking appropriate steps to safeguard the confidentiality of such information, to the extent that it is confidential), but without prejudice to his or her duties as a non-executive director of the Company; or
- other than in his or her capacity as the Shareholder Director and where that information is subject to a duty of confidentiality, he or she shall not be obliged to disclose the information to the Company. Where the Shareholder Director receives such information in such capacity, in circumstances where the knowledge or receipt of such information could reasonably be expected to affect his or her ability to comply with his or her duties as a non-executive director of the Company, the Shareholder Director agrees to notify the Board as soon as practicable and to take appropriate steps, including but not limited to agreeing to recuse him or herself from relevant decision-making processes.

3.3.2 Meetings

The following meetings (which will take place in person or virtually) will take place to ensure appropriate information flows between the Company and the Shareholder on policy, performance and governance:

- The Minister will meet at least once a year with the Chair and Chief Executive of the Company. The Minister will require further meetings as reasonably necessary.
- The Principal Accounting Officer ("**PAO**") will meet with the Accounting Officer ("**AO**") of the Company at least once a year, or more frequently as necessary if agreed between the parties.
- HMT and DCMS (the joint policy owners) will meet with senior Company representatives (including the Chair and CEO) annually to discuss strategy. The Shareholder Representative will attend.
- The Shareholder Representative and senior Company representatives (including the Chair and CEO) will meet on a quarterly basis to discuss governance, financial and delivery performance and other relevant matters. The Shareholder and DCMS will attend.
- The Shareholder Representative will meet with the CEO monthly or as required to discuss performance and governance issues, and with other representatives of the Company as required.

3.4 The role of the Company's CEO as the Accounting Officer ("AO**")**

The PAO has designated RFL's CEO as the Company's AO and, as such, the CEO is personally responsible for safeguarding the public funds held by the Company in accordance with the principles of regularity, propriety, value for money and feasibility set out in MPM.

A full outline of the responsibilities of the AO can be found in the letter of appointment set out in **Appendix 1 (the "AO Letter")**.

As set out in the AO Letter, the CEO will ensure that the Company is run following the principles, rules,

guidance and advice set out in MPM and the supporting guidance on spending controls produced by the Cabinet Office, other than where alternative arrangements are detailed in this Framework Document or have otherwise been agreed between Government and the Company.

3.4.1 Responsibilities for accounting to Parliament

The responsibilities of the Company's AO include:

- signing the Company's accounts and ensuring that proper records are kept relating to the accounts and that such accounts are properly prepared and presented in accordance with any Directions issued by the Economic Secretary to the Treasury;
- preparing and signing the Company's Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the Company's annual report and accounts;
- ensuring that effective procedures for handling complaints about the Company are established and made widely known within the Company;
- acting in accordance with the terms of this document, MPM and other instructions and guidance issued from time to time by the Shareholder and the Cabinet Office to the extent that they apply to the Company;
- ensuring that the Company has appropriate internal mechanisms for monitoring, governance and external reporting; and
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on RFL's stewardship of public funds.

3.4.2 Responsibilities to the Shareholder and the Shareholder Representative

The AO's responsibilities to the Shareholder and Shareholder Representative include:

- establishing with the Board (subject to the approval of the Shareholder under 3.1.3 above), RFL's Operating Plan;
- informing the Shareholder and Shareholder Representative of progress in achieving the Objectives as appropriate and in demonstrating how resources are being used to achieve those objectives; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Shareholder Representative; that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Shareholder Representative in a timely fashion.

3.4.3 Responsibilities to the Board

The AO is responsible for:

- advising the Board on the discharge of the Company's responsibilities as set out in this Document, in any relevant instructions and guidance that may be issued from time to time;
- advising the Board on the Company's performance compared with its aims and objectives as set out in the Operating Plan;
- ensuring that financial considerations are taken fully into account by the Company's Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal techniques are followed; and

- taking action as set out in paragraph 3.8.6 of MPM if the Board, or its Chair, is contemplating a course of action involving a transaction which the CEO considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

3.5 The role of the Board

The role of the Board shall be to run the Company, and to deliver the Objectives, in accordance with their statutory, regulatory, common law and fiduciary duties and their responsibilities under this Framework Document. Detailed responsibilities of the Board shall be set out in the RFL Board terms of reference (as approved by the Board from time to time) and shall include the following:

