The Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme

Annual statement by the Chair of the Trustees for the year to 31 December 2021

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. This Statement is applicable to members of the Defined Contribution ("DC") Section ("DC Section") of the Scheme.

A copy of this Statement, together with other key statements about how the Scheme is managed are posted online at www.smbcgroup.com/emea/notices-reporting/corporate-disclosures#pensions.

What's in this Statement?

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

1. **How we manage your Scheme** – who the Trustees are and what guides our decision making;
2. **Investment options** – what we have done to check the suitability of the Scheme's investment options;
3. **Investment performance** - what returns the investment options have given over the last year;
4. **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;
5. **Value for Members** - how the quality of the Scheme's services which you pay for compare to other pension schemes;
6. **Administration** – how well the Scheme has been administered including how promptly and accurately key transactions have been processed;
7. **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
8. **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?

1 How we manage your Scheme

The Scheme was established in 1974 and, as at 31 December 2021, was governed by the Scheme's Rules dated 27 January 2021.

Anna Simons became a Trustee on 25 November 2021.

The Statement of Investment Principles ("SIP"), which governs decisions about investments and sets out the aims and objectives of the Scheme's investment strategy, was updated in June 2022 to reflect the changes to the Scheme's assets allocation following the investment strategy review in February 2022 for the Defined Benefit ("DB") Section ("DB Section"). A copy of the latest SIP dated June 2022 is attached at Appendix 1.The first implementation report describing how the Trustees have followed their policies set out in the SIP was published in September 2021 and will be produced annually going forward.

At 31 December 2021 the DC Section of the Scheme had 259 members and was worth a total of £6.1 million.

2 Investment options

The Scheme currently invests members' assets in a strategy which contains 26 underlying investment funds (see section 4 for details), although 28 were available over the course of the year. On 10 December 2021, the Trustees removed the LGIM World Emerging Markets Equity Index Fund and LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged and added an additional 16 UK government bond ("gilt'") funds. These changes were made as a result of an ongoing review of the DB Section strategy which the DC Section strategy mirrors, as further discussed below.

Although it did not occur in the 12 months covered by this Statement, please note that part of this review of the Scheme's underlying investment funds took place on 4 February 2022. The review considered the appropriateness of the investment strategy and the Scheme's investment structure. The following changes were agreed:

- Separate the DC Section from the DB Section's investment arrangements in order to create a separate investment strategy that is more appropriate for DC members.
- Invest DC Section members' assets in an investment strategy that will provide the opportunity for greater levels of growth and therefore target improved member outcomes. The current strategy is defensive in nature (since it invests in lower risk asset classes such as UK government bonds (gilts), which generally provide lower, but more reliable, rates of return). The new strategy will invest in a more appropriate fund that will provide more opportunities for investment growth for the DC Section members.
- Move DC Section members' assets into the L&G Future World Multi Asset Fund.

The above changes are likely to take place over 2022 and 2023 and the Trustees accordingly plan to update the SIP in the next year.

3 Investment performance

2021 was a challenging year for investment markets because of the ongoing uncertainty created by the COVID 19 pandemic.

Over the year to 31 December 2021 the underlying investment funds saw returns of between:

- a rise in value of 24.6% or, put another way, a rise of £246.00 for every £1,000 invested for the LGIM Europe (ex UK) Equity Index Fund – GBP hedged; to
- a fall in value of 8.3%, or a fall of £83.00 for every £1,000 invested for the LGIM 2068 Gilt Fund.

The Trustees are satisfied that all of the underlying investment funds have performed in line with their objectives over the year.

The available investment returns for all funds over several periods of time to 31 December 2021 are shown in Appendix 4. Please note that historic performance data is not available for all funds, as explained further in Appendix 4.

4 Cost and charges

Members do not pay charges in relation to the Scheme's investment management, governance and administration services 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 transaction costs were in a range from -0.16% to 0.22% of the amount invested (or £-1.60 to £2.20 per £1,000 fund value). 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 1.08% (or £6.10 to £10.80) per £1,000 fund value). Further details about the AVC charges are included in this Statement.

5 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 a selection of similar pension schemes.

We found that the Scheme provided good value in the year ending 31 December 2021. Over the next year our main priority will be to maintain and improve value for you by starting to implement the recommendations from the DC Section investment strategy review discussed above, and to continue to keep the wider structure of the Scheme under review.

6 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 LLP ("the Scheme's administrator"). The Trustees believe that Hymans Robertson LLP'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 LLP is of a high standard.

Overall, the Trustees are satisfied that during the year:

- core financial transactions were generally processed promptly and accurately;
- there have been no material administration errors in relation to processing core financial transactions; and
- the wider administration of the Scheme generally adhered to the agreed service standards.

The COVID 19 pandemic inevitably affected the Scheme's administration over the year to 31 December 2021. The Trustees continue to work closely with the Scheme's professional advisers to ensure continuity of service, and the Trustees have remained reassured by the regular updates they have received from their Scheme administrator. They are satisfied that the Scheme's administrator has taken all the reasonable steps to continue to ensure that key financial transactions take place and services continue as normally as possible.

