The Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme

Annual statement by the Chair of the Trustees for the year to 31 December 2020

What is this Statement for?

It's important that you can feel confident that your savings in The Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme ("the Scheme") are being looked after and give good value. This Statement sets out how the Trustees have managed the Scheme in the last year and what they aim to do in the coming year.

What's in this Statement?

We've included information on the following areas in this Statement:

- How we manage your Scheme – who the Trustees are and what guides our decision making;
- Investment strategy – what we have done to check the performance and suitability of the Scheme's investment options;
- Investment performance – what returns the investment options have given over the last year;
- Cost and charges – what you have paid for in the last year and how these might impact the size of a typical member's savings in the Scheme over time;
- Value for Members – how the quality of the Scheme's services which you pay for compare to other pension schemes.
- Administration – how well the Scheme has been administered, including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;
- Trustee knowledge – what we as Trustees have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you; and
- Our key actions last year and plans for the next year – what key actions the Trustees took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

We can confirm to you that:

How we manage your Scheme

The Scheme was established in 1974 and, as at 31 December 2020, was governed by Scheme's Rules dated 31 March 2010 and subsequent deeds of amendment.

Mr Keiichiro Nakamura was appointed as a new Trustee in October 2020, whilst Tetsuro Imaeda resigned in October 2020.

The Statement of Investment Principles (SIP) which sets out the Trustees' policies on how your contributions should be invested, was updated in June 2020. The first implementation report describing how the Trustees have followed their policies set out in the Statement of Investment Principles will be published in 2021.

At 31 December 2020 the DC section of the Scheme had 260 members and was worth a total of £6,276,092.

Investment strategy and underlying investments

The Trustees have in place a Statement of Investment Principles (SIP) which governs decisions about investments and sets out the aims and objectives of the Scheme's investment strategy. A copy of the latest SIP dated June 2020 is attached at Appendix 1.

The Trustees have updated the SIP to take account of the new legal requirements, which were effective from 1 October 2020.

The Trustees reviewed the strategy and performance of the Scheme's underlying investment funds in July 2020.

The Scheme offers members 12 underlying investment funds (see section 4 for details). During the year, the Trustees switched out of the Over 15y Gilts Index fund and the Over 5y Index-Linked Gilts fund and into 3 single stock gilt funds and 3 single stock index-linked gilt funds.

Investment performance

The last year has been rocky. In the first quarter of the year, markets reacted to the news of Covid-19 with fear. Equity markets plummeted and because of liquidity issues within banks, yields fell to all time lows (meaning that the price of government bonds rose). Given the Scheme holds most of its investments in protection assets (government bonds), the overall effect would have been relatively positive.

Since the first quarter in 2020, investors have gained confidence globally on the abilities for governments to support their economies and equity prices have returned to all-time highs and government bond yields have stabilised. Meaning over the year performance has been positive. This has mostly derived from the price rises from government bonds over the year. The funding suffered slightly from the less favourable returns on UK equities vs returns globally.

Cost and charges

Members do not pay charges in relation to the Scheme's investment management and administration as these are paid for by the employer. Further details about the charges paid for by the employer are included in this Statement.

Members do pay for the transaction costs (costs for example buying and selling investments) in the investment funds during the year were in a range from -0.20% to 0.27% of the amount invested (or £-2.00 to £2.70 per £1,000 fund value). Members do pay transaction costs in relation to the Scheme. Further details about the transaction costs paid for by members are included in this Statement.

The charges for the Scheme's AVC investment options were in a range from 0.61% to 1.04% (or £6.10 to £10.40) per £1,000 fund value).

Value for Members

Each year we look at the costs and charges you pay under the Scheme as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Scheme provided good value in the last year. Over the next year our main priority to maintain and improve value for you will be to keep the current structure of the Scheme under review and issue a communication to members with DC benefits setting out factual information about the DC section and their benefits and options in relation to this.

Administration

We check that the administration of the Scheme is going smoothly at our Trustee meetings and via quarterly administration reports from the Scheme's administrator, Hymans Robertson. The Trustees believe that Hymans Robertson's administration systems are robust, that the checking and review policies and procedures in place minimise the risk of error, and that the service provided to Scheme members by Hymans Robertson is of a high standard.

Overall, the Trustees are satisfied that during the year:

- core financial transactions were generally processed accurately, promptly and efficiently;
- there have been no material administration errors in relation to processing core financial transactions; and
- the wider administration of the Scheme achieved 97% adherence to service standards, slightly higher target service levels negotiated by the Trustee of 95%.

As you know, the coronavirus disease, COVID-19, began to spread globally in early 2020 and was declared a pandemic by the World Health Organization. The Trustees continue to work closely with the Scheme's professional advisers to ensure continuity of service, and regular updates were provided by the Scheme administrators throughout 2020 detailing their comprehensive plans that were implemented to cope with the COVID-19 pandemic.

The Trustees have remained reassured by the regular updates they have received from their Scheme administrator and are satisfied that Hymans Robertson are taking all the reasonable steps to continue to ensure that key financial transactions take place and services continue as normally as possible.

