

# **SFS Group Fastening Technology Limited Retirement Benefits Scheme**

## **Chair's Statement**

1 April 2024 to 31 March 2025

# 01 Introduction

## **This is the Chair's Statement for the SFS Group Fastening Technology Limited Retirement Benefits Scheme (the 'Scheme') covering the period 1 April 2024 to 31 March 2025.**

As the Chair of the Trustee Board ('the Trustee'), I provide you with a yearly statement which explains what steps have been taken by the Trustee, with help from our professional advisers, to look to meet the required governance standards. The law sets out what information must be included in my Statement, and this is designed to help members achieve a good outcome from their pension savings.

Consideration has also been given to the Pension's 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'.

It is noted that:

-Dalriada Trustees Limited (the "Trustee") is the sole trustee of the Plan.

-The Trustee has yet to have a meeting yet as the Trustee was appointed in August 2025 and is conducting essential fact finding ahead of the first meeting, in order to be conversant in the necessary documentation and policies.

-In preparing this Statement, information has been obtained from Royal London, the Plan's administrator and XPS Group, the Trustee's adviser.

-As per requirements, members will be notified of the relevant parts of this statement in their Annual Benefits Statement and this Chair Statement will be published on the publicly available website:

<https://uk.sfs.com/content/files/7082%20-%20uk/downloads%20pdfs/uk%20compliance%20documents/sfs-group-chair-statement-2025.pdf>

The SFS Group Fastening Technology Limited Retirement Benefits Scheme was established to provide retirement benefits for the Company's employees. The operation of the Scheme is governed by the definitive trust deed dated 1 March 1988 and subsequently amended by a number of supplementary deeds. The Scheme is a hybrid arrangement, and some of the defined contribution ('DC') section members have a defined benefit ('DB') underpin.

The DC section of the Plan is formed by a single investment option provided by Royal London called the Crest Secure Pension Plan. Some of the members also have DB underpin benefits in the form of a Guaranteed Minimum Pension (GMP).

The Plan closed to new members and contributions on 1 August 2006.

This Plan is not a qualifying workplace pension scheme for the purposes of auto-enrolment and does not require or operate a default investment strategy for its members.

If you have questions about anything that is set out below or queries about your Plan benefits, please do contact Royal London via the following link:

- <https://www.royallondon.com/existing-customers/contact-us/>

# 02 Investment Performance

## 02.01 Investments

Members of the Scheme are invested in the Royal London Crest Secure Plan and do not currently have any other range of funds available to them to choose their own investment strategy.

The Crest Secure Fund is a policy held with Royal London and operates in a similar format to a with profits fund but with lower exposure to the stock market. As a result, there is no terminal bonus although a regular bonus is added to the fund's value. The Fund has a guaranteed minimum growth rate (which is 0% p.a.). The aim of the investment strategy is to maximise the long-term return on investments for policyholders whilst recognising the need for the fund to meet its guaranteed liabilities.

The Trustee has delegated the underlying investment management to Royal London. It is the responsibility of the Trustee however to review the suitability of Royal London as the Investment Manager and the current fund selection. The Trustee is also responsible for monitoring the age demographic of the members, as well as the members' fund values when considering the suitability of the fund range as part of any investment strategy review.

As at 01 April 2025\* the Scheme has around £511,183.53 invested in the DC section in respect of the deferred members individual accounts.

*\*Scheme Allocation Data provided by Royal London as at 1<sup>st</sup> April 2025 - data was not available as at 31<sup>st</sup> March 2025.*

## 02.02 Investment Fund Performances

The table below shows the fund performance of the Crest Secure Plan over the last one, three and five years with a normal retirement age of 65. The performance figures are net of charges and transaction costs and have been annualised where the period shown is longer than one year. The Trustee has had regard to the statutory guidance in preparing this section of the statement. The Trustee will arrange for relevant parts of this section to be published online and utilise the standard set of communications provided by Royal London to comply with the requirements to notify members about this information in the Annual Benefit Statements.

|                     | 1 year<br>(01/04/2024 – 31/03/2025) | 3 years (01/04/2022 –<br>31/03/2025) | 5 years (01/04/2020 –<br>31/03/2025) |
|---------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| <b>Crest Secure</b> | 1.05%                               | 1.05%                                | 1.05%                                |

Source: Royal London

The current interest rate for the Crest Secure Plan is 0.25% p.a. however an enhancement of 0.80% p.a. is applied, therefore the overall rate of return has been provided in the table above.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

The level of charges borne by members during the plan year amounts to 2.25%. The charges associated with the Crest Secure Plan have been confirmed by Royal London at the time of writing this Statement.

### Total Expense Ratio ('TER')

Members meet what is known as the Total Expense Ratio ('TER') in respect of their individual pension pots. This is comprised of an annual Fund Management Charge ('FMC') and other indirect fees which are incurred. The TER is calculated as a percentage of all applicable assets under management.

The FMC does not include other costs of running the Plan outside of administration and investment management.

### Transaction costs

The Trustee is also required, as far as is reasonable and practical, to calculate the transaction costs paid by members during the assessment period and assess the extent to which these transaction costs represent good value for members. Transaction costs are incurred when investments are bought and sold. Since investment requires the buying and selling of assets, transaction costs are an essential part of generating investment returns on behalf of Plan members and managing risk.

