

Value for Members Assessment

For the Cabot Carbon Limited (Cab-O-Sil Division) Pension
Plan

For the year ended 5 April 2024

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Introduction

Quantum Advisory, as advisers to the Trustees of the Cabot Carbon Limited (Cab-O-Sil Division) Pension Plan (the Plan), have been engaged to undertake a 'value for members' review of the Plan for the 12-month period to 5 April 2025. The review is based on the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 which came into force on 1 October 2021. The Trustees have then considered this assessment in order to reach their own conclusions, as required by legislation.

The Plan is a Defined Contribution (DC) pension arrangement which provides benefits for members on their retirement and for members' dependants on death.

The level of members' benefits at retirement depends on:

- the level of contributions paid
- performance of the selected investments
- the costs and charges that apply to the investments
- the cost of securing income at retirement (if the member chooses an annuity).

The Trustees are aware of the importance of charges as a key factor in determining the outcome of the level of benefits provided to members.

From 1 October 2021, additional requirements apply to value for members assessments for 'specified schemes' which are relevant pension schemes that have been running for more than 3 years and have less than £100 million of total assets. The Plan meets the criteria for a 'specified scheme' and, as such, is within scope of these requirements.

This value for members assessment covers the following three areas:

- a comparison of charges and transaction costs with three other schemes
- a comparison of net investment returns with three other schemes
- an assessment of the Plan's governance and administration.

The assessment of charges, transaction costs and net investment returns requires schemes to compare themselves against three other schemes. Trustees are expected to have a clear rationale for the schemes chosen as comparators and should include a scheme different in structure to their own where possible.

The Trustees must assess the value delivered by their governance and administration offering using the following seven key metrics:

- Promptness and accuracy of core financial transactions
- Quality of record keeping
- Appropriateness of the default investment strategy
- Quality of investment governance
- Level of trustee knowledge, understanding and skills to properly exercise their functions and operate the pension scheme effectively
- Quality of communication with scheme members
- Effectiveness of management of conflicts of interest.



1. Comparison of charges and transaction costs

The comparison schemes that have been chosen are:

- A trust-based occupational scheme which provides both Defined Benefit and DC benefits. This scheme has been chosen because information about it is readily available, as it is a scheme known to Quantum Advisory. As required, it is an occupational scheme with assets greater than £100 million and is therefore a suitable comparator under the regulations. The year end for this scheme is 31 July but figures have been obtained to 31 March 2025 or 5 April 2025 where appropriate, as shown below.
- The People's Pension which is a large DC master trust (assets under management currently exceed £30 billion). This scheme has been chosen because it is, in theory, willing to accept a bulk transfer from any DC scheme and because information about the scheme is readily available. Furthermore, Quantum Advisory is familiar with The People's Pension, having advised on a number of bulk transfers to that scheme.
- NEST, which is another large DC master trust (assets under management are currently over £45 billion). This scheme has been chosen because information about it is readily available.

The only services Plan members routinely pay for are in relation to the investment and administration of their pension accounts.

Charges

For the comparison, a measure of charges known as the Total Expense Ratio (TER) has been used. The TER takes into account all expenses relating to fund management, such as administration services, accounting and legal fees, and custodian and settlement charges for the investments. It can vary from time to time. The TER is a percentage of fund value.

The comparison of charges is as follows:

Scheme	TER for default investment strategy
Cabot Carbon Limited (Cab-O-Sil Division) Pension Plan	0.515% to 0.67%
Occupational trust-based scheme	0.27%
The People's Pension (standard charges)	0.5% plus £4.50 per annum (rebates apply to pots over £3,000)
NEST	0.3% plus 1.8% contribution charge

The range of charges for the Plan is due to the different funds used at different points in the default strategy, which is a 'lifestyle strategy'. As members approach retirement age, their accounts are automatically moved into lower risk funds, which have different charges from the funds used during the 'growth stage' of the strategy. The Trustees use a diversified growth fund as members approach retirement, with a view to reducing the volatility in the



value of investments and are willing to accept that the higher charges associated with this type of fund.

Based on the table above, the Plan's charges are reasonable in comparison with the other schemes. It should also be noted that while the master trusts shown have quite low headline percentage charges, there can be additional costs, such as NEST's 1.8% contribution charge. A comparison of charges for the above schemes for the average Plan account value on 31 March 2025 of around £68,000 is shown below.

