

Carney Retirement Benefits Scheme ("the Scheme")

Annual Governance Statement by the Chair of the Trustee for the Scheme Year Ending on 09 June 2020.

Introduction and background

This statement has been prepared in accordance with regulation 23 the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and related guidance from The Pensions Regulator .

It relates to the Carney Retirement Benefits Scheme (the "Scheme") which is a money purchase scheme.

This statement will be published on a website made available to members.

Consideration has also been given to The Pensions Regulator's "A quick guide to the chair's statement" and to the Department for Work and Pensions guide on "Reporting of costs, charges and other information", both published in September 2018.

Matters in relation to the Scheme are considered by a dedicated subcommittee of the Dalriada Board which meets at least four times a year. However, issues are also considered on an ad hoc basis between committee meetings and the Scheme has a dedicated client manager, alongside a project manager, who ensures anything requiring attention by the subcommittee is communicated, and acted upon, in a timely manner.

This statement covers the period 10 June 2019 to 09 June 2020.

Dalriada Trustees Limited ("Dalriada") was appointed as trustee to the Scheme by the Pensions Regulator amid concerns as to the way the Scheme was being managed. Following member queries, it also became apparent that there did not appear to be any trustees who were willing or able to act as Trustee (s) for the Scheme.

Dalriada was therefore appointed as Independent Trustee of the Scheme by Order of The Pensions Regulator on 9 April 2018 with exclusive powers over any previous trustee(s) so Dalriada is, effectively, the sole trustee of the Scheme.

Dalriada understands that funds transferred into the Scheme (and other connected schemes) were ultimately invested in a company called Disruptive Tech Limited (DTL), a Gibraltar based investment holding company. Concerns were raised initially as some of the members either of the Scheme, or the other connected schemes, had failed in their attempts to contact the previous trustees and administrators and had therefore contacted DTL directly. DTL also having failed in their efforts to reach the previous trustees reported the matter to The Pensions Regulator. Again, the previous trustees did not respond to correspondence from The Pensions Regulator who determined there was no trustee in place and exercised its power to appoint a professional trustee (Dalriada) to act.

Dalriada is still in communication with a UK subsidiary of DTL, namely DTL (UK) Limited, as to the terms of the investment and the current value. A request was previously made for consideration of immediate redemption of the Scheme funds. Following a number of chaser communications we were provided with an initial update on the value of the investment in 2019. This updated, as referred to

in previous Chair Statements, had been provided by DTL (UK) Limited. The indication, however, was that the onward investment of the Scheme funds in DTL and the underlying portfolio of investments will provide no return to the Scheme. While Dalriada continues to be in communication with DTL (UK) Limited, communications have been sporadic and Dalriada is increasingly concerned that this investment will ultimately return no money to the Scheme. This was the sole investment made by the former trustees on behalf of the Scheme

Dalriada continues to hold limited information and has, at this stage, only been able to obtain limited, if any, records associated with the Scheme, so has not been able to determine a definitive membership database or create the necessary financial records. We do not possess all the necessary governance documentation such as The Trust Deed and Rules.

Both the Scheme employer Being Real Ltd and the Scheme Administrator Integra Administration Ltd have been dissolved, on 24 January 2017 and 24 October 2014 respectively.

Dalriada is continuing its investigations and, once it has determined who the Scheme members are, will look to communicate with them accordingly.

All of this has presented Dalriada with a number of challenges around governance. Nevertheless, this statement is a legal requirement and, where Dalriada cannot meet certain governance obligations, I have explained why that it is the case.

Default arrangement

A number of requirements of the Administration Regulations, relate only to a "default arrangement" as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Scheme does not have a default fund for ongoing accrual. It is not a qualifying scheme within the meaning given by section 99 of the Pensions Act 2008.

The Scheme is not used to meet any auto-enrolment obligations and no contributions are being paid into the Scheme.

The Scheme did not, and does not, offer a Default Lifestyle Strategy.

As far as Dalriada has been able to ascertain the Scheme did not offer members any choice as to how their funds were invested, all funds appearing to have been invested in DTL.

As such it is Dalriada's view, there has never been an appropriate default investment arrangement.

There is no lifestyling option available.

The previous trustees made investment decisions without seeking appropriate investment advice.

Ultimately, it is Dalriada's intention to wind up the Scheme as soon as it is able, giving members the opportunity to transfer any funds to a more suitable arrangement of their choice.