7 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.

Anna Simons became a Trustee in the last year and has been inducted as a new Trustee and has completed the Pensions Regulator's Trustee training toolkit. She was previously a trustee of another pension scheme, meaning the Trustee board can benefit from her additional experience in relation to this scheme. All of the Trustees attended a training session during the year on the Pensions Schemes Act 2021 and undertook modules of the Pensions Regulator's Trustee toolkit. The Trustees also receive regular legal and investment updates from their advisers in Trustee meetings.

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.

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

During the last year the Trustees:

- Continued to consider the current structure of the Scheme and kept this under ongoing review;
- Continued to receive training and regular updates from their professional advisers on pension matters to ensure the Scheme is run efficiently and effectively; and
- Considered the Government's initiative to help protect members against pension scams.

During the next year the Trustees aim to:

- Implement the agreed changes to the investment strategy to ensure the investment strategy is more appropriate for DC Section savers and communicate the changes to members;
- Review the impact on the security of members' assets as a result of these investment strategy changes;
- Update the Scheme's SIP to reflect the investment strategy changes;
- Complete a review of the Scheme's AVC arrangement with Aegon to ensure that the investment options/charges remain suitable; and
- Monitor the impact of the Russian invasion of Ukraine on investment markets.

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, 100 Liverpool Street, London, EC2M 2AT

You can also contact the Scheme's administrator (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 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 2021 to 31 December 2021.

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
3941C56F45DE464...
Date: 28-Jul-2022 | 4:12:04 PM 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 2021, the Trustees of the Scheme were:

Company appointed

- Sheila Cork (Chair of Trustees)
- Jamie Smyth
- Keiichiro Nakamura

Member-nominated

- Paul Graham
- Anna Simons

The Scheme was established in 1974 and is currently governed by the Trust Deed and Rules dated 27 January 2021.

Anna Simons became a Trustee on 25 November 2021 following the passing of Charles Philip Martyn.

The Statement of Investment Principles ("SIP") sets out the Trustees' investment policies. The Trustees, with the help of their advisers, review the SIP at least every three years. The last review was carried out in June 2022.

The implementation statement setting out how the Trustees complied with the SIP during the year to 31 December 2021 will be published online alongside 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. As noted above, a copy of the latest SIP dated June 2022 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 reviewed the strategy and performance of the underlying investment funds on 11 June 2020. There were no changes as a result of that review to the investment strategy of the Scheme's DC Section or to any of the AVC arrangements. As noted above, the Trustees most recently reviewed the investment strategy of the Scheme's underlying investment funds on 4 February 2022.

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 16 June 2021 and 25 November 2021 in the 12 month period to 31 December 2021).

2.1 Default arrangement

The Scheme does not have a default arrangement as it is not used as a "Qualifying Scheme" for auto-enrolment. However, members are automatically invested in a strategy which consists of 26 underlying funds.

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.

2.2 The underlying investment funds

The Scheme invested in 28 different underlying investment funds over the year to 31 December 2021, as shown below. The LGIM World Emerging Markets Equity Index Fund and LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged were removed on 10 December 2021, meaning there are now 26 underlying investment funds. These changes were made as a result of a review of the DB Section strategy which the DC Section strategy mirrors.

- 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 2027 Gilt Fund**
- LGIM 2034 Gilt Fund**
- LGIM 2038 Gilt Fund**
- LGIM 2042 Gilt Fund**

- LGIM 2046 Gilt Fund
- LGIM 2047 Gilt Fund**
- LGIM 2049 Gilt Fund**
- LGIM 2055 Gilt Fund
- LGIM 2060 Gilt Fund**
- LGIM 2065 Gilt Fund**
- LGIM 2068 Gilt Fund
- LGIM 2071 Gilt Fund**
- LGIM 2027 Index-Linked Gilt Fund**
- LGIM 2030 Index-Linked Gilt Fund**
- LGIM 2037 Index-Linked Gilt Fund
- LGIM 2040 Index-Linked Gilt Fund**
- LGIM 2042 Index-Linked Gilt Fund**
- LGIM 2047 Index Linked Gilt Fund
- LGIM 2050 Index Linked Gilt Fund**
- LGIM 2058 Index-Linked Gilt Fund
- LGIM 2062 Index-Linked Gilt Fund**
- LGIM 2068 Index-Linked Gilt Fund**

*Funds removed from the investment strategy in December 2021.

**Funds added to the investment strategy in December 2021.

Although it did not occur in the 12 months covered by this Statement, please note that a review of the Scheme's underlying investment funds took place on 4 February 2022. The review considered the appropriateness of the investment strategy and the Scheme's investment structure. The following changes were agreed:

- Separate the DC Section from the DB Section's investment arrangements in order to create a separate investment strategy that is more appropriate for DC members.
- Invest DC Section members' assets in an investment strategy that will provide the opportunity for greater levels of growth and therefore target improved member outcomes. The current strategy is defensive in nature (since it invests in lower risk asset classes such as UK government bonds (gilts), which generally provide lower, but more reliable, rates of return). The new strategy will invest in a more appropriate fund that will provide more opportunities for investment growth for the DC Section members.
- Move DC Section members' assets into the L&G Future World Multi Asset Fund.