Trustee knowledge

It's important that we as Trustees keep our knowledge of pension and investment matters up to date and have access to sound professional advice.

Mr Keiichiro Nakamura became a Trustee in the last Scheme year and has been inducted as a new Trustee and has completed the Pensions Regulator's Trustee training toolkit. All of the Trustees attended training sessions during the year on subjects such as Responsible Investment and undertook modules of the Pensions Regulator's Trustee toolkit.

There have been no changes to the Trustees' advisers during the year.

Overall, the Trustees believe that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

Our key actions last year and plans for the next year

During the last year the Trustees took the following measures to ensure that the Scheme continues to provide good value for members:

- continued to consider the current structure of the Scheme;
- received advice from their professional advisers on the potential options and next steps in respect of the Scheme's defined contributions (DC) arrangements;
- issued a communication to members with DC benefits setting out factual information about the DC section and their benefits and options under this section;
- updated the Statement of Investment Principles; and
- continued to receive training and regular updates from their professional advisers on pensions matters to ensure the Scheme is run efficiently and effectively.

During the next year, the Trustees aim to:

- continue to consider the current structure of the Scheme and to keep this under review;
- carry out a formal self-assessment of Trustee training needs to inform future training sessions;
- continue to receive training and regular updates from their professional advisers on pensions matters to ensure the Scheme is run efficiently and effectively; and
- consider the Government's initiative to help protect members against pension scams.

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Scheme in the last year. We hope this Statement is of help to you planning for your future and helps you understand how your Scheme is run. If you have any questions on its contents, please contact:

c/o HR Services Department
Trustees of the SMBCE Ltd Pension Scheme
SMBCE
2nd Floor
99 Queen Victoria Street
London
EC4V 4EH

You can also contact the Scheme's administrators (Hymans Robertson LLP) who look after the day-to-day running of the Scheme at: SMBCEPensions@hymans.co.uk

You can access certain information about the Scheme via your Scheme member website. The address is: www.smbcedbpensions.co.uk

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme ("the Scheme"), to help members achieve a good outcome from their pension savings. The Trustees are required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 1 January 2020 to 31 December 2020.

For the record
This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations.

DocuSigned by:
Sheila Cork
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Date: 24-Jun-2021 | 16:13 BST

Signed by the Chair of Trustees of The Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme

1 How we manage your Scheme

As at 31 December 2020, the Trustees of the Scheme were:

Company-appointed

- Sheila Cork
- Jamie Smyth
- Keiichiro Nakamura

Member-nominated

- Paul Graham
- Charles Philip Martyn

The Scheme was established in 1974 and is currently governed by The Third Definitive Trust Deed and Rules dated 31 March 2010 and subsequent deeds of amendment.

Keiichiro Nakamura became a Trustee in October 2020, whilst Tetsuro Imaeda resigned in October 2020.

The Statement of Investment Principles (SIP) sets out the Trustees' investment policies. The Trustees, with the help of their advisers, review the Statement of Investment Principles at least every three years. The last review was carried out in 2020 and the Statement was changed in June 2020 to reflect the latest regulations.

Over the year to 31 December 2020 the number of members reduced to 260, while the total value of members' pension pots grew from £5,985,494 to £6,276,092.

An implementation statement setting out how the Trustees complied with the Statement of Investment Principles during the year to 31 December 2020 will be published in tandem with this Statement.

2 Investment strategy and underlying investments

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy generally.

The Trustees have in place a SIP which governs decisions about investments and sets out the aims and objectives of the Scheme's investment strategy. A copy of the latest SIP dated June 2020 is attached at Appendix 1.

The Trustees have updated the SIP to take account of the latest regulations in relation to manager engagement, expanded stewardship policies and the publication of the statement on a publicly available, free to access website.

The Trustees last reviewed the strategy and performance of the underlying investment funds in The Trustees reviewed the strategy and performance of the Scheme's underlying investment funds in 11 June 2020. There were no changes to the investment strategy for the Scheme's DC benefits and AVCs. The Trustees receive quarterly investment monitoring reports from their investment advisers and receive biannual updates on investment performance at Trustee meetings from their investment managers (these updates being provided on 11 June 2020 and 11 December 2020 in the 12 month period to 31 December 2020).

The default arrangement

The Scheme does not have a default arrangement as it is not used as a "Qualifying Scheme" for auto-enrolment.

The Scheme is closed to new members. It originally closed to new members on 5 April 1999 but was reopened on 1 January 2003 to certain members (Sakura DC members) following the closure of the Sakura Bank Limited Retirement Benefits Scheme.

The underlying investment funds

The Scheme offers members 12 underlying investment funds:

- LGIM UK Equity Index Fund
- LGIM North America Equity Index Fund – GBP Currency hedged
- LGIM Europe (ex UK) Equity Index Fund – GBP Currency hedged
- LGIM Japan Equity Index Fund – GBP Currency hedged
- LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged
- LGIM World Emerging Markets Equity Index Fund
- LGIM 2046 Gilt Fund
- LGIM 2055 Gilt Fund
- LGIM 2068 Gilt Fund
- LGIM 2058 Index-Linked Gilt Fund
- LGIM 2037 Index Linked Gilt
- LGIM 2047 Index Linked Gilt

3 Costs and charges

The charges and costs borne by members and the employer for the Scheme's services are:

Service	By members	Shared	By the employer
Investment management	-	-	Yes
Investment transactions	Yes	-	-
Administration	-	-	Yes
Governance	-	-	Yes
Communications	-	-	Yes
Retirement	-	-	Yes

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

All charges (in respect of investment management, administration, and governance) are paid for by the employer.