Scheme	Annual charge for default investment strategy for £68,000 account value during growth phase of investment strategy
Cabot Carbon Limited (Cab-O-Sil Division) Pension Plan	£350 (0.515%)
Occupational trust-based scheme	£184 (0.270%)
The People's Pension	£191 (0.281%)
NEST	£204 (0.30%)

While the Plan is more expensive than the comparison schemes, charges are not always directly comparable across different schemes, since the objectives set for each scheme's investment strategy will be different. Some schemes will take a higher level of risk and may choose not to use index tracking funds, which are typically cheaper. A higher level of charges does not necessarily mean poor value. The Trustees expect superior investment returns in exchange for higher charges.

Transaction costs

Transaction costs are the costs incurred as a result of buying, selling, lending or borrowing investments and, in some cases, can have a significant impact on members' account values. They are shown as a percentage of fund value. Transaction costs are not included in the TER.

Transaction costs for the default investment strategy during the growth phase over the last seven years have been as follows:

Year ended	Transaction costs
5 April 2025	0.075%
5 April 2024	0.077%
5 April 2023	0.091%
5 April 2022	0.256%
5 April 2021	0.130%
5 April 2020	0.156%
5 April 2019	0.125%

The default investment strategy changed at the beginning of 2022. Transaction costs for earlier years are for the old default investment strategy.



Transaction costs are not paid directly but are met indirectly by members; the cost reduces the return that members achieve on their investments and so the fund value is lower.

Transaction costs can be negative due to the prescribed method for calculating them. Nil or negative transaction costs are shown where an overall beneficial pricing environment has occurred at the point of trading underlying assets over the period, which has more than offset the costs of the trades.

The transaction costs above are not unreasonable. For actively managed funds, transaction costs can be higher.



2. Comparison of net investment returns

The Trustees need to provide a default investment arrangement that delivers a suitable risk/return outcome and a range of alternative self-select investment options suitable for the needs of the membership.

Default investment returns comparison

Using the three comparison schemes above, the net investment returns to 31 March 2025 for the default strategies during the growth phase have been as follows:

Scheme	1-year return	3-year return (pa)	5-year return (pa)
Cabot Carbon Limited (Cab-O-Sil Division) Pension Plan	+3.6%	+7.2%	+14.7%
Occupational trust-based scheme	+4.9%	+6.1%	+12.3%
The People's Pension	+5.8%	+4.0%	+9.3%
NEST (returns for NEST 2045 Retirement Date Fund)	+5.9%	+4.6%	+9.9%

The net returns above are not necessarily comparable, given that the trustees of each comparison scheme may have different risk appetites. Furthermore, the funds will have different targets and the ages used to determine the returns in the case of schemes that operate lifestyling will impact the figures shown. Nevertheless, the returns for the Plan have clearly been superior to the two master trusts over 5 years.

The returns for the occupational trust-based scheme are for the State Street Global Advisers Timewise Target Retirement 2045 Fund, as this fund best represents current members' investments in that scheme.

The returns shown for NEST are for the NEST 2045 Retirement Date Fund, which is the fund that NEST currently use to demonstrate default fund performance.



3. Governance and administration assessment

3.1 Promptness and accuracy of core financial transactions

Trustees must assess the proportion of member transactions completed accurately, within timeframes set in legislation and according to any service level agreements (SLA) set for their scheme. This should help to determine whether they are achieving good value for members under these measures. Trustees can also examine the level of member/beneficiary complaints in determining whether their scheme delivers value for members in terms of promptness and accuracy.

Assessment

- The Trustees have received assurance from the Plan's administrator, Scottish Widows, that adequate internal controls were in place to ensure that core financial transactions were processed promptly and accurately during the Plan year. This includes the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries. Scottish Widows are subject to strict AAF audits and over the year, no issues were found with Scottish Widows' controls or processes.
- The Plan has a SLA in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The service level varies depending on the task, as follows:
 - For transfers into the Plan and investment switches: to act on the instruction by the end of the following business day
 - For disinvestments in respect of 'claims' payments (retirement benefits, transfer values, deaths, etc): to act on the instruction within two business days
 - For making 'claims' payments: three business days
 - For member enquiries, illustrations in writing and calculation of tax-free cash: five business days.