- developing, updating and approving the Operating Plan and budget;
- providing effective leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed;
- ensuring the financial and human resources are in place for the Company to meet the Objectives;
- ensuring that the Board receives and reviews regular management and financial information concerning the management of the Company, and is informed in a timely manner about any concerns about the activities of the Company;
- reviewing management performance;
- ensuring that the Shareholder is kept informed of any changes which are likely to impact on the strategic direction of the Company or on the attainability of the Objectives, and determining the steps needed to deal with such changes;
- demonstrating high standards of corporate governance at all times, including by using the Company's audit and risk committee to help the Board to address key financial and other risks;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with and that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Shareholder and in accordance with any other conditions relating to the use of public funds. The Company's financial delegations from HMT are set out in the delegations' letter (the "**Delegations Letter**") from the Shareholder;
- if required, co-operating fully with the requests of all relevant Parliamentary committees for scrutiny, requests from the Parliamentary Commissioner for Administration and otherwise to assist the Shareholder and the Shareholder Representative in answering questions about the Company; and
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the Company of the Objectives.

3.6 The role of the Chair

The Chair is responsible for leading the Board in the delivery of its responsibilities.

The Chair should lead the Board in providing support and challenge to the Company's CEO and the executive team as set out in the Chair's letter issued to them by the Shareholder Representative.

In addition, the Chair has the following leadership responsibilities:

- leading the Board in scrutinising and challenging the Operating Plan formulated by the executive of

the Company, subject to the Objectives;

- promoting the efficient and effective use of staff and other resources; and
- ensuring high standards of regularity and propriety.

The Chair has an obligation to ensure that:

- the Board has a balance of skills and diversity which is appropriate to directing the Company's business;
- the Chair, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities and that the Chair assesses the performance of individual Board members regularly and when being considered for re-appointment;
- there are regular internal and external reviews of Board performance and composition, with an externally facilitated Board evaluation at least every three years; and
- the Shareholder is advised as appropriate, via the Shareholder Representative, of the Company's needs when Board vacancies arise. The Chair will discuss Board composition, external board review and succession plans with the Shareholder Representative from time to time and agree any actions at least annually.

Engagement between the Company's Board and the Shareholder should, in the first instance, be through the Chair or the Chief Executive engaging with the Shareholder Representative.

The Senior Independent Director of the Company shall lead and co-ordinate on behalf of the Board an annual review of Chair's performance in accordance with the Code, working closely with the Shareholder Representative.

3.7 The role of individual Board members

Individual Board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of public funds and conflicts of interest, and with any applicable guidance on the role of Public Sector non-executive directors and Boards that may be issued from time to time by HMG;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- ensure that, in accordance with the Code they should not take on additional external appointments without prior approval of the Board. Furthermore, the Shareholder Representative should be informed in advance before a director takes on a new external appointment;
- comply with the Board's rules on the acceptance of gifts and hospitality; and
- act in a way they consider in good faith will most likely achieve the Objectives and otherwise comply with their statutory, regulatory, common law and fiduciary duties.

3.8 Board composition

The Board comprises the Non-Executive Chair, the Non-Executive Directors (including the Shareholder Director), the CEO and such other Executive Directors whose appointment is recommended by the Nominations Committee and approved by the Board from time to time.

All of the above will be company directors within the meaning of the Companies Act 2006.

The Board must contain a balance in favour of Non-Executive Directors whom the board considers to be independent. The quorum for Board meetings shall be three Directors, one of whom shall be the Shareholder Director (or the Alternate Shareholder Director) subject to certain exceptions as set out in the Articles. The Shareholder will seek to procure that the Shareholder Director (or the Alternate Shareholder Director) attends all meetings of the Board of which notice to the Directors is given.

3.9 Board committees

It is the responsibility of the Board to constitute its Committees (namely the Audit and Risk, Remuneration, Nomination and Investment Committees).

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, Remuneration and Nomination Committees.

The Audit and Risk Committee is responsible for assisting 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.

Refer to **Appendix 2** for the RFL Audit and Risk Committee Terms of Reference.

The Remuneration Committee will consider and approve the remuneration arrangements for the Chairman, the Executive Directors and Senior Management. In line with the Code, Non- Executive Director remuneration is a matter which is agreed by the whole Board, following recommendation from RFL's Nomination Committee, subject to approval by the Shareholder as set out below.

Refer to **Appendix 3** for the RFL Remuneration Committee Terms of Reference.

The Nominations Committee is responsible for leading the process for Board appointments (excluding the Chair and Shareholder representative), ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board.