Transaction costs (which include the costs associated with buying and selling investments) are paid for by members out of a member's funds before unit prices are calculated.

Charges

The charges quoted in this statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

During the year, the charges paid by the employer for the 12 underlying funds were in a range from 0.050% to 0.410% of the amount invested or, put another way, in a range from £0.50 to £4.10 per £1,000 invested.

The table in Appendix 2 gives the charges for each of the 12 underlying investment funds.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The FCA requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown in this Statement do not include any costs members may incur from buying or selling units in the provider's funds as a result of the fund manager's fund price moving from a "bid" to "offer" basis (or vice versa).

The transaction costs in the investment funds during the year were in a range from -0.20 to 0.27% of the amount invested or, put another way, in a range from £-2.00 to £2.70 per £1,000 invested.

The table in Appendix 2 gives the transaction costs for each fund.

Additional Voluntary Contributions ("AVCs")

The Scheme offers members a choice of funds for their AVCs. During the year the charges borne by members for the AVC funds were in a range from 0.61% to 1.04% (or £6.10 to £10.40 per £1,000 fund value).

The transaction costs borne by members in the AVC funds during the year were in a range from 0.00% to 0.52% of the amount invested or, put another way, in a range from £0.10 to £5.20 per £1,000 invested.

The table in appendix 2 shows the charges and transaction costs borne by members for each AVC fund.

Money Purchase Underpin

The DC Section of the Scheme was contracted out on a Guaranteed Minimum Benefit (GMP) basis up to and including 5 April 1997. As a result, members of the DC Section who joined before 1997 have a GMP underpin. For members where the GMP underpin applies, the GMP value of the underpin is calculated on death, retirement or transfer and is compared to the value of the investments standing to the credit of that part of their pension savings account that is derived from pre-6 April 1997 contributions at the time when the Trustees disinvest them. The member is then entitled to the higher of the two amounts.

The GMP underpin was triggered in respect of two members during the period covered by this Statement.

Impact of costs and charges

The Trustees have asked the Scheme's investment adviser to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after transaction costs and charges for typical members up to retirement.

The tables in Appendix 3 to this Statement show these figures for the mix of investment funds which members are invested in (all members are subject to the same investment strategy), together with a note of the assumptions used in calculating these illustrations.

As an example, based on the average age of a member with defined contribution benefits of 52 a current pension pot of £24,000 and normal retirement age of 60, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £21,691 to £21,530 (that is, by £161).

For the youngest member, aged 40, current pension pot of £11,000 and normal retirement age of 60, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £8,542 to £8,384 (that is, by £162).

For members with defined contribution benefits with an average age of 45 (i.e. members aged between 40 and 50), average current pension pot is £10,000 and normal retirement age of 60, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £8,272 to £8,157 (that is, by £115).

For members with defined contribution benefits with an average age of 55 (i.e. members aged between 50 and 60), average current pension pot is £26,000 and normal retirement age of 60, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today's money from £24,407 to £24,293 (that is, by £114).

Appendix 3 provides more detailed illustrations also provides important notes of the assumptions used in calculating these illustrations. The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

Please note that these illustrated values:

- are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- the assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- will be affected by future, and as yet unknown, changes to the Scheme's investment funds;
- are not guaranteed;
- may not prove to be a good indication of how your own savings might grow; and
- comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

4 Value for Members

Each year, with the help of their advisers, the Trustees carry out an assessment of whether the charges and transaction costs for the investment funds, which are borne in full or in part by members, represent good value for members. As mentioned, the employer pays all charges in relation to the Scheme and members pay the transaction costs out of their member funds.

There is no legal definition of “good value” and so the process of determining good value for members is a subjective one. Value is also not simply about low cost – the Trustees also consider the quality and scope of provision against similar schemes and available external benchmarks.

6.1 Approach

The Trustees adopted the following approach to assessing value for members for the last year:

- Services – considered the investment services where members bear or share the costs of these;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons; and
- Rating – each service was rated on the below basis

The rationale for the rating of investment services (being the only area of the Scheme where members bear or share the costs) was in outline:

Service and weighting	Rating	Rationale
Investment 100%	Good	Transaction costs were similar to those of comparable schemes The Trustees are satisfied that the investment funds are suitable for the Scheme’s membership because there are 12 funds offered for the membership. The only “costs” experienced by members in respect of the investment funds are the transaction costs which are reflected in the performance of the funds and ranged from –0.20% to 0.27%. Investment performance was in line with the funds’ objectives. The Statement of Investment Principles was last reviewed on 11 June 2020, the Trustees updated the SIP to take account of the new legal requirements, which were effective from 1 October 2020, to provide information on the Trustees’ policies on manager engagement, expanded stewardship policies and publish the statement on a publicly available, free to access website.
Administration 0%	Not rated as members do not bear or share in these costs.	
Governance 0%	Not rated as members do not bear or share in these costs.	