The Trustees receive regular reports about the administrator's performance and compliance with the SLA. These reports are reviewed at every regular Trustee meeting, sometimes with the administrator in attendance. While the Trustees have had some concerns that Scottish Widows may not have met the SLA during the pandemic and the move to remote working, Scottish Widows have taken steps to improve their service and the Trustees are content that Scottish Widows service levels have returned to an acceptable standard. Performance against the SLA in Scottish Widows' reports over the year has been as follows:

Quarter	Performance against SLA for manual administration	Performance against SLA for time critical processes
1 April 2024 to 30 June 2024	96%	100%
1 July 2024 to 30 September 2024	100%	100%
1 October 2024 to 31 December 2024	100%	40%
1 January 2025 to 31 March 2025	94%	100%



- Using information provided by Scottish Widows, which has been reviewed by the Plan's auditor (JW Hinks), the Trustees are satisfied that over the period covered by this statement:
 - the administrator was operating appropriate procedures, checks and controls and largely completing tasks within the SLA
 - there have been no administration errors in relation to processing core financial transactions
 - core financial transactions have been processed promptly and accurately.

Over the year, no issues were identified with the promptness and accuracy of core financial transactions, other than the issue with rebalancing identified earlier in this assessment. The Trustees are generally confident that the processes and controls in place at Scottish Widows are robust and that core financial transactions have been dealt with properly.

Conclusion

Quantum Advisory's view is that the Trustees have suitable governance in place to monitor both the promptness and the accuracy of core financial transactions. Core financial transactions and other key metrics, such as cases processed, are monitored regularly. Over the year, no serious issues were identified. Related risks are captured in, and monitored through, the Scheme's risk register. Over the year, no new risks relating to core financial transactions were identified and no cases breached disclosure regulations.

3.2 Quality of record keeping

Reliable, accurate and secure data is essential to delivering value for pension scheme members.

Assessment

Accuracy and scope of records and data kept

- The Trustees assess the quality and accuracy of common data and scheme-specific data and receive reports from the administrator
- The administrator is responsible for maintaining, monitoring and updating the data
- Any actions required to improve data quality are agreed
- The common data score for the Plan was 98% as at 31 August 2024 (the most recent date that scores were available). The scheme specific data score was 99% as at 31 August 2024.

Review of data

- Scottish Widows have systems, processes and procedures in place to monitor and update data regularly
- The Trustees will continue to monitor data quality to ensure that member records are well maintained and to ensure that data is in a fit state for the forthcoming pension dashboards. We expect the pension dashboard 'connect by' date for the Plan to be 30 June 2026.



Security of data

- Scottish Widows have controls in place to ensure that member data is secure and is processed in accordance with the requirements of the Data Protection Act 2018
- Data security is a key part of trustee governance and features in the Plan's risk register
- The Trustees assess the robustness of the controls they have in place on an ongoing basis
- Scottish Widows have a policy, procedure and controls in place to deal with data security and cyber risk which, as Scottish Widows are part of Lloyds Banking Group, need to be watertight
- The Trustees have reviewed the effectiveness of data security controls put in place by Scottish Widows
- The Trustees can take comfort from Scottish Widows independent audit which is carried out each year. This audit covers the administration and associated information technology controls relating to Scottish Widows' occupational pension scheme administration. The latest report showed that there were no exceptions to note on suitable design, fair description and effective operation of the control objectives.

Conclusion

- Scottish Widows have robust controls in place to ensure that Plan data is secure and processed in accordance with the requirements of the Data Protection Act 2018.
- The record-keeping scores for common data and scheme-specific data demonstrate that Plan data is well maintained.
- There were no exceptions to note in the latest audit assurance report on suitable design, fair description and effective operation of the administrator's control objectives.

3.3 Appropriateness of the default investment strategy

Objectives

The quality of decision-making and governance in relation to a pension scheme's investment strategy is a crucial part of the value delivered by the scheme. Trustees need to assess the extent to which certain conditions apply to their default arrangement and explain how these positions have been achieved.

Assessment

During 2022, the default investment strategy was revised which reduced the charges.