The above changes are likely to take place over 2022 and 2023 and the Trustees accordingly plan to update the SIP in the next year.

3 Investment performance

The presentation of the investment performance takes into account the statutory guidance issued by the Department for Work and Pensions ("DWP"). The Trustees have followed the statutory guidance in all areas. The Trustees note that the strategy in place is not one where the net return varies with age (such as a lifestyle strategy or TDF (target date fund)) so have not set out the age specific returns. The available investment returns for all funds over several periods of time to 31 December 2021 are shown in Appendix 4. Please note that historic performance data is not available for all funds, as explained further in Appendix 4.

Investment conditions

2021 was a challenging year for investment markets because of the uncertainty created by the COVID 19 pandemic. For context, when looking at the following figures it should be borne in mind that major stock markets rose by 20% over the same period.

The underlying investment funds

Over the year to 31 December 2021 the underlying investment funds saw returns of between:

- a rise in value of 24.6% or, put another way, a rise of £246.00 for every £1,000 invested for the LGIM Europe (ex UK) Equity Index Fund – GBP hedged; to
- a fall in value of 8.3%, or a fall of £83.00 for every £1,000 invested for the LGIM 2068 Gilt Fund.

The Trustees are satisfied that all of the underlying investment funds have performed in line with their objectives over the year.

More information

Investment returns for all funds over several periods of time to 31 December 2021 are shown in Appendix 4. Please note that historic performance data is not available for all funds, as explained further in Appendix 4.

4 Charges and transaction costs

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

4.1 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 28 underlying funds were in a range from 0.05% to 0.41% of the amount invested or, put another way, in a range from £0.52 to £4.08 per £1,000 invested.

Following a review of the charges, the Scheme's investment advisers, Hymans Robertson LLP, negotiated a new, lower flat fee for the Gilt Funds and Index-Linked Gilt Funds. From 1 October 2021 the flat fee for these funds is 0.03% p.a..

The table in Appendix 2 gives the charges for each of the 28 underlying investment funds.

The Scheme is not a qualifying scheme for auto-enrolment purposes and so does not have a default arrangement.

4.2 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 platform provider or 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 paid for by members and are deducted from a member's funds 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 Financial Conduct Authority ("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 time to time when buying or selling units in the provider's funds caused by the fund manager's unit price for a fund moving from a "bid" to "offer" basis (or vice versa).

4.3 Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's investment manager, Legal & General ("LGIM"), and AVC provider, Aegon.

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 DWP.

Full details of the annualised charges and transaction costs, for all funds, for the period covered by this statement can be found in Appendix 2.

4.4 The underlying investment funds

The transaction costs in the investment funds during the year to 31 December 2021 were in a range from -0.16% to 0.22% of the amount invested or, put another way, in a range from £-1.57 to £2.24 per £1,000 invested.

Some of the underlying investment funds have reported negative transaction costs (the only costs paid by members) in the 12 months covered by this Statement. Negative transaction costs arise where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission), resulting in a net gain for members.

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

4.5 Additional Voluntary Contributions ("AVCs")

The Scheme offers members a choice of funds for their AVCs.

During the year to 31 December 2021 the charges borne by members for the AVC funds were in a range from 0.61% to 1.08% (or £6.10 to £10.80 per £1,000 fund value).

The transaction costs borne by members in the AVC funds during the year to 31 December 2021 were in a range from 0.00% to 0.24% of the amount invested or, put another way, in a range from £0.00 to £2.40 per £1,000 invested.

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

4.6 **Money Purchase underpin**

The DC section of the Scheme was contracted out on a Guaranteed Minimum Pension ("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 3 members during the period covered by this Statement.

4.7 **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 increase* their projected pot value at retirement in today's money from £21,597 to £21,623 (that is, by £26).

For the youngest member with Defined Contribution benefits, 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 increase* their projected pot value at retirement in today's money from £8,450 to £8,476 (that is, by £26).

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 £8,224 to £8,205 (that is, by £19).

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 £24,359 to £24,341 (that is, by £18).

* A number of the underlying investment funds have experienced negative transaction costs. This means that the value of the projected pot is actually higher once transaction costs have been considered. Negative transaction costs occur where there are favourable stock market movements during a transaction that offset the rest of the trading costs (such as stockbroker commission).

Appendix 3 provides more detailed illustrations and 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 differ in the future to reflect changes in regulatory requirements or investment conditions;
- these illustrated values will be affected by future, and as yet unknown, changes to the Scheme's investment funds;
- these illustrated values are not guaranteed;
- these illustrated values may not prove to be a good indication of how your own savings might grow; and
- these illustrations comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting of costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

5 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 Scheme's investment options, which are borne in full or in part by members, represent good "Value for Members".