Communication 0%	Not rated as members do not bear or share in these costs.

The Trustees have agreed an action plan for the following Scheme year to improve value where necessary.

6.2 Results for the year ending 31 December 2020

The Scheme gave good value for members in the year ending 31 December 2020.

The ratings and weightings used for the assessment was:

Rating	Definition
Excellent	The Trustees consider the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Good	The Trustees consider the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
Average	The Trustees consider the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
Below average	The Trustees consider the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Poor	The Trustees consider the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.

5 Administration

Trustees appointed Hymans Robertson LLP (from 1 March 2019) to administer the Scheme on their behalf.

The Trustees have a specific duty to ensure that core financial transactions (including the transfer of member assets out of the Scheme and payments to and in respect of members) relating to the Scheme are processed promptly and accurately. Over the 12 months to 31 December 2020, these transactions were undertaken on the Trustees' behalf by the Scheme's administrator, Hymans and the investment manager, LGIM.

The Trustees monitored core financial transactions during the year. As the Scheme does not receive contributions or facilitate the switching of investment funds, core financial transactions are centred around the payment of benefits (including retirements and outward transfers of funds).

There are a set of service levels in place with the Scheme's administrator, Hymans Robertson, covering:

- provision of retirement pack and quotation of benefits within 7 working days;
- payments of benefits notified to the Trustees within 5 working days;
- provision of transfer value quotation within 15 working days;
- payment of transfer value notified to the Trustees within 5 working days;
- provision of leaver option pack within 7 working days;
- response to members enquiries within 7 working days; and
- provision of statements upon request within 7 working days.

The Scheme's administrator, Hymans Robertson, aims to ensure that 95% of all these processes are completed within these service levels.

The Trustees understand that the administrator monitors its performance against these service levels by:

- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.
- The Trustees monitored core financial transactions and administration service levels during the year by:
- receiving quarterly reports from the Scheme administrator on the processing of financial transactions and other administration processes against the agreed service levels;
- considering the reasons for and resolution of any breaches of service standards; and
- considering member feedback including any complaints.
- The Trustees are satisfied that the service standards are competitive because:
- the Trustees conducted a high-level review of service standards in 2018 and found that Hymans' service standards were competitive when compared with other administrators.

The Trustees consider Hymans to have an experienced administration team with modern systems in place to administer pensions. The Trustees believe that Hymans' systems are robust, that checking and review policies and procedures in place minimises the risk of error, and that the service provided to Scheme members by Hymans is of a high standard.

Overall, the Trustees are satisfied that during the year:

- core financial transactions were generally processed accurately, promptly and efficiently;
- there have been no material administration errors in relation to processing core financial transactions; and
- the wider administration of the Scheme achieved 97% adherence to service standards, slightly higher target service levels negotiated by the Trustee of 95%.

Data quality

Each year the Trustees ask the Scheme's administrator to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits, for example dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was undertaken in November 2019. This showed that common data was present for 98% of membership data across both DB and DC members. Over the next year, the Trustees will strive to maintain or improve the quality of the Scheme's common data.

Cyber security

The Trustees are conscious of the growing threat of cyber-attacks on pension scheme information.

The Trustees have confidence in Hymans Robertson's robust systems, and are content that their cyber security arrangements are effective and up to date. The Trustees expect that the Scheme's administrator will report any security breach immediately and ensure that members are notified as soon as possible.

COVID-19

As you know, a coronavirus disease, COVID-19, began to spread globally in early 2020 and was declared a pandemic by the World Health Organization. As the pandemic has evolved, the Trustees have continued to work closely with the Scheme's professional advisers to ensure continuity of service and regular updates are provided by the Scheme administrators detailing their comprehensive plans that have been implemented to cope with the COVID-19 pandemic. These plans have included:

- Closure of the London and Birmingham offices with all incoming mail still being redirected to the Glasgow office to be processed by certain individuals who continued to attend the office to carry out business critical tasks;
- All Hymans employees being equipped with secure laptops and successfully working from home in line with Government guidance;
- Outsourcing of secure printing and posting of documents to members to a third-party printing supplier;
- Encouraging members to communicate using pensionsWEB (dedicated member website) where possible, or by email; and
- Critical processes (e.g. payroll and benefit payments) prioritised with the highest priority being given to death benefits.

Over the year, the situation has continued to develop; however, the Trustees are pleased to report that Hymans Robertson have been able to continue to fully support all their services. This has included paying pensions and new benefits, providing quotations and answering queries, even as most employees have been unable to access their office. The Trustees are reassured by the regular updates they have received from their Scheme administrator and are satisfied that Hymans are taking all the reasonable steps to continue to ensure that key financial transactions take place and services continue as normal as possible.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of an investment provider or fund manager.

