

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 APRIL 2018 TO 31 MARCH 2019

This statement is produced pursuant to Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'). It explains how the **Halfords Assets Limited Pension Scheme (the "Scheme")** is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits.

This document sets out the Statement covering the period from 1 April 2018 to 31 March 2019.

Default arrangement

Leadenhall Independent Trustees Limited (LIT) was appointed by the Pensions Regulator on 17 March 2017 to act as Trustee to the Scheme, with exclusive powers.

There is no conventional default arrangement as the founders and original trustees invested the majority of the Scheme's assets in teak trees, managed by Mere Plantations Limited. As such, the Trustee is unable to carry out a meaningful review of the strategy as the assets are illiquid and performance cannot be measured unless and until the assets are realised. Therefore, the Trustee does not review the default strategy and performance of the default arrangements, neither regularly nor at least every three years.

Given the exceptionally limited cash funds available as well as the Scheme membership being less than 100, a Statement of Investment Principles (SIP) has not been prepared. The Trustee has established a strategy for managing the Scheme and submitted an application to the Fraud Compensation Fund (FCF) in April 2018. Over the following 18 months, LIT has been liaising and meeting with FCF and DWP regarding the application and the possibility of compensation for members, and providing further information on the Scheme and members when requested. The Fraud Compensation Fund is not able to provide an indicative timeframe for its investigations that.

After liaising with the original fund manager of the Afram Teak Fund 2013 and Mere Plantations the Trustee understands that this is a long term investment (10 – 12 years until maturity) and there is little chance of redeeming the investment early without significant reduction in value. There are limited buyers and no secondary market.

The Trustee was provided with a report undertaken by Hugh Brown of the Ghana Forestry Commission in June 2015 which states that the compartment and stands within the section of the reserve where the Scheme's teak trees were allocated has "completely failed". This reinforced LIT's view that the purported investments are unlikely to provide any return or very little return on the capital invested. Mere Plantations later confirmed that it had re-allocated the trees to an unaffected compartment and that the trees were growing in line with expectations. LIT is unable to verify this.

Processing Scheme transactions

The core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) are not relevant as no member or employer contributions have been made during the period of this statement, and members are unable to transfer their benefits out of the Scheme as the Scheme assets, i.e. members' funds, were invested by the original trustees in illiquid assets that may have little or no value.

There has been no formal appointment of a third party administrator to the Scheme due to the limited Scheme assets.

Due to the circumstances of the scheme there have been no core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996).

Transaction costs – default arrangement and additional funds

The Administration Regulations require the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members.

These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

This is not applicable to the Scheme as no transactions were made during the reporting period and no fund charges levied. The initial costs involved in the investment are unclear but are unlikely to have been substantiated.

No other funds are made available as the investments are illiquid. No member or employer contributions have been made during the period.

There have been no dealing costs in the reporting period. However, due to the significant up front investment costs paid by the members the Trustee believes the Scheme is unlikely to offer value for money.

The Trustee is currently unable to confirm that any associated costs are reasonable.

The Trustee has been unsuccessful in its numerous attempts to recover costs from the sponsoring employer which as a result was put into liquidation by LIT in 2017 and dissolved on 16 June 2018.

All charges incurred by the Trustee in managing the Scheme, including external legal costs, are payable by the sponsoring employer. However, pursuant to the appointment made by the Pensions Regulator on 17 March 2017, any fees incurred in managing the Scheme are met from the remaining Scheme assets.

Value For Members

Due to the costs in obtaining professional advice which would be met from members funds (the Scheme assets) we have not taken independent advice on value for members as we believe the investments by their nature are inappropriate for a collective defined contribution pension scheme and do not represent good value for members.

The Trustee's assessment concludes that the Scheme's members do not get good value from the investments and through their membership of this Scheme they do not get the following benefits either (which members may have got through another Scheme):

- Administration of the Scheme;
- Ongoing oversight and review of the Scheme's investment options including the default investment strategy;
- The efficiency of the administration processes

Overall, the Trustee believes that members do not get good value for money.

Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law 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 Codes of Practice 07 and 13.

The Trustee has put in place arrangements for ensuring that all directors of LIT take personal responsibility for keeping themselves up-to-date with relevant developments. The Trustee receives regular training and maintains a detailed training log to ensure the trustee is complying with the standards set out by the Regulator. All directors of LIT have completed the Pension Regulator's Trustee Toolkit. As part of annual Trustee business planning, the Trustee considers training requirements for the year ahead, to support specific Trustee business needs.

LIT is represented for the Scheme by Hetal Kotecha. Hetal joined LIT's sister company Independent Trustee Services Ltd (ITS) in 1999. Hetal represents ITS on a variety of schemes, both Defined Benefit and Defined Contribution, with asset sizes up to £770m, including sole trusteeships and as part of a trustee board. As one of ITS's "key persons" in its relationship with the Pensions Regulator Hetal also leads ITS's work on a number of emergency appointments including the current Scheme. Hetal is an Associate of the Pensions Management Institute and a member of the Association of Professional Pension Trustees. All Directors of ITS/LIT have received training on DC developments during the year including the requirements regarding Chair's statements.

LIT requires that each of the Directors undertakes a minimum level of Continued Professional Development each year.

The current Trustee's knowledge and understanding and the continued assistance from the Scheme's advisors, enables the Trustee to perform its responsibilities to a high standard.

Governance statement

As Trustee of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes

Whilst the Scheme assets are invested in illiquid funds, it is not possible to improve the investment strategy and improve member outcomes at this time. There have been no member transactions to process; therefore, it has not been possible to measure our processes against these controls.

We continue to investigate opportunities to realise the assets whilst the Fraud Compensation Fund reviews the application for compensation.

The Chairman's statement regarding DC governance was approved by the Trustee on 25 October 2019.

Signed:

A handwritten signature in black ink, appearing to be 'Hetal Kotecha', written over a horizontal line.

Hetal Kotecha on behalf of Leadenhall Independent Trustees Limited

Chair