Refer to **Appendix 4** for the RFL Nominations Committee Terms of Reference.

The Investment Committee is responsible for supporting the Board and the Chief Executive in the development and implementation of the RFL Investment Strategy. It also provides assurance to the Board with regards to the ongoing performance and compliance of the nominated Investment Manager(s) and Custodian(s) and ensures adherence to the Board agreed investment mandate.

Refer to **Appendix 5** for the RFL Investment Committee Terms of Reference.

3.10 Operating Plan and Performance Measures

The Company's operating plan ("**Operating Plan**") shall set out how the Company will achieve the Objectives and respond, as appropriate, to policy developments as advised by HM Treasury and DCMS. The Operating Plan will be developed, reviewed and updated by the Board and approved by the Shareholder. Among other things, it shall include:

- financial information at a level of detail agreed between the Company and the Shareholder Representative covering a 3-year forecast period, including an income statement, balance sheet, cashflow statement and explanatory narrative regarding assumptions;
- description of how the Objectives are being fulfilled in the current period and for the future including clear descriptions of risks and opportunities to the plan; and
- a set of Key Performance Indicators (KPIs) to allow the Board and Shareholder Representative to track performance against the plan.

4. Management and Financial Framework

4.1 HM Treasury guidance

The activities, roles and responsibilities of the Company as described in this Document should comply with the principles set out in MPM and guidance issued by HM Treasury (as amended from time to time and to the extent applicable to the Company).

4.2 Delegated authorities

RFL's delegated authorities are set out in the Delegation Letter. The Delegation Letter may be updated and superseded by later versions which may be issued by the sponsor department in agreement with HM Treasury. In line with Managing Public Money Annex 2.2 these delegations will be reviewed on an annual basis.

RFL shall obtain the department's and 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 department;
- 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; or
- carrying out policies that go against the principles, rules, guidance and advice in MPM.

4.3 No distributions to members

Under the Act and the Articles, the Company is not permitted to make any distributions (including any distribution on winding up) of any of its income or assets to its members (other than in very limited circumstances in the context of its ability to defray certain specific reasonable expenses permitted under paragraph 1 of Schedule 1 to the Act, and without prejudice to its ability to transfer money to the body or bodies for the time being specified in section 16(1) of the Act (currently The National Lottery Community Fund). No dividend distributions are to be made to the Shareholder as this is not permitted by the Act.

4.4 Loan and working capital facilities

The Company will operate through such commercial banking arrangements as are approved by the Board within a framework agreed with the Shareholder Representative having been approved by the Shareholder from time to time.

It is not anticipated that RFL will require any loan facilities other than for working capital. However, any loan facilities put in place should be reviewed and approved by the Board and take into account guidance set out in *MPM (5.8 Borrowing by Public Sector Organisations and 5.9 External Borrowing)* where relevant. Any loan facility will be arranged between the Company and the Shareholder and will be conducted on commercial arms-length terms for the purposes of providing working capital.

4.5 Annual Report and Accounts

The Company's Board must publish an annual report of its activities together with its audited accounts after the end of each financial year. HMT will issue an Accounts Direction with which the Company will be expected to comply.

The annual report to be produced by the Company will comply with the Companies Act 2006 and the timing for production of such accounts shall accord with "best practice" applicable to UK registered companies.

The annual report and accounts shall also follow the principles in HM Treasury's Financial Reporting Manual ("**FReM**") and provide the additional disclosures required by FReM where these go beyond the Companies Act 2006. RFL will be subject to certain consolidation responsibilities, including the preparation of consolidation packs and any adjustments that may be required for any differences in accounting policies.

The Company will share a draft of the report narrative with the Shareholder Representative for review before it is signed off by the Company's Board providing adequate time for such review and not less than five working days. The final report should be submitted to the Shareholder immediately upon receipt of auditor approval, for endorsement. The Shareholder recognises that the finalised annual report is solely the responsibility of the Company's Board. Publication will be dependent on other Government and Company announcements but will be as soon as feasibly possible.

The Shareholder will lay the Annual Report and Accounts before Parliament and it should be made available on the Company's website.

4.6 Audit Requirements

Internal

The Company will maintain an internal audit function (with or without external professional support) who will report to the Audit and Risk Committee and will cover (among other things) matters relating to risk management and internal controls within a framework set by the Audit and Risk Committee, which will include compliance with the terms of this Framework Agreement.

