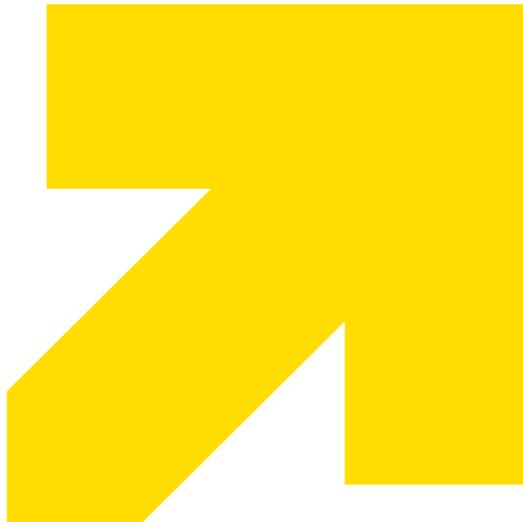


# Governance



# Introducing our Board

A balanced, considered and experienced Board of Directors.





## OUR COMMITTEES AND COMMITTEE CHAIRMEN

The Board has delegated certain responsibilities to the four Committees 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.

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 Dormant Bank and Building Society Accounts Act 2008.

The Investment Committee supports the Board and the Chief Executive in the development and implementation of the RFL Investment Strategy. It also provides assurance to the Board with regard to the ongoing performance and compliance of the nominated Investment Manager and Custodian and ensures adherence to the Board agreed investment mandate.

The Nomination Committee leads 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.

The Remuneration Committee considers and approves the remuneration arrangements for the Chairman, 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.

 Find out more on page 24

## GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

### Audit and Risk Committee

The Audit and Risk Committee is chaired by Glyn Smith.

### Investment Committee

The Investment Committee is chaired by James Hardie.

### Nomination Committee

The Nomination Committee is chaired by Jane Hanson.

### Remuneration Committee

The Remuneration Committee is chaired by Adrian Coles.

# The Board



**JANE HANSON**  
JP, BA (Hons), FCA  
Chairman

**APPOINTED:** 7 October 2011  
**EXPERIENCE:** Jane joined the Board in 2011 and served as Chairman of the Audit and Risk Committee prior to being appointed as Board Chairman on 18 August 2014. A Fellow of the Institute of Chartered Accountants with over 25 years' experience in financial services. Jane is also a Non-Executive Director and Chairman of the Board Risk Committee at Direct Line Insurance Group plc, Non-Executive Director of William Hill plc and Independent Member of the Fairness Committee at ReAssure UK. Jane 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.

**COMMITTEES:** **N** **R**



**ADRIAN SMITH**  
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. Adrian is also a member of the Dormant Assets Advisory Board.

**COMMITTEES:** **I**



**ADRIAN COLES**  
OBE, BA, MA  
Senior Independent Director

**APPOINTED:** 28 March 2011  
**EXPERIENCE:** Adrian joined the Board in 2011 and was appointed Senior Independent Director in 2014. Adrian was Director General of the Building Societies Association between 1993 and 2013 and now holds a number of Chairmanships and Non-Executive Directorships. He is Chairman of the Housing Securities Ltd group, and a Non-Executive Director of Progressive Building Society and The Funding Network, the crowdfunding charity. He is also a member of the Financial Services Commission (Gibraltar), Chairman of the Fairer Finance Consumer Advisory Board and a member of the Corporate Governance Research Group Advisory Board at Cardiff Business School. Adrian was awarded an OBE in 2011 for services to financial services.

**COMMITTEES:** **R** **I** **N**

## BOARD DIVERSITY



## COMMITTEE MEMBERSHIP KEY

- COMMITTEE CHAIR
- A** AUDIT AND RISK COMMITTEE
- I** INVESTMENT COMMITTEE
- N** NOMINATION COMMITTEE
- R** REMUNERATION COMMITTEE



**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 HSBC, 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



**JAMES HARDIE**  
MA (Hons), MBA  
Non-Executive Director

**APPOINTED:** 2 July 2015

**EXPERIENCE:** James joined the Board in July 2015 as an independent Non-Executive Director and is Chairman of the Investment Committee. James is Director of Investment Management and Treasury at Direct Line Insurance Group plc.