The Trustees believe that the current structure is appropriate for members when compared to other possible structures. The 12 LGIM investment funds are all Life Funds which means that they are subject to protection under the Financial Services Compensation Scheme (FSCS) in the event of the financial failure of LGIM. Additionally, assets in LGIM Life Funds are ringfenced from the rest of the Legal and General Group which means that, in the event of the insurer facing financial difficulties, the rest of the Legal and General Group is unable to draw on the assets in the Life Funds.

The Trustees recognise the importance of the security of members' assets and will continue to keep this under review. The Trustees take the security of assets into account when selecting and monitoring the funds used by the Scheme.

6 Trustee knowledge and understanding

The Trustees are required to describe how the knowledge and understanding requirements of section 247 of the Pensions Act 2004 have been met during the Scheme year and explain how the combined knowledge and understanding of the Trustees, together with the advice available to them, enables them to properly exercise their functions.

Section 247 of the Pensions Act 2004 requires that each Trustee:

- Is conversant with the Scheme's trust deed and rules, the Scheme's SIP, and any other policy document relating to the Scheme's administration; and
- Has appropriate knowledge and understanding of pensions and trusts law as well as the funding of pension schemes and asset investment principles.

The Trustees receive advice on investment, legal and other matters from its advisers, including:

- Allen & Overy LLP – legal matters
- Hymans Robertson LLP – investment matters, and governance/actuarial matters
- Richard Brennan, Cartwright – Scheme actuary for actuarial matters.

The Trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme (in accordance with section 247 of the Pensions Act 2004) are:

- there is an induction process for newly appointed Trustees, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee and who are also provided with key documents and sources of information in relation to the Scheme and management of pension schemes;
- ongoing training is provided to ensure that the Trustees have a working knowledge of the Scheme's Trust Deed and Rules and Statement of Investment Principles as well as the investment concepts and principles relevant to the Scheme, policy documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- the Trustees are encouraged to undertake further study and qualifications which support their work as Trustees;
- the Trustees have a plan in place for ongoing training appropriate to their duties;
- the Trustees receive advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers;
- each Trustee takes a personal responsibility for keeping themselves up-to-date with relevant developments in the pensions industry. This is carried out in a number of ways including via training sessions, regular updates on current pensions news from the Scheme's general consultant, actuarial, investment and legal advisers, or via online training modules on the Pensions Regulator's Trustee toolkit;
- the Trustees' professional advisers attend each Trustees' meeting to advise on specific agenda items but also more generally on the issues being discussed;
- the Trustees carry out regular assessments to confirm and identify any gaps in their knowledge and skills; and

- the Trustees receive regular updates on “hot topics” from their professional advisers covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The effectiveness of these practices and the training received are reviewed from time to time, and the Trustees regularly consider their training needs in order to identify topics that would benefit from further training.

All the Trustees have access to copies of, and are familiar with, the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles (“SIP”). The Trustees refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme’s investments. The last review was carried out in 2020 and the Statement was updated in June 2020.

All the Trustees have completed the Pensions Regulator’s Trustee Toolkit (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). A record of Trustee training is kept and included within the governance report at each meeting of the Trustees. The Trustees regularly review their development records for the Trustee toolkit modules on the Pensions Regulator’s website and re-take modules as appropriate, logging their progress within the Trustee toolkit.

During the period covered by this Statement, the Trustees received:

- Trustee toolkit training from the Pensions Regulator Toolkit to improve Trustee understanding of Trusteeship and pensions matters, benefiting members by ensuring that the Trustees understand best practice and effectively monitor the Scheme; and

- training from Hymans Robertson LLP in relation to GMP Equalisation matters.

The Trustees have appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustees review the effectiveness of their advisers on an ongoing basis and also periodically review the appointment of their advisers.

The Trustees undertook the following reviews during the last year:

Date	Review of
Ongoing	Review of Trustee training needs
Ongoing	Review of Scheme governance and consideration of Trustee training needs
Ongoing	Development records for the Trustee toolkit modules on the Pensions Regulator’s website
Ongoing	Effectiveness and appointment of advisers

As a result of these reviews, the Trustees are satisfied that during the last year they have:

- taken steps to maintain and develop their knowledge and understanding; and
- ensured they received suitable advice.

The Trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during period covered by this Statement.

7 Our key actions last year and plans for the next year

During the last year the Trustees undertook the following (over and above "business as usual" matters):

- an annual high-level review of the Scheme's investment options;
- arranged for the publication of this Statement, together with the Statement of Investment Principles in a publicly searchable location on the internet with a note of this location in the annual benefit statements;
- reviewed and updated the Statement of Investment Principles;
- continued to receive training and regular updates from their professional advisers on pensions matters to ensure the Scheme is run efficiently and effectively (please see previous section); and
- issued a communication to members with DC benefits setting out factual information about the DC section and their benefits.

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following (some of which have already begun to progress):

- develop their arrangements for reporting on climate-related investment issues in keeping with the recommendations of the Task Force on Climate related Disclosure;
- continue to consider the current structure of the Scheme and to keep this under review;
- carrying out a formal self-assessment of Trustee training needs to inform future training sessions;
- and
- continue to receive training and regular updates from their professional advisers on pensions matters to ensure the Scheme is run efficiently and effectively.