External

The Comptroller and Auditor General (the "**C&AG**"), operating through the National Audit Office, shall audit the Company's accounts.

The C&AG may also carry out Value for Money studies of the Company under the National Audit Act 1983 examining the economy, efficiency and effectiveness with which the Company and/or its subsidiaries have used their resources in discharging their functions. The Company will make available to

the C&AG its accounts and other relevant information, documents and access to staff as necessary for such examinations.

The Shareholder and the Company shall provide, in conditions to any grants or contracts, for the C&AG to exercise such access to documents held by grant recipients, contractors or sub-contractors as may be required for its audit and examinations; and shall use its best endeavors to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

The C&AG may, with the approval of the Board, share with the Shareholder information identified during the audit process following the completion of the audit. Once issued to the Company, the C&AG may, with the approval of the Board, share with the Shareholder relevant audit planning reports, interim progress reports and audit completion reports (together with any other relevant outputs).

4.7 Delegations

The Board is responsible for establishing appropriate delegations with the Executive Directors. The Shareholder Representative will review these delegations from time to time with the Board.

5. Freedom of Information Act ("FOIA")

The CEO of the Company is authorised to act as the "qualified person" under section 36(5)(o)(iii) of FOIA, pursuant to the letter of authorisation set out at **Appendix 7** of this Document.

6. Reporting on legal risk and litigation

Notwithstanding the provisions of any protocol agreed as set out below, the Company shall provide a quarterly update to the Shareholder on the existence of any active litigation and any threatened or reasonably anticipated litigation.

The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the Shareholder in a timely manner.

In respect of each substantial piece of litigation involving the Company, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the Shareholder to facilitate this. Subject to the terms of any litigation protocol, the parties will ensure that:

- material developments in the litigation are communicated to the Shareholder in an appropriate and timely manner;
- legally privileged documents and information are clearly marked as such;
- individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and
- circulation of legally privileged information within Government occurs only as necessary.

For the avoidance of doubt, information that is subject to litigation privilege will only be shared on the basis of a litigation protocol as contemplated above and, in the case of information that is subject to legal advice privilege, subject to appropriate arrangements agreed between the parties at the time.

Nothing in this Framework Document shall require the Company (or authorise any person without the express agreement of the Company) to waive any right of legal professional privilege (including litigation privilege and/or legal advice privilege) that the Company may have.

7. Counter Fraud

The Company should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and considerations as set in in MPM Annex 4.9. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.

The Company should keep records of and prepare and forward to the department an annual report on fraud and theft suffered by the Company and notify the Shareholder of any unusual or major incidents as soon as possible. The Company should also report identified loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard.

8. Remuneration and Staff

8.1 Status of the Company's employees

The Company's staff are Public Servants.

8.2 Participation in Principal Civil Service Pension Scheme

The Company provides access to a defined contribution pension scheme and makes employer contributions to the scheme tiered to personal contribution level. Company employees will not participate in the Principal Civil Service Pension Scheme, however, the Shareholder will keep this under periodic review to assess the impact on overall remuneration if there are changes to the pay structure over time.

8.3 Pay Controls

Subject to any agreements made between the Shareholder and RFL, controls over pay and conditions shall apply as follows:

- *senior pay*: unless alternative arrangements are agreed with the HM Treasury Ministers, remuneration packages above the senior pay threshold require the approval of the Chief Secretary to HM Treasury in accordance with the guidance on the approval of senior pay which came into force on 1 January 2018 or any updates thereafter, and
- *other pay*: although RFL is classified as an NDPB, it is agreed RFL will not need to comply with the limits on Increase Remuneration Cost set out within the annually updated Pay Remit Guidance.

8.4 Board responsibility for staff matters

Subject to any exemptions or agreements made between the Shareholder and RFL, the following shall apply in respect of RFL's staff:

- remuneration and terms: the Board is solely responsible for all other staff matters, including the appointment and management of staff, determining staff numbers, and determining terms and conditions of appointment in accordance with the appropriate Company HR documents, including the Remuneration Policy having regard to relevant public sector guidance. The Company must have regard to wider public sector pay policy when setting a Remuneration Policy for the Company and the Remuneration Committee should have oversight of all bonus and incentive schemes. The Board will delegate to the Remuneration Committee those responsibilities set out in section 3.9 above;