**COMMITTEES:** I A



**DOMINIC KENDAL-WARD**  
BA (Hons)  
Non-Executive Director

**APPOINTED:** 9 December 2019

**EXPERIENCE:** Dominic joined the Board in 2019 as a Non-Executive Director nominated by Angel Square Investments Limited (a subsidiary of Co-operative Group Limited). Dominic is General Counsel for Co-operative Insurance and Funeralcare and Deputy Board Secretary for the Co-operative Group. Dominic previously worked in the corporate team at law firm Linklaters before joining the Co-operative Group in 2017.



**GLYN SMITH**  
MA, FCA  
Non-Executive Director

**APPOINTED:** 4 February 2015

**EXPERIENCE:** Glyn joined the Board in February 2015 and is Chairman 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 Chairman of the Audit Committee of The Co-operative Bank plc and Chairman 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 and Stroud & Swindon Building Society.

**COMMITTEES:** A N R



**MARK SUMMERFIELD**  
BA (Hons)  
Non-Executive Director

**APPOINTED:** 24 April 2015

**EXPERIENCE:** Mark joined the Board 2015 as a Non-Executive Director nominated by Angel Square Investments Limited (formerly Co-operative Banking Group Ltd). Mark is Chief Executive of CIS General Insurance Ltd and previously carried out executive roles for Sesame, Prudential and Fleming before joining the Co-operative Group in 2004.



**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. A previous Chair of the Electoral Commission and Equal Opportunities Commission, she started her early career in the not for profit sector. She is currently a Non-Executive Director on the Boards of both the Financial Reporting Council and the Financial Ombudsman Service.

**COMMITTEES:** A R

# Corporate governance report

The Company voluntarily follows the spirit of the UK Corporate Governance Code ('the Code') as a way of providing assurance to stakeholders around our operations and control framework. Although, technically, the Code only applies to premium listed companies the RFL Board firmly believes in the benefits of good governance practices.

Following the publication of the new Code in 2018, the Board commissioned a 'gap analysis' of the Code against its governance arrangements. This was carried out by the Company Secretary, with the results confirming that RFL was broadly compliant with the 2018 Code, including in respect of the new provisions relating to employee and stakeholder engagement, and setting the organisation's culture. Recommendations were made for enhanced reporting in a number of areas, including providing more detail on the work of both the Nomination Committee and the Remuneration Committee. The Board acknowledged this recommendation and further information on the Committees' work during the year can be found under the relevant section within this report. A further recommendation was made to publish the respective responsibilities of the Chair and Chief Executive and to publish the terms of reference for RFL's Committees, which will be uploaded to the Company's website following the Board's review later this year.

## Roles and responsibilities of the Board

To ensure the successful delivery of the Company's strategy, the Board and its Committees have been established with an appropriate balance of relevant skills, sector knowledge, experience, independence and diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board continues to work to develop further its skills and diversity and was delighted to have appointed Katherine Garner and Jenny Watson in the latter part of 2018.

The Directors are committed to leading and controlling the Company effectively. The Board is responsible for the success of the Company within a framework of controls, which enables risks to be assessed and managed. It is responsible for setting strategy, maintaining the policy and decision making framework in which this strategy is implemented, 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.

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 six times during 2019 including one Board strategy review meeting.

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

Adrian Coles has been the Senior Independent Director since December 2014. The Senior Independent Director is available to employees and stakeholders if they have concerns that are unresolved after contact through the normal channels or where such contact would not be appropriate.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £512k (2018: £468k). The increase in charge reflects a period of overlap of retiring and joining Non-Executive Directors.

## Board meetings

The agenda for each Board meeting is set by the Chairman 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, environmentally sounder and more secure than providing Board documentation in paper format.