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 compared against similar schemes and available external benchmarks.

5.1 Approach

The Scheme's total assets (i.e. DB Section plus DC Section assets) are greater than £100 million, and so the Scheme is not subject to The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') which set out the requirements for a more detailed assessment for smaller schemes.

The Trustees adopted the following approach to assessing Value for Members for the last year:

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

5.2 Results for the year ending 31 December 2021

The Scheme provided **"Average"** Value for Members over the year ending 31 December 2021.

5.3 Rating criteria

The rating 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.

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%	Average	Charges were similar to those of comparable schemes (and were in any case paid for by the employer). The new negotiated fee for the gilt and index-linked gilt funds is low in comparison to similar schemes. 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 -0.16% p.a. to 0.22% p.a. Transaction costs were similar to those of comparable schemes. The current investment strategy is not suitable for DC members. The Trustees with the help of their investment adviser have reviewed the investment strategy and agreed to make changes to make sure that DC members are invested in a more suitable strategy that should provide improved outcomes for members. The underlying investment funds have performed in line with their respective objectives over the period. The Trustees have no concerns over the performance of the individual funds in the strategy. The Statement of Investment Principles was updated in June 2022 to reflect the changes to the Scheme’s assets allocation following the investment strategy review for the DB Section The Trustees have selected fund managers with a clear approach to integrating ESG considerations, including an engagement approach with the companies in which they invest seeking to reduce the exposure to ESG and climate change risks.
Administration 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.	
Governance 0%	Not rated as members do not bear or share in these costs.	

The Trustees have agreed an action plan to improve value where necessary, this is described in section 8 of this Statement.

6 Administration

The Trustees appointed the Scheme's administrator (Hymans Robertson LLP) with effect from 1 March 2019 to administer the Scheme on their behalf.

6.1 Core financial transactions

The Trustees have a specific duty to ensure that core financial transactions (including the transfer of member's 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 2021 these transactions were undertaken on the Trustees' behalf by the Scheme's administrator 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).

6.2 Service levels

The Scheme has a service level agreement ("SLA") in place with the Scheme's administrator which prescribes the level of service expected in relation to various administrative tasks, including:

- provision of retirement pack and quotation of benefits within 7 working days of member request;
- payments of benefits notified to the Trustees within 5 working days;
- provision of transfer value quotation within 15 working days of member request;
- payment of transfer value notified to the Trustees within 5 working days;
- provision of leaver option pack within 7 working days of member request;
- response to members enquiries within 7 working days; and
- provision of deferred benefit statements (for those members of the DC Section who also have a DB Section pension and who wish to learn the current value of their DB pension) upon request within 7 working days.

The Scheme's administrator aims to ensure that 95% of all these processes are complete within these service levels. The Scheme's administrator has on average achieved the SLA's described above over the scheme year.

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

- Maintaining compliance with ISO, the international standard for establishing, implementing, maintaining and continually improving an Information Security Management System ("ISMS");
- Maintaining accreditation with the Pensions Administration Standards Association ("PASA");
- 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 and reviewing quarterly reports from the Scheme's 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 Scheme's administrator has confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme year.

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 the previous Scheme administrator's service standards were competitive when compared with other administrators. As the current Scheme administrator was appointed in 2019, the Trustees plan to complete another review within the next few years.

6.3 Data quality

The Trustees receive reports from the Scheme's administrator confirming 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 such as 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 Section and DC Section members. Conditional data (which is data specifically related to an individual's membership of the Scheme, such as salary records and service history) was present for 82% of membership data across both DB Section and DC Section members.

Since conducting the data quality audit the Trustees instructed the Scheme's administrator in 2019 to:

- review and rectify data where possible;
- conduct a mini-tracing exercise with a professional tracing service to trace members with missing addresses; and
- review member files and investigate whether the required data is held/update member records accordingly.

At the 16 June 2021 Trustee meeting, the Trustees were informed that addresses had been successfully traced for 61 members as part of the ongoing tracing exercise. 35 member traces were ongoing and traces for the remaining 30 members required further investigation.

Over the next year the Trustees will continue to take actions to maintain and improve the quality of the Scheme's data, including commissioning another data audit.

6.4 Cyber security

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

The Trustees have confidence in the Scheme's administrator's robust systems and are content that their cyber security arrangements are effective and up-to-date.

The Scheme's administrator undertakes a number of checks to ensure its processes relating to the Scheme adhere to appropriate information security controls.

Independent external checks are carried out regularly and include:

- Annual reviews and tests of a large number of data security controls at each location;
- An independent annual internal controls assurance audit by a firm of Chartered Accountants. In addition to procedural operating controls, they report on information technology, covering access rights to systems and data; integrity and resilience of the Scheme's information processing environment; maintenance and development of systems hardware and software; and recovering from processing interruptions; and

- An external consultancy company carries out an updated range of penetration tests covering an array of cyber-threats designed to identify areas of vulnerability. The tests can include network security testing, remote access and remote worker security testing and application security testing.