The Trustees believe that this work will help you get the best out of our Scheme.

Statement of Investment Principles

This is the Statement of Investment Principles (the "Statement") made by the Trustees of The Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme ("the Scheme") accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustees on 11 June 2020, is subject to periodic review at least every three years and without delay after any significant change in investment policy

In preparing this Statement, the Trustee has consulted with the employer to the Scheme ("The Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme") and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Trustees are aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

The Trustees are supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustees expect investment managers to comply with the code and to produce a statement of their commitment to the code.

Scheme objective

To guide it in the strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustee has adopted the following objectives:

Defined Benefit Section

- To achieve a favourable return against the appropriate benchmarks.
- To ensure that the assets will be sufficient to meet the Scheme's Statutory Funding Objective, in conjunction with any deficit recovery contributions from the Company where agreed.
- To target full funding on a long term basis, at which point the Scheme would be able to invest in secure assets that are expected to match members' projected benefit payments.

Defined Contribution Section

- To maximise the value of members' retirement benefits, within an acceptable level of risk.
- To provide members with a degree of choice and flexibility to meet their risk and return requirements.
- To avoid over complexity in investment for ease of transparency and in order to keep administration costs to a reasonable level.

For employee members, benefits are based on service completed but take account of future salary increases. The value of liabilities is calculated on the basis agreed by the Trustee and the Scheme Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustee has translated its objectives into a suitable strategic (asset allocation) benchmark for the Scheme. The strategic benchmark is consistent with the Trustee's view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests.

The investment strategy takes account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustees view of the covenant of the principal employer.

The Trustees monitor strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, and will normally be reviewed annually. Written advice is received as required from professional advisers.

The Trustees monitor the performance of Scheme investments relative to agreed criteria on a regular basis.

The Trustees have delegated all day to day investment decisions to authorised investment managers.

Choosing investments

The Trustee has appointed Legal & General Investment Management ("LGIM") to manage Scheme investments. LGIM are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustees, after taking appropriate advice, have given the investment manager specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. The investment manager is allowed some flexibility of choice subject to its benchmarks and other guidelines and is expected to maintain a diversified portfolio.

The Trustees have also decided to invest in a number of individual pooled funds. The Trustees are satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Kinds of investment to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds.

The Scheme may also make use of contracts of insurance, derivatives and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustees consider all of these classes of investment to be suitable in the circumstances of the Scheme.

Investment Strategy

The investment manager is instructed to deliver a specific performance target, which overall will align to deliver the broader Scheme investment strategy. The Trustees ensure that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustees will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustees to ensure that they are appropriate for the needs of the Scheme. The trustees are satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Investment Management Remuneration

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustees may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustees periodically review the fees paid to all its managers against industry standards.

Investment Time Horizon

The Trustees recognise the long-term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustees will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustees generally engage managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustees expect the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustees expect the term of the appointment to be the lifetime of the investment.

Balance between different kinds of investments

The Scheme's investment manager will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets. Within each major market each manager will maintain a diversified portfolio of stocks.

The manager of the passive funds in which the Scheme invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of the Scheme benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustees measure and manage financial mismatch in two ways. As indicated above, the Trustees have set a strategic asset allocation benchmark for the Scheme. The Trustees assess risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. The Trustees also assess risk relative to liabilities by monitoring the delivery of returns relative to liabilities.

The Trustees keep mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations and the Trustees may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

The Trustees seek to mitigate systemic risks through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance ("ESG") risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees manage asset risks as follows. The Trustees provide a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of pooled funds each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters.

By investing across a range of assets, including quoted equities, bonds (and possibly in the future bulk annuity policies), the Trustees recognise the need to access funds in the short term to pay benefits. The risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio.

The decision to appoint only one investment manager does involve some degree of risk (from potential underperformance of that manager) which the Trustee accepts as a reasonable compromise given the size of the portfolio.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk - The risk of loss of Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment manager as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustees seek professional advice.

Expected return on investments

The investment strategy aims to achieve a return on Scheme assets, which taken in conjunction with, contributions is sufficient over time to match growth in the Scheme's pension liabilities.

Realisation of investments

The majority of the Scheme's investments may be realised quickly if required.

Manager engagement

Performance Evaluation

The Trustees review the nature of Scheme investments on a regular basis, with reference to suitability and diversification. The Trustees seek and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustees is proposed, appropriate advice is sought and considered to ensure its suitability.

The Trustees monitor its managers performance against their respective benchmark on a quarterly basis over a long-term time horizon. The manager is expected to provide explanation for any significant deviations away from benchmark.

Portfolio turnover

The Trustees have expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustees' knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expect managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustees will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors, is relevant at different stages of the investment process.

Strategic considerations

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark.