There is regular communication between the Directors, the Chairman, the Chief Executive and the Company Secretary between meetings.

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

### Regular Board business

At every quarterly meeting 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 Chairmen 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 develop 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 2019, the Board discussed, inter alia, new investment opportunities, the implementation of the SMCR, an improved communications strategy, distributions, the Company's reclaim provisioning policy, the successful introduction of the Alternative Scheme during the year, risk management and governance matters, implementation of a new IT system, policies and procedures, the development of an expanded Dormant Assets Scheme, appropriate performance measures, and corporate governance.

The Board strategy meeting in September was facilitated by an external provider and focused on items of key strategic importance for the Company, including the expanded Dormant Assets Scheme, a possible new ownership model, reclaim risk modelling, and emerging risks arising from consideration of the Company's risk register.

### Board Committees

The Board has delegated certain 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.

### 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.

During the year the AARC comprised:

- Glyn Smith (Chairman)
- Paul Chisnall (until 10 July 2019)
- Katherine Garner (from 10 July 2019)
- James Hardie
- Robert Newton (until 10 July 2019)
- Jenny Watson (from 10 July 2019)

The AARC met five times during 2019.

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. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the provision for reclaims of dormant account balances.

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.

The AARC also 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.

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 the Alternative Scheme. The Committee also received reports on RFL's whistleblowing arrangements. The Committee met twice with each of the internal and external auditors, 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.

# Corporate governance report continued

## 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 nominated Investment Manager and Custodian with the Board agreed investment mandates and requirements.

During the year the Committee comprised:

- James Hardie (Chairman)
- Adrian Coles
- Katherine Garner (from 10 July 2019)
- Robert Newton (until 10 July 2019)

The Committee met four times during 2019.

Adrian Smith, Chief Executive, joined the Committee on 6 April 2020.

## Nomination Committee

The Nomination Committee leads 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.

## 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 2019.

| Directors        | Full Board | AARC  | Investment Committee | Nomination Committee | Remuneration Committee |
|------------------|------------|-------|----------------------|----------------------|------------------------|
| Paul Chisnall    | 3 (4)      | 4 (4) | -                    | 1 (1)                | -                      |
| Adrian Coles     | 6 (6)      | -     | 4 (4)                | 2 (2)                | 4 (4)                  |
| Katherine Garner | 6 (6)      | 2 (2) | 2 (2)                | -                    | -                      |
| Jane Hanson      | 6 (6)      | -     | -                    | 2 (2)                | 4 (4)                  |
| James Hardie     | 6 (6)      | 5 (5) | 4 (4)                | -                    | -                      |
| Robert Newton    | 3 (4)      | 3 (4) | 3 (3)                | -                    | -                      |
| Adrian Smith     | 6 (6)      | -     | -                    | -                    | -                      |
| Glyn Smith       | 6 (6)      | 5 (5) | -                    | 2 (2)                | 4 (4)                  |
| Mark Summerfield | 6 (6)      | -     | -                    | -                    | -                      |
| Jenny Watson     | 5 (6)      | 2 (2) | -                    | -                    | 1 (1)                  |

Dominic Kendal-Ward is excluded from the table as his appointment date was after the final meetings of the year.

During the year, the Committee comprised:

- Jane Hanson (Chairman)
- Paul Chisnall (until 10 July 2019)
- Adrian Coles
- Glyn Smith

The Committee met twice during 2019.

Following significant activity by the Committee in 2018, which culminated in the appointment of Jenny Watson and Katherine Garner as Non-Executive Directors, the Nomination Committee undertook a review of the composition of RFL's Committees, in light of the retirements of Paul Chisnall and Bob Newton in July 2019.

The Committee oversaw the selection of a suitable provider to undertake an externally facilitated, independent full Board evaluation. Several providers were invited to tender, with two being shortlisted. The Committee recommended one provider to the Board and, as a result, the firm was appointed to carry out RFL's review, the results of which are can be found on page 27.

## Remuneration Committee

The Remuneration Committee considers and approves the remuneration arrangements for the Chairman, the Executive Director and senior management.