Internal checks, carried out by the Scheme's administrator, include:

- Internal audits on the controls within the ISO 27001 Statement of Applicability (being an international standard for establishing, implementing, maintaining and continually improving an Information Security Management System);
- Periodic information security risk assessments on selected information assets against a range of possible vulnerability threats; and
- Managerial spot-checks to ensure compliance with information security policies.

The Trustees expect that the Scheme's administrator will report any security breach immediately and ensure that members are notified as soon as possible, if as a result of the breach there is a high risk of individuals' rights and freedoms being adversely affected.

6.5 Own Risk Assessment ("ORA")

Each year the Trustees carry out an assessment of the effectiveness of the controls which are in place to manage the risks faced by the Scheme. The Trustees have been kept up-to-date by their advisers on the future requirement to produce an Own Risk Assessment ("ORA") which is, broadly speaking, an assessment of how well governance systems are working within the Scheme and the way potential risks to the Scheme are managed. The Trustees will prepare their first ORA and comply with their new duties within the required timescales.

6.6 Overall

The Trustees are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls and operating in accordance with the SLA;
- core financial transactions were processed promptly and accurately;
- there have been no material administration errors in relation to processing core financial transactions;
- the wider administration of the Scheme achieved the agreed service standards;
- the Scheme's common data is accurate and up-to-date; and
- the Scheme's cyber security arrangements are effective.

6.7 COVID-19

The COVID 19 pandemic inevitably affected the Scheme's administration over the year to 31 December 2021, albeit to a lesser extent than in the prior year as business continuity plans were by then well established. 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 to the Trustees by the Scheme's administrator on this point. The Scheme's administrator implemented a set of comprehensive measures in 2020 to ensure continuity of service and maintained these over the year to 31 December 2021, such measures including:

- closing their offices and arranging for most staff to work from home during government enforced lockdowns;
- arranged for all incoming mail to be redirected to the Glasgow office to be processed by certain individuals who continued to attend the office to carry out business critical tasks;
- outsourced secure printing and posting of documents to members to a third-party printing supplier;
- encouraged members to communicate with the administration team using pensionsWEB (dedicated member website) where possible or by email; and
- prioritised critical processes (e.g. payroll and benefit payments) with the highest priority given to the processing and payment of death benefits.

Over the year to 31 December 2021 the situation has continued to develop, and the Trustees are pleased to report that the Scheme's administrator has been able to continue to fully support all their services. This has included paying pensions and setting up 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 the Scheme's administrator and are satisfied that the administrator has taken, and continues to take, all reasonable steps to continue to ensure that key financial transactions take place and services continue as normally as possible.

6.8 Bulk transfer of assets

During the year there was a large-scale transfer between funds affecting a number of members as a result of the following changes to the Scheme's investments:

- the Scheme's total equity holding was reduced from 10% to 7.5% by fully disinvesting from the LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged and LGIM World Emerging Markets Equity Index Fund, alongside a partial disinvestment from the LGIM Japan Equity Index Fund – GBP Currency hedged; and
- increasing the number of gilt and index-linked gilt funds held by the Scheme.

These changes were made following a review of the DB Section investment strategy which the DC Section mirrors. As mentioned earlier in the Statement, the Trustees have agreed to separate the two sections and invest members' assets within the DC Section in a more appropriate strategy.

The Trustees reviewed the way in which the transfer was to be conducted and received reports on the transaction costs incurred during the transfer.

The transition costs were £6k on a transfer of £237m (i.e. 0.003% of the funds moved). The Trustees are satisfied that this bulk transfer was conducted efficiently to mitigate the costs and risks for members as far as practicable.

6.9 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 28 investment funds invested over the year to 31 December 2021 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 ring-fenced from the rest of the Legal & General Group which means that, in the event of the insurer facing financial difficulties, the rest of the Legal & 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.

The changes made by the Trustees to the underlying investment funds in the last year did not materially affect the security of assets as the expanded range of funds are similar in structure to the previous range and therefore provide the same protections to members' assets.

7 Trustee knowledge

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 trust law as well as the funding of pension schemes and asset investment principles relating to pension schemes.

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

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

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 professional advisers, or via online training modules on the Pensions Regulator's Trustee toolkit. As noted above, Anna Simons, who joined as a Trustee towards the end of the year, was previously a trustee of another pension scheme. This means the Trustee board now has the benefit of her additional experience in relation to this scheme.

The Trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme include:

- 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 which is provided to ensure that the Trustees maintain a working knowledge of the Scheme's Trust Deed and Rules and the SIP as well as the funding/investment concepts and principles relevant to the Scheme, policy documents in relation to the administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- encouraging all Trustees to undertake further study and qualifications which support their work as Trustees;
- having a plan in place for ongoing training appropriate to their duties;
- receiving advice from professional advisers, and taking the relevant skills and experience of those advisers into account when evaluating adviser performance or selecting new advisers;
- inviting the Scheme's professional advisers to attend each Trustee meeting to advise on specific agenda items but also more generally on the issues being discussed;
- conducting regular assessments to confirm and identify any gaps in their knowledge and skills; and
- receiving 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.