Structural considerations

Given the discretion afforded to the Investment Manager, the Trustee expects that the Investment Manager will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting investment managers

In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believe this approach is in line with the basis on which their current strategy has been set. The Trustees will review the index benchmarks employed for the Scheme on at least a triennial basis.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustees explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

The Trustees meet with the Scheme's investment manager regularly, and the manager is expected to address manager performance and company engagement. The manager will be challenged on their approach where this is not aligned to the Trustees' policies.

The Trustees expect its investment consultants to provide input and analysis to assist the Trustees in assessing their manager's performance. Where necessary, the Trustees will highlight any areas of concern identified during such reviews to the manager as part of its engagement process and request that the manager takes appropriate action. This may include concerns over performance, risk management, stewardship practices, investment process and operational issues and, where such concerns are raised, the Trustees will require the manager to demonstrate levels of improvement. Failure to achieve the desired improvements will result in the mandate being reduced or terminated.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions to their Investment Manager on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The Investment Manager is expected to exercise the voting rights attached to individual investments in accordance with their own house policies and taking account of current best practice including the UK Stewardship Code.

On an annual basis, the Trustees will request their Investment Manager provides details of any change in their policies.

The Trustees annually reviews the investment manager's adherence to the UK Stewardship Code, UNPRI and other relevant industry codes or standards where applicable. In the event that a manager does not adhere to a recognised set of principles for responsible investment, the Trustees should take reasonable steps to ensure that they are comfortable with the policy that the manager has in place in respect of this.

The Trustees do not engage directly but believe it is appropriate for their investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, the investment manager is expected to notify the Trustees of any issue on which it may be beneficial for the trustees to undertake further engagement. The Trustees will review engagement activity undertaken by their investment managers as part of its broader monitoring activity

The trustees separately consider any conflicts of interest arising in the management of the Scheme and their investments and has ensured that investment manager has an appropriate conflicts of interest policy in place.

Monitoring

The Trustees review manager voting activity on an annual basis in conjunction with their investment adviser. Where the Trustees deem it appropriate, any issues of concern will be raised with their manager for further explanation.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to pay AVCs to AEGON Scottish Equitable. A range of funds is available for investment at members' discretion.

Signed and dated:

SCork Digitally signed by SCork Date: 2020.09.07 14:04:26 +01'00'

Trustee   Name

Date

jsmyth Digitally signed by jsmyth Date: 2020.09.07 16:58:54 +01'00'

Trustee   Name

Date

Signed For and on Behalf of The Trustees of the Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme

Appendix 1: Asset Allocation Benchmark

Asset Class	Benchmark Allocation
Growth Assets	**10%**
Developed Equities	9%
Emerging Market Equities	1%
Matching Assets	**90%**
Gilts	49%
Index-Linked Gilts	41%

Appendix 2: Version Control

Version	Commentary	Date
1.0	Original statement (Hymans format) incorporating Scheme ESG & RI commitments	June 2019
2.0	Statement updated for October 2020 regulatory requirements	June 2020

Appendix 2

Table of funds and charges

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used for the funds were:

Fund	Charges		Transaction costs	
	% p.a. of the amount invested	**£ p.a. per £1,000 invested**	**% p.a. of the amount invested**	**£ p.a. per £1,000 invested**
LGIM UK Equity Index Fund	0.13	1.30	-0.03	-0.30
LGIM North America Equity Index Fund – GBP Currency hedged	0.19	1.90	0.07	0.70
LGIM Europe (ex UK) Equity Index Fund – GBP Currency hedged	0.23	2.30	0.05	0.50
LGIM Japan Equity Index Fund – GBP Currency hedged	0.21	2.10	0.08	0.80
LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged	0.27	2.70	0.27	2.70
LGIM World Emerging Markets Equity Index Fund	0.41	4.10	0.02	0.20
LGIM 2046 Gilt Fund	0.05	0.50	0.02	0.20
LGIM 2055 Gilt Fund	0.05	0.50	0.12	1.20
LGIM 2068 Gilt Fund	0.05	0.50	0.07	0.70
LGIM 2058 Index-Linked Gilt Fund	0.08	0.80	-0.15	-1.50
LGIM 2037 Index-Linked Gilt Fund	0.06	0.60	0.05	0.50
LGIM 2047 Index-Linked Gilt Fund	0.07	0.70	-0.20	-2.00

Source: LGIM

The table below shows the charges and transaction costs borne by members for each AVC fund.