Statement of Investment Principles

Ordinarily, trustees should prepare a Statement of Investment Principles ("SIP") governing decisions about investments.

No serviceable SIP exists for the Scheme. In any event, the Scheme is likely to have less than 100 members, in which case a SIP is not required.

The Scheme currently holds no liquid assets. However, should sufficient assets be recovered on behalf of the Scheme, Dalriada will take appropriate advice to determine a suitable investment strategy which reflects Dalriada's intention to wind up the Scheme as soon as it is able, giving members the opportunity to transfer any remaining funds to a more suitable arrangement of their choice.

Due to the numerous issues still facing the Scheme, the Scheme would employ a lower risk investment strategy in relation to monies realised.

Due to the lack of liquid funds, Dalriada has been unable to prepare an Annual Report and Financial Accounts, nor any Net Asset Statements. Copies of the Scheme Chair's Statements are published on the dedicated member website.

Review of default strategy and default arrangements

There is no default arrangement or default strategy in place for the Scheme at the current time. For this reason there has been no review of the default arrangement or default strategy in the period in question and no previous review for which a date can be given.

Core Financial Transactions

Trustees have a specific duty to ensure that core financial transactions relating to DC schemes are processed promptly and accurately. These include the following:

- investing contributions in the Scheme
- transferring assets related to members into or out of the Scheme
- transferring the assets between different investments within the Scheme
- making payments from the Scheme to or on behalf of the members.

The Scheme does not currently accept contributions or transfers in and is unable to pay any level of benefit, including transfers values, to members at the present time (to the extent that Dalriada can even identify who the members are).

This is due to a number of factors, not least uncertainty, to date, as to the value of the Scheme's investment.

The financial transactions the Scheme would make are, in the main, in relation to costs. However, currently, there are no liquid assets to enable costs (or, indeed, any payments) to be made.

Given its inability to carry out routine administrative actions, unsurprisingly, over the reporting period, there have been no material administration service issues which need to be reported here by Dalriada.

Notwithstanding this, Dalriada, as a professional Independent Trustee, has processes and controls in place that are suitably designed to ensure any service objectives can be achieved once the Scheme

is in a position to operate in the manner of a normal scheme. Dalriada's administration processes are independently audited and accredited under AAF 01/06 and AAF 02/07.

In addition, acknowledging that we need accurate member data for the processing of member benefits, Dalriada will, when in receipt of sufficient records, carry out an analysis of "common data" and "scheme specific data" (as defined by The Pensions Regulator). This helps to ensure the integrity of member data that is processed.

We perform monthly bank reconciliations for all the schemes to which Dalriada is appointed. The purpose of these reconciliations is to ensure that all transactions processed through the bank accounts (money in and out) can be accounted for. Any transactions which cannot be accounted for are investigated and corrected if required.

Once Dalriada is in a position to process member benefit requests these will be managed and monitored in line with Dalriada's standard SLA levels and targets and formally reported on, on a quarterly basis.

Charges and Transaction Costs

The governance rules require trustees to make an assessment of investment management charges and transactions costs borne by scheme members and the extent to which those charges and costs represent good value for money for members.

The Trustee has calculated the charges and, so far as they were able to do so, the transaction costs, borne by Scheme members for the Scheme Year.

In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs.

"Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Dalriada has deviated from the approach set out in the statutory guidance for the reasons set out below.

Since Dalriada's appointment, there have been no transactions as Dalriada has not accepted any payments into the Scheme, either by way of contribution or transfers in. There has therefore been no transaction costs.

Under the terms of its appointment, the fees of Dalriada and its advisers would be met from Scheme funds. As mentioned above there are currently no assets in the Scheme.

Due to the mismanagement of the Scheme by its previous trustee and the subsequent actions taken by Dalriada since appointment, it is inevitable that the Scheme has incurred, and will continue to incur, significantly higher ongoing costs than would be the case for a similarly sized but conventional scheme.

During the period in question, trustee services totaling £1,439 were provided specifically to the Scheme. As the Scheme holds no funds, no fees were paid. If and until Dalriada is able to make any recovery from the Scheme's investment it will remain at risk of not getting paid for the work it carries out in relation to the Scheme.

In addition, for the period in question, trustee services totaling £20,786 were provided to the three schemes collectively to which Dalriada was appointed to under the same bulk appointment. A proportion of these costs will be due to be met from the Scheme ultimately once Dalriada has determined how these costs should be apportioned and if there are funds available.