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

Date	Topic	Aim/benefit	Trainer
16 June 2021	Pension Schemes Act 2021	To educate the Trustees on current and forthcoming legislative requirements and Code of Practice requirements. Benefiting members by ensuring that Trustees understand the evolving legislative landscape and how the Scheme fits into this.	Allen & Overy LLP / Hymans Robertson LLP
Various	Trustee toolkit training/training refreshers	To improve the Trustees' understanding of Trusteeship and pensions matters, benefiting members by ensuring that the Trustees understand best practice and effectively monitor the Scheme.	The Pensions Regulator

All the Trustees have access to copies of, and are familiar with, the current governing documentation for the Scheme, including the Trust Deed and Rules (together with any amendments) and SIP. The Trustees refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and, where relevant, in deciding individual member cases. 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 of the SIP was carried out in June 2022, when the document was last updated.

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 is 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.

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 the Scheme's advisers on an ongoing basis and also periodically review the appointment of the Scheme's advisers.

The Trustees undertook the following reviews during the last year:

Date	**Review of**
Ongoing	The practices to maintain and develop Trustee knowledge and understanding
Ongoing	The effectiveness of the training programme and training for the coming year
Ongoing	Assessments to identify any gaps in the Trustees' knowledge and skills. A questionnaire will be provided for the Trustees to complete on how comfortable they are with certain skills and whether further training is required.
Ongoing	Assessed the overall effectiveness of the Trustee Board. A questionnaire was sent to all members of the Trustee board on a range of topics including the make-up of the board, training and knowledge of the Trustees and the governance of the Scheme. The questionnaire is designed to help the Trustees focus on areas where they could improve their effectiveness.
Ongoing	Effectiveness of advisers
Ongoing	Appointment of advisers
Ongoing	Performance of investment manager. Following the changes to the investment strategy agreed in February 2022, the Trustees will, along with their DC investment advisor, monitor the performance of the new strategy on a regular basis.

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.

Taking into account the combined knowledge and experience of the Trustees, together with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers, the Trustees are satisfied that they have been able to properly exercise their duties as Trustees of the Scheme during the period covered by this Statement.

8 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):

- Reviewed the investment strategy of the DB Section of the Scheme, which the DC Section mirrors, and made a number of changes to the funds;
- Reviewed the suitability of the investment strategy for the DC Section and agreed to create a separate investment strategy that is more appropriate for DC members ;
- Continued to consider the current structure of the Scheme and kept this under ongoing review;
- Continue to receive training and regular updates from their professional advisers on pension matters to ensure the Scheme is run efficiently and effectively; and
- Considered the Government's initiative to help protect members against pension scams.

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

- Improve Value for Members by:
    - Implementing the agreed changes to the investment strategy to ensure the investment strategy is more appropriate for DC savers and communicate the changes to members;
    - Reviewing the impact on the security of members' assets as a result of these investment strategy changes;
    - Updating the Scheme's SIP to reflect the investment strategy changes; and
    - Completing a review of the Scheme's AVC arrangement with Aegon to ensure that the investment options/charges remain suitable.

9 Missing information

The Trustees are satisfied that they have obtained full information on charges and transaction costs.

The Trustees also note the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension schemes and the Trustees have relied heavily on the market knowledge of their advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.

The Trustees understand that these issues currently affect many pension schemes and pension providers. The amount of comparative information available should improve over the next few years.

Appendix 1- Statement of Investment Principles

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 20 June 2022, 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 reasonable risk-adjusted 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:

DocuSigned by:
Sheila Cork
3941C56E45DE464...

Sheila Cork

Trustee Name

28-Jul-2022 | 4:12:04 PM BST

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	**7.5%**
Developed Equities	7.5%
Matching Assets	**92.5%**
Gilts	69.0%
Index-Linked Gilts	23.5%

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
3.0	Asset allocation benchmark updated to reflect the Scheme's de-risking in December 2021 and equity fund consolidation in March 2022. The wording on the first Trustee objective (DB) has also been tweaked to reflect a 'favourable return' on passive index funds being misleading.	June 2022

Appendix 2

Table of funds and charges

The funds' charges (as "Total Expense Ratios" or "TERs", as described in paragraph 4.1 above) 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	0.18	1.80	0.02	0.20
LGIM North America Equity Index Fund – GBP Currency hedged	0.19	1.90	0.03	0.30
LGIM Europe (ex UK) Equity Index Fund – GBP Currency hedged	0.23	2.30	-0.02	-0.20
LGIM Japan Equity Index Fund – GBP Currency hedged	0.21	2.10	0.02	0.20
LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged	0.26	2.60	0.22	2.20
LGIM World Emerging Markets Equity Index Fund	0.41	4.10	0.02	0.20
LGIM 2027 Gilt Fund	0.10	1.00	0.05	0.50
LGIM 2034 Gilt Fund	0.08	0.80	-0.02	-0.20
LGIM 2038 Gilt Fund	0.09	0.90	-0.07	-0.70
LGIM 2042 Gilt Fund	0.07	0.70	-0.02	-0.20
LGIM 2046 Gilt Fund	0.05	0.50	0.15	1.50
LGIM 2047 Gilt Fund	0.11	1.10	-0.09	-0.90