Royal London has confirmed that there are currently no transaction costs applied to the Crest Secure Plan. The costs and charges applicable to the Scheme are set out in the table below, as at 31 March 2025.

|                     | TER (%) | Transaction cost (%) |
|---------------------|---------|----------------------|
| <b>Crest Secure</b> | 2.25    | -                    |

Source: Royal London

## Charges and transaction costs continued

### 03.02 An illustration of the charges levied on members

Below you can find illustrations showing the possible effect of the costs and charges met by members on an example pension pot (for members in the DC section) over time. This is for illustration purposes only. The projected figures are not guaranteed, and actual returns earned and member fund values are likely to be different. Illustrations are shown for members invested in the Crest Secure Plan.

|                                | Default Strategy                |                                |
|--------------------------------|---------------------------------|--------------------------------|
| Investment return (pa)         | 4.00%                           |                                |
| Charges                        | 0.000%                          | 2.25%                          |
| Years to Normal Retirement Age | DC Pension Pot (before charges) | DC Pension Pot (after charges) |
| 10                             | 10,500                          | 10,500                         |
| 5                              | 11,291                          | 10,121                         |
| 0                              | 12,142                          | 9,757                          |

The following assumptions have been used to prepare the illustrations:

- An initial pension pot of £10,500, which was the average pot size during the Plan year.
- The member is currently 10 years from Normal Retirement Date.
- The cost for investing in the Crest Secure fund is 2.25% p.a.
- The expected return for the Crest Secure Fund is assumed to be 4.00% p.a., which is based on the Actuarial Standards Technical Memorandum 1 (AS TM1) issued by the Financial Reporting Council.
- Inflation of 2.50% p.a.

Projected pension pot values are shown in terms of current prices.

The Trustee notes that the Crest Secure Fund figures show that returns in this fund may not keep up with inflation. While it is expected that these members may find additional value in the Guaranteed Minimum Pension underpins to these benefits, the Trustee will be undertaking an investment strategy review to consider the funds offered to members.

# Charges and transaction costs continued

## 03.03 What are the assumptions based on?

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In preparing these illustrations, the Trustee has considered statutory guidance including the following:

- The Department for Work and Pensions' Reporting of costs, charges, and other information: Guidance for trustees and managers of relevant occupational schemes'
- The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20; and
- The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix

# 04 Core financial transactions

## 04.01 Assessing Core Transactions

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During the year, the Trustee is required to ensure the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 are met and that the Plan's core financial transactions are processed promptly and accurately.

### Royal London

Royal London provides administration and investment platform services to the DC section of the Plan.

Royal London provided an account statement showing the individual member holdings over the period, how these holdings have changed in value, and the financial transactions that occurred during the period. The report shows that there was one core financial transaction that occurred during the period covered by this statement. The Trustee monitors Royal London on the basis of this statement.

Royal London does not prepare a Scheme specific service level report. However, Royal London does make governance reports available to trustees which are not scheme specific but cover the aggregate service level that has been achieved in respect of core financial transactions across all of their participating employers. This is comparable to many legacy pension providers for plans of this size.

The Trustee generally believes that the processes in place by the administrator are appropriate and adequate. The Trustee will however discuss reporting with Royal London in an effort to obtain more Plan specific data.

For the purposes of this statement, Royal London has confirmed that it generally carries out the following core financial transactions (for closed schemes) across the plans it administers:

- **Monitoring of bank accounts** – Royal London has teams that focus on monitoring the investments and banking transactions.
- **Payments to members** – Royal London's administration team will ensure that all payments out of the Plan in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Plan rules and legislation and complies with HMRC rules and guidance.

The Trustee understands that this is typical of legacy type arrangements such as this, and therefore this lack of reporting and transparency is reflected in the Trustee's 'Value for Members' assessment.

Based on the above, the Trustee confirms that it is comfortable with the accuracy and timeliness of the core transactions processed in the year.

# 05 Value for Members

## 05.01 Assessment of Value

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The Value for Members assessment (VfM) is based on the matters which must be covered, as set out in the relevant regulations and guidance. The Plan had assets of less than £100m at the date of its last set of audited accounts and therefore must comply with the regulations as set out in that guidance, which state that for plan years ending on or after 1 January 2022, plans with less than £100m in assets and having been in operation for at least three years, must undertake a VfM assessment each year, based on a set range of matters (including: costs and charges, core financial transactions, record keeping, communications, managing conflicts, investment strategy and trustee knowledge and understanding). This must determine whether the DC benefits provided to members are good value, or not.