Legal expenses relating to the three schemes collectively, including the Scheme, based on the common purported investment in DTL and totaling £9,410 (excluding VAT) have been incurred. A proportion of these costs will ultimately be due to be met from the Scheme, once Dalriada has determined how these costs should be apportioned and if there are funds available.

We reiterate that whilst Dalriada has incurred costs in managing the Scheme, it has not been possible to meet these costs due to the lack of available funds. It is not anticipated at this time that there will be any recoveries made in the short term to enable Dalriada's outstanding costs to be met.

However, should any funds become available to the Scheme, Dalriada will confirm to members (to the extent Scheme members can be identified) the amount of costs incurred and, if cost effective to do so, have a full set of Report and Accounts prepared and audited.

"Good value" assessment of charges and transactions

Generally, trustees should assess the extent to which the charges described above represent "good value" for members during the period, by considering the level of member borne charges against the benefits attributable to such charges.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, trustees should consider that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market.

The characteristics of the Scheme are unusual and there are no readily available comparators to determine whether the costs incurred represent good value.

However, the actions undertaken by Dalriada, beyond those considered necessary for the appropriate management of the Scheme (including attempts to trace all appropriate Scheme records), are centered on recovery of funds. Such actions are considered on a cost benefit analysis and, where necessary, Court approval would be sought for the use of Scheme funds to pay for any legal action.

Dalriada was appointed following a tender exercise by The Pensions Regulator (TPR) and Dalriada is subject to ongoing oversight by TPR.

Dalriada's costs (both for ongoing management and with regard to action around recovery of funds) are calculated using a blended charging rate. This rate sits well below Dalriada's standard market rates. The Scheme's legal advisers operate similarly, albeit on a different charging rate).

As commented above, Dalriada, as a professional Independent Trustee, has processes and controls in place that are suitably designed to ensure any service objectives can be achieved once the Scheme is in a position to operate in the manner of a normal scheme. Dalriada's administration processes are independently audited and accredited under AAF 01/06 and AAF 02/07.

Once Dalriada is in a position to process member benefit requests these will be managed and monitored in line with Dalriada's standard SLA levels and targets and formally reported on, on a quarterly basis.

Dalriada is required to advise members of the cumulative effect over time of the application of charges and costs on the value of a member's accrued rights to money purchase benefits. However, due to the nature of Dalriada's appointment, and the uncertainty as to both Dalriada's and its advisers' fees this is not possible to do at this time. When Dalriada is in a position to do so it will advise members.

Trustee knowledge and understanding

The Trustee has considered the latest guidance in relation to Chair's Statements from The Pensions Regulator and have ensured that its practices reflect the requirements set out. I have set out below how the Trustee ensures it currently meets the knowledge and understanding requirements of trustees.

Dalriada is an independent professional trustee, established in 2003, which has been appointed by The Pensions Regulator (TPR) under section 7 of the Pensions Act 1995 to a number of schemes. These appointments have been as a result of TPR having concerns about the nature and operation of those schemes and the extent to which the then current trustees understood their statutory and fiduciary duties and responsibilities. Dalriada refers to such schemes as "Regulatory Appointments". The Scheme is a Regulatory Appointment.

Dalriada has established a specialist team drawn from various relevant disciplines within Dalriada to manage the governance of these Regulatory Appointments which we have called the Irregular Schemes Team.

A dedicated committee (the Irregular Schemes Committee - 'the Committee') has been established by the Board of Directors of Dalriada to oversee the activities of the Irregular Schemes Team in its governance of this Scheme and other Regulatory Appointments. Care has been taken to ensure that the membership of the Committee is such that there is sufficient knowledge and understanding within the Committee to meet the requirements set out in sections 247 and 248 of the Pensions Act 2004 and The Pensions Regulator (TPR) 's Code of Practice 7 on Trustee Knowledge and Understanding.

I have set out below the membership of the Committee, along with a short note on their skill set and experience. In addition, it is worth noting that three members of the Committee are directors of Dalriada Trustees Limited.

Dalriada operates a team based approach which gives the Irregular Schemes Team access to over 120 pensions and support personnel with a broad skill set suited to identifying and implementing the variety of tasks required to successfully manage the Scheme. This includes pension administration experts, an in house legal team, fund accountants and investment experts. Whilst the core Irregular Schemes Team deals with the majority of matters arising on the Scheme on a day to day basis, in conjunction with its appointed advisers, it can access the specialist expertise of the wider Dalriada team as and when required.