During the year the Committee comprised:

- Adrian Coles (Chairman)
- Jane Hanson
- Glyn Smith
- Jenny Watson (from 19 November 2019)

The Committee met four times during 2019.

During the year, the Remuneration Committee reviewed the 2019 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.

### 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 Chairman and the Board support the ongoing professional development of the Directors. During the year, the Directors attended internal and external training sessions, both on an individual basis and in a meeting forum. This included specialist training for the Board on the new SMCR. Training sessions have been built into the Board and Committee agendas for 2020 based on the individual and collective requirements of the Board.

### Board and Board Committee evaluation

The Board has agreed to undertake a review of its effectiveness and that of its Committees on a two-year cycle, with a high level review every two years and a completely independent review every four years.

The last high-level review of the Board's effectiveness was undertaken in 2016 and the Board had determined that an independent review be conducted towards the end of 2018. However, in light of the appointment of two new Board members at that time, this was deferred until 2019. The Nomination Committee led the process to identify a suitable provider and ultimately selected the chosen provider, Independent Audit Ltd, to undertake a full evaluation of the Board and its Committees.

The independent review concluded that the RFL Board operated effectively with a highly skilled board of Directors, ably led by the Chair with a good level of diversity. The review also emphasised that the Committees were well run, with experienced Chairs and that staff were led by a committed Chief Executive. Relationships with stakeholders were good, largely due to the work of the Chief Executive and Chair. Some minor improvements were recommended, and these are being worked through by management and the Board.

### The Secretary to the Board

The Secretary is professionally qualified and is responsible for advising the Board through the Chairman 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 year.

### Ownership

RFL is ultimately owned by the Co-operative Group Ltd via its subsidiary *Angel Square Investments Limited*.

### External audit

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

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 and it is due for review in 2021. No non-audit services were provided by the external auditors during 2019.

### Internal audit

The internal audit function is an independent function, which reports to the AARC. 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.

*Deloitte LLP* provided internal audit services to the Company throughout the year.

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 February 2019, which concluded that the internal audit function remained effective. The next formal review of the internal audit function will be conducted in 2021. 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.

# 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 and has been in place for the whole of the year under review and up to the date of the approval of the Annual Report and Accounts.

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

## Going concern and 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 29.

In addition to performing a review of the going concern position, the Directors have also, in the spirit of the Corporate Governance Code, assessed the prospects of the Company over a three-year period.

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 risk and capital positions. The scenarios take into consideration amounts already committed for distribution by RFL as part of the stress testing. The process assists RFL in evaluating, over a three-year period, 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 capital position of the business at all times, including during a stress scenario. Additionally noting the impact of COVID-19 on businesses generally, consideration was given to a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds.

The Board has also considered the legal form of the Company over the course of the three-year period given the potential impacts of COVID-19, in particular noting that distributions are wholly and exclusively at the discretion of the Directors. As detailed in the Chief Executive's review, in September 2019 ONS undertook a classification review of RFL and determined it to be a public body for statistical purposes. There are discussions ongoing in respect of the classification with a derogation of the decision in place until March 2021, in order for this to be thoroughly considered. The analysis performed and referenced here assumes that with the information available to RFL at the time of this report, the Directors will maintain control over the value and timing of distributions throughout the three-year period.

In addition, the Directors reviewed Management's assessment of the Company's operational resilience in light of COVID-19. This included but was not limited to assessments of key suppliers and engagement with them to understand their business resilience and financial stability. An assessment of key outsource providers' ongoing sustainability of their service delivery, with focus on ability, capacity, effectiveness, management, security and business continuity considerations of each supplier's specific service delivery was performed as part of this.

Based on the 2019 results of the liquidity and capital management forecasting, the assessment of the Company's form and the operational resilience assessment of RFL, 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 three-year period of their assessment.

On behalf of the Board of Directors

**JANE HANSON**  
Chairman

23 April 2020

# 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 20 to 23.

## Employees

The average number of employees during 2019 was ten (2018: eight).