- off-payroll rules: it is the responsibility of the Company to ensure it complies with the IR35 requirement;
- compensation scheme rules and pension scheme rules should reflect legislative and HMT guidance requirements regarding exit payments;
- confidentiality clauses: confidentiality clauses may only be used as permitted in relevant public sector guidance and in accordance with the Company's regulatory requirements³;
- salary sacrifice schemes: are generally prohibited and must be consistent with MPM;
- travel: travel policy must be consistent with the guidance on travel for public sector employers⁴, with first class travel only permitted if there is a strong business need to do so;
- pension schemes: are defined contribution and not based on final salary;
- transparency: the Company should report (via the Remuneration Committee) to the Shareholder Representative the number of posts paid above the remuneration threshold (with names). The Annual Report should contain full details of the remuneration of Board members, provide information in bands for Executive Committee members paid above the remuneration threshold, and report the numbers of other staff (without names) paid above the remuneration threshold. The Company should also notify HMT, via the Shareholder Representative, of all bonus arrangements put in place that are above the remuneration threshold as soon as the decision is made and within no more than one month. The number of bonuses paid above the threshold should be made public in the Annual Report; and
- other benefits: benefits are set out in the Company's Remuneration Policy (**Appendix 3**) which also covers legacy arrangements. The Company must not offer allowances that may be considered novel, contentious or percussive.

8.5 Remuneration criteria

The Remuneration Committee shall determine the Remuneration Policy and remuneration levels in accordance with the following criteria (which shall also be reflected in the Remuneration Committee terms of reference and the Remuneration Policy itself). The criteria are that remuneration levels:

- are sufficient to attract and motivate high calibre individuals to drive the delivery of the activities and the Objectives;
- are structured to link remuneration of all employees to performance in line with the Operating Plan;
- are aligned with the Objectives;
- deliver value for money; and
- take account of MPM and take account of remuneration levels within comparable public sector institutions and are set with wider public sector pay policy in mind.

Staff terms and conditions should be set out in an Employee Handbook, which should be provided to

³ Guidance on confidentiality clauses can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817156/Cabinet-Office_guidance-on-settlement-agreements-special-severance-payments-on-termination-of-employment-and-confidentiality-clauses.pdf

⁴ Guidance on travel for public sector employers can be found here: <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

the Shareholder Representative, together with subsequent amendments, on request.

The Company will operate a performance-related bonus scheme based on company and individual performance approved by its Remuneration Committee.

The travel expenses of Board members will be tied to the rates allowed to senior staff of the Company. Reasonable actual costs, excluding alcohol, shall be reimbursed.

9. Term of this Document

This Document shall continue for as long as HM Treasury (acting through the Shareholder Representative) remains the sole shareholder of the Company. Should HM Treasury (acting through the Shareholder Representative) cease to be the sole shareholder of the Company, this Document shall cease to have effect.

10. Review of ALB Status

The date of the next review will be in 2024. The status of the Company will be reviewed by the by the Shareholder in line with Cabinet Office Guidance every 3 years.

11. Revision of this Document

This Framework document shall be reviewed and updated at least every 3 years unless there are exceptional reasons that render this inappropriate that have been agreed with the Principal Accounting Officer of HM Treasury. The latest date for review and updating of this document is 30 April 2024.

No variation of this Document shall be effective unless it is in writing and signed by the parties.

12. Signatures

Signed on behalf of Her Majesty’s Treasury and Reclaim Fund Ltd.

Signed
David Raw
.....

Date
16 April 2021
.....

David Raw
On behalf of Her Majesty’s Treasury

Signed 
.....

Date 16 April 2021
.....

Adrian Smith
Chief Executive Officer
On behalf of Reclaim Fund Ltd

Appendix 1: Accounting Officer Letter



Appendix 1 - RFL
Accounting Officer Le

Appendix 2: RFL Audit and Risk Committee Terms of Reference



Appendix 2 - RFL
Audit and Risk Comm

Appendix 3: RFL Remuneration Committee Terms of Reference



Appendix 3 - RFL
Remuneration Comm

Appendix 4: RFL Nominations Committee Terms of Reference



Appendix 4 - RFL
Nominations Commit

Appendix 5: RFL Investment Committee Terms of Reference



Appendix 5 - RFL
Investment Committe

Appendix 6: Application of Government-wide Corporate Legislation, Codes of Good Practice and Guidance



Appendix 6 -
Application of Govern

Appendix 7: Freedom of Information Act Letter of Authorisation



Appendix 7 -
Freedom of Informati