The Trustees took professional advice in designing the new default strategy. In accordance with DWP guidance, the strategy takes into account the demographics of Plan membership, since employees who are automatically enrolled will have their accounts invested in the default. The default strategy strikes a balance between risk and the potential for growth. As a 'lifestyle' strategy, the default takes into account members' likely reduced appetite for risk, as members approach retirement age.

The charges for all the funds used in the default strategy, as measured by the Total Expense Ratio, are less than 0.75%, and therefore the Plan complies with the charge cap, which applies to pension schemes used to comply with the automatic enrolment regulations.



The Plan also offers self-select fund options and these were also revised in 2022. Details of the investment strategies and investment objectives of the Scheme's default arrangements are recorded in a document called the Statement of Investment Principles (SIP).

Reviewing the default investment arrangement

The investment objectives and strategy for the Plan in force at the year-end 5 April 2022 were reviewed in 2022, and amended to no longer target annuity purchase at retirement. New funds were introduced for the default strategy to reflect this. However, a lifestyle strategy was maintained to de-risk members' assets in their approach to retirement and is designed to prepare members for a drawdown pension at retirement.

A further review commenced in 2025. The current strategy is as follows:

Period to retirement	Legal & General World Equity Index CS1 Fund	Legal & General Dynamic Diversified CS1 Fund	BlackRock Sterling Liquidity CSW Fund
5 years or more	70%	30%	0%
4 years	56%	39%	5%
3 years	42%	48%	10%
2 years	28%	57%	15%
1 year	14%	66%	20%
0 years (at retirement)	0%	75%	25%

In addition to the default, members have the choice to self-select the funds they invest in, based on a pre-defined list of funds selected by the Trustees. The range of self-select funds was also reviewed in 2022.

The investment options cover a range of asset classes, but as the appetite to self-select funds is low, the Trustees have taken a proportionate approach when deciding what to offer, balancing the number of funds offered with the demand for such options. This is important as the Trustees need to monitor all funds offered and the governance requirements relating to this should not outweigh the benefits of offering such choices.

The Trustees monitor the performance of the default investment strategy and the self-select funds at every regular meeting.

Conclusion

- The current default investment strategy remains appropriate for the Plan.
- The Trustees will continue to monitor the appropriateness of the default investment strategy in line with their objectives.
- The investment strategy is clear, appropriate for each stage of the member journey, and follows the objectives recorded in the Plan's Statement of Investment Principles.



3.4 Quality of investment governance

Trustees are responsible for securing the proper management of their scheme's assets, and good scheme investment governance is crucial. Expert and robust investment governance comes to the forefront, particularly during economic shocks that affect the value of pension assets.

Assessment

- Investment governance procedures are in place and adhered to.
- Where tasks and decisions in relation to investment are delegated, those individuals have the required knowledge and expertise to perform their role competently in accordance with sections 34 and 36 of the Pensions Act 1995 and are being held to account.
- The Trustees demonstrate that where investment managers are used, they remain actively engaged with such managers via Scottish Widows, when investment decisions are made.
- The Trustees as a whole have the knowledge and competence to oversee investment effectively; they ensure investment objectives and strategies are understood and followed, and are able to challenge investment advice where necessary.
- The Trustees provide suitable investment options for members including a default investment option that complies with the relevant regulations and guidance.
- The Trustees recognise their role in asset allocation, setting investment strategy and the selection, monitoring and retention of managers, and are able to change the Plan's investments when necessary (in response to, for example, poor performance, new funds or lower charges) after taking advice from the Plan's investment consultant.
- The Trustees and administrator have risk management and continuity plans in place to deal with economic crises and market volatility, and clear governance structures in place in relation to long term financial sustainability of investments including consideration of climate change and ESG factors.
- The Trustees have good oversight of the communication strategies used to keep members informed about their investment options.
- The Trustees review the quarterly investment monitoring reports at every regular Trustee meeting and the investment consultant presents performance and market updates which are also considered and reviewed by the Trustees.
- The Trustees undertake training to ensure that they continue to develop knowledge to increase the rigour of challenge that can be applied to the investment consultant.

Conclusion

In Quantum's view:

- The Trustees regularly review the investments, particularly returns, to check that they are performing in line with expectations.
- For the year to 5 April 2025, performance of most investments was reasonable.
- Fees for current funds are broadly comparable with those of other providers considered.