As far as we are aware, no other professional independent trustee firm has established and developed a specialist team in this difficult and challenging area of trusteeship. The relevant experience developed by the Irregular Schemes Team on such cases is unmatched and unrivalled.

The Committee

Sean Browes

Sean has been working in the pensions industry since he graduated in 1988. He worked for two major benefit consultancies in both administration management and consultancy roles, before joining Dalriada in 2003. Sean has a broad range of skills and experience suited to all areas of pension scheme management.

Sean leads the Irregular Schemes Team, dealing with Dalriada's appointments by TPR to schemes suspected of being involved in pension liberation or thought to be scams. He now has a wealth of experience and knowledge with regard to the unique characteristics associated with the administration and management of these types of scheme and the challenges they present.

Sean is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Certificate in DC Governance and Award in Pension Trusteeship (DC and DB). Sean has met all required CPD requirements.

Neil Copeland

Neil is a co-founder and director of Dalriada. He acts as an accredited Professional Trustee on some of our most complex and challenging cases, including our regulatory appointments. Neil specialises in schemes with technically challenging governance and covenant issues, as well as having over 25 years of experience in relation to defined benefit, hybrid, defined contribution, multi-employer and sectionalised arrangements.

Neil is the Dalriada Board representative for the Irregular Schemes Team and spends a significant proportion of his time working on Regulatory Appointments. Like Sean, Neil has developed considerable experience of the complex and non-standard issues faced by the Dalriada team in managing the Regulatory Appointments. This has included acting as a witness in high profile litigation in relation to Regulatory Appointments in support of TPR and representing Dalriada in oral hearings before the Determinations Panel where Dalriada's appointment by TPR has been challenged by the incumbent trustees or other directly affected parties.

Neil is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Neil has met all required CPD requirements.

Tom Lukic

Tom is also a director of Dalriada and leads the Dalriada business across the Midlands. He has broad pensions experience with particular expertise in employer covenant and corporate transactions. He has worked with a range of trustee boards managing scheme assets from c£5 million to more than £1 billion. Similarly, he is experienced in working with a broad spectrum of sponsoring employers from small, owner managed businesses through to much larger and complex groups being either privately owned or fully listed.

Tom's experience, both as an adviser and as an accredited Professional Trustee, provides particular insight into corporate structures and insolvencies. Where the scheme's investments include shares and/or bonds in, or issued by, corporate entities, an understanding of the accounting and financial structures of these entities is essential and Tom provides a wealth of experience in this area.

Tom is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Tom has met all required CPD requirements.

Brian Spence

Brian is a co-founder and director of Dalriada. He is now involved in the provision of a wide range of advice to pension scheme sponsors and trustees. Brian is well-known in the pensions industry for taking a strategic view in dealing with pension scheme matters and uses his experience to deliver practical solutions which satisfy the needs of the trustees, the employers and other stakeholders. Brian is recognised by TPR and the pensions industry as an expert in dealing with contentious and/or complex issues. He is a lead contact and "key person" for a number of high profile trustee appointments.

In addition, Brian has practical experience of working as a professional trustee in all three major legal jurisdictions of the UK and as a trustee and advisor in Ireland. Brian has held a UK Scheme Actuary Practising Certificate since inception of the role in 1997.

Brian has an in depth knowledge of legal processes, particularly around testing points of legal principle related to the operation of pension schemes, often as a result of deficiencies in scheme documentation (a common issue with Regulatory Appointments). He also has experience in litigation involving pension schemes - where it is cost effective to do so, Dalriada will look to take legal action against the perpetrators of a scam with the aim to recover misappropriated assets.

Brian is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Brian has met all required CPD requirements.

Gino Rocco

While not a voting member of the Committee, Gino has extensive involvement with the Regulatory Appointments. He performs the role of accredited Professional Trustee for Dalriada, focusing on all aspects of pension law for defined benefit and defined contribution pension schemes that range in size from the small to the very large.

A solicitor admitted to practice in England and Wales and a Member of the Association of Pension Lawyers, Gino has over 15 years' experience gained at City and National Firms as well as a leading pension consultancy practice.

Gino's experience includes complex benefit interpretation issues, scheme equalisation and benefit rectifications. He has detailed experience of pensions issues arising under TUPE transfers and the Fair Deal protections where employees are transferred from the public (in particular LGPS and NHSPS) to the private sector.

Gino is a fully accredited member of the Association of Professional Pension Trustees, has completed TPR's Trustee Toolkit and holds the Pensions Management Institute's Award in Pension Trusteeship (DC and DB). Gino has met all required CPD requirements.