LGIM 2049 Gilt Fund	0.07	0.70	-0.14	-1.40
LGIM 2055 Gilt Fund	0.05	0.50	-0.02	-0.20
LGIM 2060 Gilt Fund	0.08	0.80	-0.16	-1.60
LGIM 2065 Gilt Fund	0.11	1.10	-0.12	-1.20
LGIM 2068 Gilt Fund	0.06	0.60	0.17	1.70
LGIM 2071 Gilt Fund	0.11	1.10	-0.15	-1.50
LGIM 2027 Index-Linked Gilt Fund	0.11	1.10	0.00	0.00
LGIM 2030 Index-Linked Gilt Fund	0.09	0.90	0.05	0.50
LGIM 2037 Index-Linked Gilt Fund	0.06	0.60	0.08	0.80
LGIM 2040 Index-Linked Gilt Fund	0.11	1.10	-0.02	-0.20
LGIM 2042 Index-Linked Gilt Fund	0.11	1.10	-0.09	-0.90
LGIM 2047 Index-Linked Gilt Fund	0.07	0.70	0.04	0.40
LGIM 2050 Index-Linked Gilt Fund	0.10	1.00	0.00	0.00
LGIM 2058 Index-Linked Gilt Fund	0.08	0.80	-0.05	-0.50
LGIM 2062 Index-Linked Gilt Fund	0.11	1.10	0.17	1.70
LGIM 2068 Index-Linked Gilt Fund	0.11	1.10	0.22	2.20

Source: Legal & General

From 1 October 2021, the charge on all Gilt and Index-Linked Gilt Funds was reduced to a flat fee of 0.03% p.a.

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	1.01	10.10	0.02	0.20
Aegon European Fund	1.02	10.20	0.00	0.00
Scheme Number 26012				
Aegon High Equity WP Fund	1.00	10.00	0.10	1.00
Aegon Mixed	1.03	10.30	0.08	0.80
Aegon Pacific	1.08	10.80	0.19	1.90
Aegon Global Fund	1.02	10.20	0.16	1.60
Aegon American	1.01	10.10	0.02	0.20
Scheme Number 70613 [2]				
Aegon Mixed	0.63	6.30	0.08	0.80
Aegon UK Equity	0.61	6.10	0.03	0.30
Aegon International	0.62	6.20	0.24	2.40
Aegon American	0.61	6.10	0.02	0.20
Aegon European	0.62	6.20	0.00	0.00

Source: Aegon

[1] Plus 0.75% p.a. charge on contributions. This charge stops once members go beyond normal retirement age, which is 60. The sole remaining member of this Scheme invested in these Funds reached this on 12/06/2021.

[2] Includes 0.4% Fund Charge Rebate Paid Up Members

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. The following calculations assumes a fixed allocation to each fund and that the strategy will not change in the future. Please note that the 'After costs and charges are taken' figures in the final column below for these illustrations are actually higher in some cases than the 'Before costs and charges' figures. This is due to negative transaction costs (the only costs paid by members) in the 12 months covered by this Statement, where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission), resulting in a net gain for members

3a For the "average" member age 52 with normal retirement age of 60 invested across all 26 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
8	24,000	24,000
7	23,686	23,689
6	23,375	23,382
5	23,069	23,080
4	22,767	22,781
3	22,468	22,486
2	22,174	22,194
1	21,884	21,907
0	21,597	21,623

Source: Hymans Robertson LLP, Legal & General Investment Management

3b. For the youngest member aged 40 with normal retirement age of 60 invested across all 26 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
20	11,000	11,000
18	10,714	10,717
15	10,298	10,306
13	10,030	10,041
10	9,641	9,656
8	9,390	9,407
6	9,146	9,165
4	8,907	8,929
2	8,676	8,699
0	8,450	8,476

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 26 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
15	10,000	10,000
13	9,740	9,743
11	9,486	9,492
10	9,362	9,369
8	9,118	9,128
6	8,881	8,893
4	8,650	8,664
3	8,536	8,552
2	8,424	8,441
1	8,314	8,332
0	8,205	8,224

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 26 available funds

Years to retirement	Before costs and charges £	After costs and charges are taken £
5	26,000	26,000
4	25,659	25,663
3	25,323	25,331
2	24,991	25,003
1	24,664	24,679
0	24,341	24,359