3.5 Level of trustee knowledge, understanding and skills to properly exercise their functions and operate the pension scheme effectively

The knowledge, understanding and skills held across trustee boards as a whole can have a significant impact on the member experience and outcomes. Sections 247 to 249 of the Pensions Act 2004 and regulations made under those sections, set out the legislative requirements that trustees of occupational pension schemes must meet in terms of knowledge and understanding. The Pensions Regulator also provides guidance on trustee knowledge and understanding and scheme management skills.

Assessment

The Trustees are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustees must:

- be conversant with the Trust Deed and Rules of the Plan, the Plan's SIP and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Plan generally
- to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as a Trustee, have knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below. The Trustees take their training and development responsibilities seriously and maintain a trustee training record. This training record is reviewed regularly to identify any gaps in the knowledge and understanding across the board. This allows the Trustees to work with their professional advisers to address any areas where knowledge is less than the Pensions Regulator would expect.

The Trustees, with the help of their advisers, consider training requirements to identify any knowledge gaps. The Trustees' investment adviser proactively raises any changes in governance requirements and other relevant matters as they arise. The Trustees' advisers would typically deliver training on such matters at Trustee meetings, if those matters were material.

The Trustees are familiar with, and have access to, copies of the Plan's current governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustees will refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and whenever the Plan's investments are changed.

Further, the Trustees consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.



Conclusion

- Taking into account the knowledge and experience of the Trustees with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g. investment consultant and legal adviser), the Trustees believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.
- The Trustees receive regular training to ensure their knowledge is kept up to date.

3.6 Quality of communication with scheme members

It is important to provide clear communications to members to ensure that they understand the Plan sufficiently to be able to make informed decisions and to further their understanding by allowing them to ask questions about the Plan. Trustees also have to ensure communications comply with the relevant disclosure regulations.

Assessment

Members benefit from the following methods of communication:

- Member booklets, which are available via the Scottish Widows online member portal.
- A suite of legally compliant and clearly written letters is used by the administrator to communicate with members. This includes retirement illustrations, early leaver statements, and transfer quotations.
- Letters issued to members include the following:
 - guidance in relation to a member's rights to transfer to another scheme
 - guidance on spotting potential scams
 - Information to help with decision making on investment options
 - retirement 'wake up' packs
 - signposting to various guidance bodies
 - information to help with decision making on pension saving, including, for example, an indication of benefits at retirement and the impact of contribution levels on those benefits.
- An annual benefit statement is issued to both active and deferred members.
- A Scottish Widows pensions app.
- Scottish Widows' online member portal includes the following functionality:
 - updating personal details
 - requesting member account valuations and retirement and transfer value quotations
 - accessing Plan information such as member booklets, annual benefit statements, deferred statements and retirement illustrations.

All communication-related costs are met by the employer.

Conclusion

- The Trustees provide clear communications to members to ensure that they understand the Plan sufficiently to be able to make informed decisions and to further members' understanding.



- On behalf of the Trustees, Scottish Widows ensure communications comply with the relevant disclosure regulations.
- Scottish Widows are endeavouring to improve their member communications by improving their app and the online member portal.

3.7 Effectiveness of management of conflicts of interest

Conflicts of interest may arise either among trustees, between trustees and the employer or scheme provider, or with service providers and advisers.

Assessment

The Trustees have the following in place in relation to managing conflicts of interest:

- Controls to ensure that the Trustees are aware of the requirement to declare and discuss any potential conflicts
- Consideration of any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustee meeting and documenting these in the minutes.
- Controls to ensure that all conflicts of interest are declared upon appointment of trustees and other service providers.

Conclusion

- The Trustees have sufficient procedures in place to manage any conflicts of interest and can rely on their advisers to guide them, should any conflicts arise.
- The controls in place are effective in practice and demonstrate that the Trustees have considered conflicts of interest to deliver value for members.



Overall conclusion

Based on the charges payable by members and the services that the Trustees provide, the Trustees have concluded that the Plan delivers good value to members. In addition, the Trustees take comfort that members benefit from services such as regular member communications, good quality administration, professional advice (provided to the Trustees) and strong Plan governance and management at no cost to members.

Scottish Widows is a well-established brand and is part of the Lloyds Banking Group.