Knowledge of the trust deed and rules and all documents setting out the trustee's current policies

The Scheme has a dedicated client manager who has an in depth knowledge of the Scheme and its governing documentation.

At the point of becoming an Independent Trustee to the Scheme, a prescribed take on process was followed. This included an assimilation and review of all the relevant Scheme documentation, such as there was documentation available. The Committee is made aware of any issues or risks in relation to the Scheme as and when they arise and appropriate action agreed in relation to the issue or risk identified. In addition to the knowledge held by the client manager and Irregular Schemes Team., the Trustee obtains legal advice in relation to the Scheme where necessary.

There have been no new trustees introduced in this reporting period. However, there is, an appropriate induction process in place to support the addition of new trustees.

A working knowledge of the current Statement of Investment Principles (SIP)

As is set out earlier, the Scheme does not have a SIP at this time due to particular circumstances of the Scheme.

Sufficient knowledge and understanding of the law relating to pensions and trusts and understanding of the principles relating to the funding and investment of occupational schemes

Those Dalriada staff working on the Scheme are obliged to self-evaluate their learning and development requirements on an annual basis as part of Dalriada's internal appraisal process. The process identifies how staff can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Scheme. Dalriada staff are also required to comply with their respective training requirements in order to maintain a required level of continuing professional education (CPE) and to provide evidence of courses, seminars and other types of professional development to satisfy their respective professional bodies' CPE requirements.

Every Professional Trustee is required to undertake a minimum number of hours training in a year. This is recorded centrally by Dalriada's Human Resources Team and, where appropriate, forms part of staff personal development plans. This training can include internal and external courses and attendance at industry events, as well as a degree of self-learning by way of subscriptions to professional publications and electronic information channels.

Further, every Professional Trustee is required to complete TPR's Trustee Toolkit and subscribes to the updates issued by TPR.

Professional Trustees belong to Dalriada's Knowledge Management network which keeps them up to date with industry thinking. They also have access to a team of in house pensions experts who inform the team about changes to pensions legislation and practices.

Professional Trustees also have access to Pendragon Perspective and Aries - both industry leading tools, giving access to pension legislation.

Dalriada has its own in house legal specialists to provide support and guidance to trustees around legislation and interpretation of scheme documentation. This is further aided by advice from external

legal advisers, which is obtained when the trustees feel the reinforcement is necessary to support their own understanding.

Combined knowledge and understanding, together with available advice enables the trustees to properly exercise their function

Dalriada has informally assessed the skill set and experience of each member of the Committee and the client team. It has taken into account the development activities already mentioned, along with the internal resources made available to staff, supplemented, where required, by professional external advice.

The Committee understands the need to more formally assess the skills of its members. This is done using a skills matrix developed for this purpose. Any areas for development flagged during this process will be addressed as part of the individual's personal development plan and reviewed throughout the year.

An evaluation of the effectiveness of the Committee as a whole is also carried out.

I consider that the combined knowledge and understanding of the Committee and the client team enables them to exercise properly their function as trustee of the Scheme. In particular:

- Members of the Committee have the relevant financial knowledge and experience to enable the trustee to comply with its duties in relation to investment of the Scheme's assets. Tom Lukic's experience (see above) in particular is advantageous in this area.
- There is a vast range of pensions experience and knowledge within the Committee and the client team. This is appropriate to deal with the governance of the Scheme in line with the trust deed and rules, along with other scheme documentation. There is also a great deal of experience relevant to dealing with issues which might be thrown up by the Scheme which require the amendment of scheme documentation.
- Sean Browes, Neil Copeland and Brian Spence have a great deal of knowledge and experience in relation to schemes of complex nature, such as this Scheme, where investments made by previous trustees are deemed to be highly inappropriate, their administration has been poor and / or the trustees have not had the sufficient knowledge and understanding to be trustees of an occupational pension scheme.
- Sean Browes and Neil Copeland have many years of experience in the administration of pension schemes, allowing a keen oversight of the administration of the Scheme.

Member Representation

Dalriada is aware that members of the Scheme are potential victims of a scam. As such, we will look to keep members (to the extent that we have been able to determine who the members are) informed and to facilitate direct access for members to Dalriada by means of a:

- Dedicated member website
- Dedicated contact email address
- Dedicated phone line.

Agreed as final version by the Chair of the
Trustee of the Carney Retirement Benefits
Scheme

Dated: 08 January 2021