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 53.

## 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 30.

The Directors of the Company during the year were:

## Non-Executive Directors

Jane Hanson (Chairman)  
Paul Chisnall (resigned 10 July 2019)  
Adrian Coles (Senior Independent Director)  
Katherine Garner  
James Hardie  
Dominic Kendal-Ward (appointed 9 December 2019)  
Robert Newton (resigned 10 July 2019)  
Glyn Smith  
Mark Summerfield  
Jenny Watson (appointed 3 January 2019)

## 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 The National Lottery Community Fund. £71.8m of distributions were paid to The National Lottery Community Fund during the year (2018: £152.8m).

No dividend distributions were made to the parent, Angel Square Investments Limited, as this is not permitted by the Act.

## Going concern

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;
- The legal form of the Company under which distributions are wholly and exclusively at the discretion of the Directors; and
- The operational resilience assessment of key suppliers and the ongoing sustainability of their service delivery.

Based on the above, and noting the considerable cash headroom even under a reasonable stress, the Directors 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 year (2018: £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 section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

## Non-adjusting post balance sheet event

The COVID-19 outbreak has been developing worldwide at different rates since initially

emerging in China in the latter part of 2019. In addition to the loss of life it has caused an economic shock that has resulted in substantial volatility in financial markets and extensive disruption in supply chains and working practices. Despite significant economic rescue packages being announced by governments across the globe it is likely that the outbreak will lead to significant recessions in economies around the world. It is not possible at this time to quantify the long-term impact on the Company in terms of asset values or changes in dormant account holder behaviour; however at the date of approving the Financial Statements the investment portfolio had decreased by approximately 1% (31 December 2019: £355.3m) in fair value terms. The Investment Committee has convened on a number of occasions in response to the volatility in financial markets to ensure we continue to take a considered approach to our investment of dormant account funds.

The Company outsources several activities to third parties. Management has updated the operational resilience assessments of key suppliers and engaged with them to understand their business resilience and financial stability. This has included assessment of the ongoing key suppliers' sustainability of their service delivery, with focus on ability, capacity, effectiveness, management, security and business continuity considerations of each supplier's specific service delivery.

As part of its response to the COVID-19 pandemic, the Company has also actioned its own Business Continuity Plan which has seen all staff fulfilling their role responsibilities from home. The areas of focus for outsourced supplier-assessment as described above have also been applied to internal role performance and are judged to be consistently effective. There has also been a review of insurance policies to ensure that the Company is as adequately protected as possible.

By order of the Board

## ADRIAN SMITH

### Chief Executive

23 April 2020

Reclaim Fund Ltd  
Registered number: 07344884

# Statement of Directors' responsibilities

in respect of the Strategic report, the Directors' report and the Annual Report and Accounts

The Directors are responsible for preparing the Strategic report, the Directors' report and the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Annual Report and Accounts for each financial year. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Annual Report and Accounts on the going concern basis unless it is inappropriate to presume that the Company will 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 Annual Report and Accounts complies with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the Annual Report and Accounts may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of Reclaim Fund Ltd

## Opinion

We have audited the Financial Statements of Reclaim Fund Ltd for the year ended 31 December 2019 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter – Effects of COVID-19

We draw attention to note 21 of the Financial Statements, which describes the economic and social consequences the Company is facing as a result of COVID-19 which is impacting financial markets and asset prices, and to the going concern statement in note 1 which describes the basis upon which the Directors have concluded it is appropriate to adopt the going concern basis of preparation. Our opinion is not modified in respect of this matter.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

## Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

# Independent auditor's report

## to the members of Reclaim Fund Ltd continued

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 30, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Statements

Our 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 an auditor's report that includes our 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### GILES WATSON

#### (Senior Statutory Auditor)

for and on behalf of  
Ernst & Young LLP  
Statutory Auditor  
Leeds

23 April 2020

1 The maintenance and integrity of the Reclaim Fund Ltd website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.