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 2010;
- Illustration 3b: £11,000, which was the pot size at 31 December 2021 for the youngest member;
- Illustration 3c: £10,000, which was the average pot size at 31 December 2021 for members aged between 40 and 50; and
- Illustration 3d: £26,000, which was the average pot size at 31 December 2021 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 assumed 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 2027 Gilt Fund	1.0	-1.5
LGIM 2034 Gilt Fund	1.0	-1.5
LGIM 2038 Gilt Fund	1.0	-1.5
LGIM 2042 Gilt Fund	1.0	-1.5
LGIM 2046 Gilt Fund	1.0	-1.5
LGIM 2047 Gilt Fund	1.0	-1.5
LGIM 2049 Gilt Fund	1.0	-1.5
LGIM 2055 Gilt Fund	1.0	-1.5
LGIM 2060 Gilt Fund	1.0	-1.5
LGIM 2065 Gilt Fund	1.0	-1.5
LGIM 2068 Gilt Fund	1.0	-1.5

LGIM 2071 Gilt Fund	1.0	-1.5
LGIM 2027 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2030 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2037 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2040 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2042 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2047 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2050 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2058 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2062 Index-Linked Gilt Fund	0.0	-2.5
LGIM 2068 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;
- use assumptions that may 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 presentation of the investment performance takes into account the statutory guidance issued by the DWP. The Trustees have followed the statutory guidance in all areas. The Trustees note that the strategy in place is not one where the net return varies with age (such as a lifestyle strategy or TDF (target date fund)) so have not set out the age specific returns.

The investment performance for each of the funds during periods up to 31 December 2021 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	18.4	8.4	5.6
LGIM North America Equity Index Fund – GBP Currency hedged	26.4	23.9	16.4
LGIM Europe (ex UK) Equity Index Fund – GBP Currency hedged	24.6	17.7	11.2
LGIM Japan Equity Index Fund – GBP Currency hedged	12.8	13.1	8.2
LGIM Asia Pacific (ex Japan) Equity Index Fund – GBP Currency hedged	7.3	11.5	8.8
LGIM World Emerging Markets Equity Index Fund	4.3	10.4	8.6
LGIM 2027 Gilt Fund	-4.0	1.7	1.8
LGIM 2034 Gilt Fund	-6.0	3.3	2.9
LGIM 2038 Gilt Fund	-6.4	4.1	3.4
LGIM 2042 Gilt Fund	-6.6	4.8	3.7
LGIM 2046 Gilt Fund	-7.1	5.3	4.0

LGIM 2047 Gilt Fund	-8.2	6.4	N/A
LGIM 2049 Gilt Fund	-7.2	5.8	4.1
LGIM 2055 Gilt Fund	-7.7	-6.4	4.3
LGIM 2060 Gilt Fund	-7.6	7.3	4.8
LGIM 2065 Gilt Fund	-8.2	N/A	N/A
LGIM 2068 Gilt Fund	-8.3	9.2	5.8
LGIM 2071 Gilt Fund	-9.9	N/A	N/A
LGIM 2027 Index-Linked Gilt Fund	5.0	3.4	3.0
LGIM 2030 Index-Linked Gilt Fund	3.6	3.8	3.2
LGIM 2037 Index-Linked Gilt Fund	3.2	6.3	4.9
LGIM 2040 Index-Linked Gilt Fund	3.4	7.0	5.0
LGIM 2042 Index-Linked Gilt Fund	3.8	7.5	5.2
LGIM 2047 Index-Linked Gilt Fund	3.6	8.7	5.7
LGIM 2050 Index-Linked Gilt Fund	4.0	9.2	5.9
LGIM 2058 Index-Linked Gilt Fund	5.0	11.2	6.0
LGIM 2062 Index-Linked Gilt Fund	4.9	11.4	5.9
LGIM 2068 Index-Linked Gilt Fund	5.4	13.9	6.9

Source: LGIM.

Where performance is marked as N/A this means longer term performance is not available due to the inception date of the fund in question.

Additional Voluntary Contributions ("AVCs")

Fund	1 year	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
Aegon Long Gilt Fund	-7.9	4.8	3.0	4.8
Aegon European Fund	17.6	17.1	10.0	10.9
Aegon High Equity With Profits Fund*	12.4	8.1	6.4	7.6
Aegon Mixed	10.5	14.0	8.5	8.6
Aegon Pacific	-0.7	13.8	11.5	10.4
Aegon Global Fund	17.9	23.0	14.2	12.4
Aegon North American	28.2	22.6	14.7	15.7
Aegon Mixed	10.5	14.0	8.5	8.6
Aegon UK Equity	16.2	10.3	5.2	7.3
Aegon International	17.1	26.1	17.3	14.8

Source: Aegon

*The Aegon High Equity With Profits Fund offers a guarantee that the unit price will not fall if held to maturity. The investment returns shown above for this fund represent the investment return net of annual management charges but does not incorporate the charges for guarantees (this charge was 0% from 2018 to 2020, the most recent data available at this time). Actual with-profits payouts also incorporate the effects of smoothing of investment returns and will therefore not necessarily reflect the returns shown.