

Henley Retirement Benefit Scheme (the Scheme)
Annual Governance Statement by the Chair of the Trustee for the Scheme Year
Ending on 05 April 2017

Introduction

It is the responsibility of the Chair of the Trustees to provide you with a yearly statement which explains what steps have been taken by the trustee to meet the new governance standards. Dalriada Trustees Limited ("Dalriada") was appointed as trustee of the Scheme on 12 January 2017 by Order of the Pensions Regulator. We have noted that the previous Chair should have produced a Chair statement for the Scheme year ending 5 April 2017. A statement was not, as far as we can ascertain, produced. Dalriada cannot make any statement in relation to matters prior to its appointment. This is therefore the first statement for the Scheme. This statement covers the Scheme year from the date of our appointment to 5 April 2017.

What has to be included in the statement is set out in law. Under normal circumstances the statement will relate to a DC scheme, properly established to provide appropriate benefits for its members.

As you are aware from the Announcements issued to members since its appointment, Dalriada Trustees Limited (Dalriada) was appointed as trustee to the Scheme by the Pensions Regulator. Due to the status of the Scheme, Dalriada has, since its appointment, been presented with a number of challenges around governance. Nevertheless, this statement is a legal requirement and, as such, can serve as a useful reminder of the issues faced by Dalriada. Where the Trustee cannot meet certain governance obligations, reasons are given.

Background

Dalriada was appointed as Independent Trustee (Trustee) of the Scheme by Order of the Pensions Regulator on 12 January 2017. The powers and duties exercisable by Dalriada in its capacity as trustee are to the exclusion of all other trustees of the Scheme.

Scheme funds were directed into storage pod investments with Store First Limited and in corporate loan notes with Dolphin Trust GmbH. In the Trustees view these investments were not appropriate for the Scheme as they are unregulated and illiquid.

Default investment arrangement

The Scheme did not offer members any choice as to how their funds were invested. Funds were transferred to investments chosen by the original trustees. The investment was not appropriate for a scheme of this type.

As such, in Dalriada's view, there has never been an appropriate default investment arrangement. There is no life-styling option available.

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

No serviceable Statement of Investment Principles exists for the Scheme.

Dalriada is not in a position to rectify any of these deficiencies at the current time.

Core Financial Transactions

The 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.

Dalriada is unable at this time to say what, if any, financial transactions took place during the reporting period. This is something we are investigating and will update members as soon as possible through announcements and future Chairman's Statements.

Due to a lack of funds, Dalriada is not preparing audited Reports and Accounts for the Scheme. The Pensions Regulator is aware of this approach.

Charges and Transaction Costs

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

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.

The level of annual management charges which applied during the past scheme year are not yet known to Dalriada. This is something we are investigating and will update members as soon as possible through announcements and future Chair Statements.

Good value for members

When assessing the charges and any transaction costs which are payable by members, trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market. Dalriada is unable at this time to assess the value for money for members related to the charges and transaction costs as it has not yet ascertained the extent of costs borne by the Scheme.

Dalriada's aim is to: recover what assets it can, as cost effectively as it can; to ascertain the position with HMRC as regards the possible taxation of Scheme assets; and, thereafter, to determine the value of members' funds and provide members with appropriate options prior to, ultimately, winding up the Scheme.

Trustee Knowledge and Understanding

The law sets out the requirement for trustees to have appropriate knowledge and understanding of legal requirements relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The Pensions Regulator has recently issued new guidance in relation to how trustees should demonstrate their knowledge and understanding. The Trustee has considered this guidance and has ensured that its practices reflect the requirements set out. However, I have set out below how Dalriada ensures it currently meets the knowledge and understanding requirements of trustees.

I cannot comment on the Trustee Knowledge and Understanding requirements as they relate to the previous Trustee. What I have set out below relates solely to Dalriada.

Dalriada is a professional pension scheme trustee.

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, including the trust deed and rules.

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

This Scheme does not have a SIP currently. Dalriada is keeping this under review and will look to put in place an appropriate investment strategy, backed by a SIP, once the uncertainties with regard to the current investment are resolved and we have ascertained what the tax position is.

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 DC schemes

Those Trustee Directors who are members of professional bodies, are obliged to self evaluate on annual basis and 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. The process identifies where board members can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Scheme. Trustee Directors attend both internal and external courses.

Every trustee representative is required to undertake a minimum number of hours training in a year. This is recorded centrally by human resources 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.

Every trustee representative is required to complete the Pensions Regulator's Trustee Toolkit and subscribes to the updates issued by the Pensions Regulator.

Trustee representatives also belong to Dalriada's knowledge management network which keeps them up to date with the industry thinking, as well as access to a team of in house pensions experts who inform the team about changes to pensions legislation and practices.

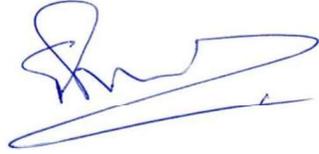
The Trustees have access to Pendragon Perspective and Aries, both industry leading tools, giving access to pensions legislation.

Dalriada also has its own in house legal specialists to provide support and guidance to Trustees around legislation and interpretation of scheme documentation.

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

The Trustee has assessed the skill set and experience of each member of the current Trustee board, taking into account the development activities already mentioned, along with the internal resources made available to staff, supplemented, where required, by professional external advice. Therefore, I consider that the Trustees' combined knowledge and understanding enables them to exercise properly its function as trustee of the Scheme.

Signed for and on behalf of Dalriada Trustees Limited (the Trustee)

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the bottom.

Chairman

Date 31 January 2018