The Trustee has taken professional advice on whether this is the case and having considered the advice provided by its advisers, has concluded that the Scheme does not generally offer good value for members, although some members who have a GMP underpin to their money purchase benefits may find additional value in this benefit. In summary, the Trustee concluded that:

- The net returns achieved by the Scheme does not provide good value to the members of the Scheme in comparison to the three large comparator plans used for the assessment. The performance of the Crest Secure Plan over the last one year and five years was behind all three of the comparators.
- The Trustee believes that the charges associated with the Scheme represents poor value to members as the overall charge of 2.25% p.a. is noticeably higher than the charges for the three large comparative plans. However, current charges are fairly typical for a legacy style arrangement like the Scheme which also includes a defined benefit underpin. The annual management charge covers the administrative costs of Royal London, including data and cyber security, their investment management charges and the three yearly Actuarial Valuation.
- In August 2025, a professional Trustee was appointed as Chair of the Scheme (Dalriada Trustees). The new Trustee will consider alternative investment options and whether value for members can be improved in respect of net returns and the level of costs and charges over the next reporting period.
- Although Scheme level reporting could be improved, this is not expected to be pragmatic as bespoke reporting would be required (which is likely to be cost prohibitive). Dalriada Trustees will consider the appropriateness of the current scheme reporting arrangement.
- The Trustee relies on the standard communications issued out by the Scheme's administrators. These communications satisfy the regulatory requirements for the arrangement. The Trustee does not send out any further communications, however this is a pragmatic approach given the size and structure of the Scheme.

Following this assessment, the Trustee does not believe that the Scheme represents good value for the members.

The Trustee will be considering options to improve member value.

# 06 Trustee Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustee

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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 Code of Practice 7.

During the Plan Year, 1 April 2024 to 31 March 2025, the then trustees concluded that the assistance of a Professional Trustee was required to improve the Trustee Board's knowledge and understanding. The result was to appoint Dalriada Trustees Limited as the sole trustee of the Plan. As the Dalriada is a Professional Trustee, this helps to ensure that there is a high level of trustee knowledge and understanding in place.

The Plan now has a dedicated team of Trustee Representatives who have an in-depth knowledge of the Plan and its governing documentation.

At the point of becoming an Independent Trustee to the Plan, a prescribed take-on process was followed. This included an assimilation and review of all the relevant Plan documentation, including the Trust Deed and Rules. The Trustee is familiar with current policies which relate to the Plan.

As the sole Trustee of the Plan, Dalriada Trustees Limited will naturally be aware of any Plan-specific changes to policies or documentation and will record and share that information appropriately.

The Trustee's representatives are members of professional bodies, who are obliged to self-evaluate on an annual basis and comply with their respective training requirements in order to maintain a required level of continuing professional development (CPD) and to provide evidence of courses, seminars and other types of professional development to satisfy their respective professional bodies' CPD requirements. The process identifies where the Trustee's representatives can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Plan. The Trustee's representatives attend both internal and external courses.

The Trustee's representatives are all accredited as Professional Trustees under the Association of Professional Pension Trustees framework.

Every Trustee Representative is required to undertake a minimum number of hours training in a year. This is recorded centrally by Dalriada's HR 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.

Every Trustee Representative is required to complete the Pensions Regulator's Trustee Toolkit periodically 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 Trustee has access to Pendragon Perspective and Aries, both industry leading tools, giving access to pensions law and practice.

The Trustee also has its own in-house legal specialists to provide support and guidance around legislation and the interpretation of scheme documentation.

The Trustee has assessed the skill set and experience of each trustee representative providing professional trusteeship to the Plan since Dalriada's appointment, taking into account the development activities already mentioned, along with the internal resources made available to staff, supplemented, where required, by professional external advice. The Trustee can therefore properly exercise its duties to the Plan.

The Trustee believes that this Trustee Knowledge and Understanding framework, combined with appropriate advice, allows the Trustee to act properly in the best interests of members.

The Trustee must be conversant with the Plan's own documentation including the Trust Deed and Rules and, where applicable, the SIP. The Trustee Directors must also be conversant with any other document recording current policy relating to the Plan generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustee is able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee.

| Requirement   | How met  |
|---|--|
| <b>Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the funding and investment of the assets</b> | Each Trustee Representative records their ongoing training in accordance with the Dalriada Learning & Development structure.   |
| <b>Trustees must be conversant with the Plan's own documentation including the Trust Deed and Rules and current policies</b>                              | Each Trustee Representative records their ongoing training in accordance with the Dalriada Learning & Development structure, which includes specific consideration of whether any further training is required in respect of these documents, and others e.g. the risk register, which is considered at every trustee meeting. |
| <b>Knowledge and resources generally</b>  | Dalriada comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the issues that may arise in respect of DC pensions.  |

The table above shows how these duties have been fulfilled and how the combined knowledge and understanding, together with the advice which is available enables the

# 07 Conclusion

client team to properly exercise its function as a Trustee of the Plan properly and effectively.

## 07.01 Conclusion

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The annual production of this Statement provides members with a narrative of how the Trustee looks after members' interests, especially in the areas of the five key elements within this Statement listed below.

- Fund range
- Charges and transaction costs / net returns
- Core financial transactions
- Providing Value for Members
- Trustee Knowledge and Understanding

The Trustee will continue to monitor these key areas and report to members both via the annual Chair's Statement and other communications as appropriate.

In conclusion, I submit this report in accordance with the Chair's Statement requirements.

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**Signature**

**Date**

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**Name**

Dalriada Trustees

**Qualification**

Independent Trustee