Fund	Charge		Transaction costs	
	% p.a.	**£ per £1,000**	**% p.a.**	**£ per £1,000**
Scheme Number 24301 [1]				
Aegon Long Gilt Fund	1.00	10.00	0.05	0.50
Aegon European Fund	1.01	10.10	0.17	1.70
Scheme Number 26012				
Aegon High Equity WP Fund	1.00	10.00	0.19	1.90
Aegon Mixed	1.01	10.10	0.28	2.80
Aegon Pacific	1.04	10.40	0.30	3.00
Aegon Global Fund	1.01	10.10	0.41	4.10
Aegon American	1.01	10.10	0.00	0.00
Scheme Number 70613 [2]				
Aegon Mixed	0.61	6.10	0.28	2.80
Aegon Equity	0.61	6.10	0.26	2.60
Aegon International	0.61	6.10	0.52	5.20
Aegon American	0.61	6.10	0.00	0.00
Aegon European	0.61	6.10	0.17	1.70

Source: Aegon

Plus [1] Plus 0.75% p.a. charge on contributions

[2] Includes 0.4% Fund Charge Rebate

Appendix 3

Tables illustrating the impact of charges and costs

Appendix 3 - Tables illustrating the impact of charges and costs

The following tables show the potential impact of the transaction costs borne by typical members (i.e. only transaction costs on investments as all other charges are paid for by the employer) on projected values in today's money at several points up to retirement for a selection of age ranges:

3a. For the "average" member age 52 with normal retirement age of 60 invested across all 12 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
8	24,000	24,000
7	23,698	23,692
6	23,401	23,389
5	23,107	23,089
4	22,816	22,793
3	22,530	22,501
2	22,246	22,212
1	21,967	21,928
0	21,691	21,647

Source: Hymans Robertson LLP, Legal & General Investment Management

3b. For youngest member aged 40 with normal retirement age of 60 invested across all 12 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
20	11,000	11,000
18	10,725	10,720
15	10,326	10,313
13	10,068	10,050
10	9,693	9,669
8	9,451	9,422
6	9,215	9,182
4	8,985	8,948
2	8,761	8,720
0	8,542	8,498

Source: Hymans Robertson LLP, Legal & General Investment Management

3c. For members aged between 40 and 50 (an average age of 45) with normal retirement age of 60 invested across all 12 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
15	10,000	10,000
13	9,750	9,745
11	9,507	9,497
10	9,387	9,375
8	9,153	9,136
6	8,924	8,904
4	8,701	8,677
3	8,592	8,566
2	8,484	8,382
1	8,377	8,348
0	8,272	8,241

Source: Hymans Robertson LLP, Legal & General Investment Management

3d. For members aged between 50 and 60 (an average age of 55) with normal retirement age of 60 invested across all 12 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
5	26,000	26,000
4	25,673	25,667
3	25,351	25,338
2	25,032	24,013
1	24,718	24,692
0	24,407	24,376

Source: Hymans Robertson LLP, Legal & General Investment Management

The assumptions used in these calculations were:

The opening DC pot size is:

- Illustration 3a: £24,000, which was the average pot size for all members at 31 December 2020;
- Illustration 3b: £11,000, which was the pot size at 31 December 2020 for the youngest member;
- Illustration 3c: £10,000, which was the average pot size at 31 December 2020 for members aged between 40 and 50; and
- Illustration 3d: £26,000, which was the average pot size at 31 December 2020 for members aged between 50 and 60.

A contribution in current day terms of £0 p.a. (as the Scheme no longer accepts contributions).

The investment return allowing for inflation for each fund above was:

Fund	Gross return % p.a.	Net return % p.a.
LGIM UK Equity Index Fund	6.0	3.5
LGIM North America Equity Index Fund – GBP Currency hedged	6.0	3.5
LGIM Europe (ex UK) Equity Index Fund – GBP Currency hedged	6.0	3.5
LGIM Japan Equity Index Fund – GBP Currency hedged	6.0	3.5
LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged	6.0	3.5
LGIM World Emerging Markets Equity Index Fund	6.0	3.5
LGIM 2046 Gilt Fund	1.0	-1.5
LGIM 2055 Gilt Fund	1.0	-1.5
LGIM 2068 Gilt Fund	1.0	-1.5
LGIM 2058 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2037 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2047 Index-Linked Gilt Fund	0.0	-2.5

The rate of increase in costs and charges is 2.5% p.a.

The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that these illustrated values:

- are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- the assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- are not guaranteed;
- may not prove to be a good indication of how your own savings might grow; and
- comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Appendix 4

Investment performance

The investment performance for each of the funds during periods up to 31 December 2020 net of all costs and charges expressed as an annual geometric compound percentage were:

Fund	1 year	3 years	5 years
LGIM UK Equity Index Fund	-9.8	-0.9	5.2
LGIM North America Equity Index Fund – GBP Currency hedged	17.1	11.9	13.2
LGIM Europe (ex UK) Equity Index Fund – GBP Currency hedged	2.3	5.5	6.9
LGIM Japan Equity Index Fund – GBP Currency hedged	8.3	2.5	4.7
LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged	10.6	4.8	8.6
LGIM World Emerging Markets Equity Index Fund	11.2	5.6	13.8
LGIM 2046 Gilt Fund	-11.5	N/A	N/A
LGIM 2055 Gilt Fund	-13.8	N/A	N/A
LGIM 2068 Gilt Fund	-17.4	N/A	N/A
LGIM 2058 Index-Linked Gilt Fund	-11.8	N/A	N/A
LGIM 2037 Index-Linked Gilt Fund	-5.9	N/A	N/A
LGIM 2047 Index-Linked Gilt Fund	-8.3	N/A	N/A

Source: LGIM.

Performance for the Gilt and Index-Linked Gilt Funds is since inception in July 2020.