

Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme (the “Scheme”) - Implementation Statement for the year ending 31 December 2024

Welcome to the Trustees’ statement of how they implemented the policies and practices in the Scheme’s Statement of Investment Principles (SIP) during the year ending 31 December 2024.

Introduction

This is the Trustees’ Implementation Statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustees have complied with the policies and practices in the Scheme’s SIP during the period from 1 January 2024 to 31 December 2024.

Why do the Scheme’s investments matter to me?

The Scheme provides you with benefits on a defined benefit (“DB”) and/or a defined contribution (“DC”) basis (sometimes called money purchase benefits). Benefits which are DB in nature are based on the service you have completed in the past but take account of expected future salary increases. Contributions from the employer are invested in such a way as to meet your DB benefits as they fall due. Benefits which are DC in nature will be determined by how much the funds where your savings are invested grow over the years.

What is the Statement of Investment Principles (‘SIP’)?

The SIP sets out the investment principles and practices the Trustees follow when governing the Scheme’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustees’ approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme’s SIP that was in place over the year to 31 December 2024. In order to reflect new regulatory requirements, the SIP was reviewed and signed by the Chair on 2 October 2024. The next review of the SIP will take place no later than October 2027, or sooner if there are changes to the investment strategy.

You can find a copy of the Scheme’s SIP at:

[Statement-of-investment-principles-\(SMBCE-October-2024\).pdf \(smbcgroup.com\)](#)

Changes to the SIP over the year to 31 December 2024

The SIP was updated in September 2024 to allow for the new DC investment strategy that was implemented in March 2024. The strategy was amended so that all members hold a single allocation to the L&G Future World Multi-Asset Fund. In addition, the SIP was amended to introduce wording on the Trustees’ policy for investing in illiquid assets, which was a new regulatory requirement.

Further details on the changes can be found in the SIP itself and the Scheme’s annual Chair’s Statement.

What is the Implementation Statement for?

Each year from 2020, the Trustees are required to prepare an Implementation Statement which sets out how they have complied with the Scheme’s SIP during the last Scheme year. This report covers the SIP that was signed on 2 October 2024 (as per the link above).

Overall, the Trustees are satisfied that:

- Throughout the last Scheme year, the Scheme's investments have broadly been managed in accordance with the SIP at that time; and
- The provisions in the current SIP remain suitable for the Scheme's members.

How the strategic aims of the SIP have been met over the year covered by this statement

DC section

The SIP defines the following objectives for the DC section of the Scheme:

- 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.

The DC strategy was changed in March 2024 to be fully invested in the L&G Future World Multi-Asset Fund. The Trustees believe this strategy will provide improved value and outcomes for members compared to the previous strategy and provides an acceptable level of investment risk. The strategy is also simple, low cost, and easy to implement. The Trustees therefore believe they have met the first and third objectives outlined above.

However, the Trustees acknowledge that the current arrangement only permits members to invest in one single fund and does not give members the option choose their own investments – therefore the second objective is not currently being met by the Scheme. The Trustees are currently considering different vehicles for the DC Scheme (such as moving to a master trust) and began this process in November 2024 when they received initial advice from their adviser on how the Scheme could be consolidated. Moving to an alternative arrangement (such as a master trust) would provide members with a greater choice of funds and allow members the flexibility to choose their own investments.

How the Scheme's investments are governed

The Trustees have overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There have been no changes to the governance processes during the last year.

The Trustees have delegated day-to-day investment decisions, such as which investments to buy and sell, to the their investment manager, currently Legal and General Investment Management ("LGIM").

The Trustees undertook the following during the last year to ensure that their knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
May 2024	General Code of Practice	Summary of the changes from the draft Code & actions Trustees should consider in their Business Plans.	Hymans Robertson

May 2024	Illiquid assets	Introduction to illiquid assets/private markets for DC schemes.	Hymans Robertson
December 2024	Pensions policy update	Pension policy latest developments, latest developments and direction of travel.	Hymans Robertson

The Trustees hold their investment advisers to account by monitoring how well they meet the objectives agreed with them. These are intended to help the Trustees meet their SIP objectives by aligning the objectives with the requirements of the SIP, including minimising risks, considering responsible investment and providing appropriate advice, monitoring and training.

The Trustees are satisfied that during the last Scheme year:

- **The Scheme's governance structure was appropriate; and**
- **The Trustees have maintained their understanding of investment matters;**

The Trustees have liaised with their investment adviser in relation to their objectives and reviewed their investment adviser against their agreed objectives in early 2024.

How the investment strategy is managed and how managers are held to account

The objectives and rationale for the investment strategy is set out in the Scheme's current SIP on page 1.

The Trustees reviewed the investment strategy for the DC members and, after taking investment advice, agreed to move assets into a single multi-asset fund (the L&G Future World Multi-Asset Fund) that better reflects the risk and return requirements of the Scheme's membership. This change was completed in March 2024. The Trustees receive a biannual investment monitoring report from their advisors to ensure that the DC strategy is meeting its objectives and the Trustees will challenge LGIM as and when performance issues arise.

The Trustees have reviewed certain segments of the investment strategy and structure over the last year. This included the matching portfolio (gilts and index-linked gilts) and the inclusion of corporate bonds.

The Trustees amended the Scheme's Liability Driven Investment ("LDI") funds to better match the Scheme's liabilities during the Scheme year.

Over the last Scheme year, the Trustees monitored fund performance relative to LGIM's respective benchmarks and targets on a quarterly basis.

How investments are chosen

The Trustees' approach to the selection of new investments is set out in the SIP on pages 2-4.

The Trustees review the performance of LGIM, its mandate and the underlying pooled investment funds (which are all passively managed) on a regular basis against a series of metrics, including, but not limited to, financial performance against the benchmark and objectives of the mandate and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

For any future manager appointments, the Trustees will continue to consider the policies set out in the SIP, especially around the remuneration of managers.

The expected risks and returns in the Scheme

The investment risks and returns relating to the Scheme are described in the SIP on pages 3 and 4.

The Trustees believe that the main investment risks the Scheme faces as described in the SIP have not changed materially over the last year.

The Trustees are satisfied that through a diversified portfolio, systemic risk can be mitigated, and accept that it is not possible to make specific provision for all possible eventualities which arise under this heading.

The Trustees' views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) and the style of management adopted by the Scheme.

When determining the long-term mix of investments for the Scheme, the Trustees monitored and managed risks as described in the SIP.

Ability to invest / disinvest promptly ('liquidity')

It is important that member benefits can be received promptly, and that the Scheme's investments can be realised quickly if required.

No issues of liquidity were reported over the last Scheme year.

Portfolio turnover within funds

The Trustees monitor the volume of buying and selling of the assets underlying each pooled investment fund by the fund managers. Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustees.

The Trustees are satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives.

Manager incentives

As described on page 2 of the SIP, the Trustees seek to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The Trustees last reviewed the fees paid to its managers in 2023.

Additional Voluntary Contributions (AVCs)

The Trustees offer members the opportunity to pay additional contributions and invest in a range of vehicles at the members' discretion. The Trustees holds these assets separately from the Scheme to secure benefits on a money purchase basis for those DB members electing to pay AVCs.

The Trustees periodically monitor the investment suitability of the underlying AVC fund range.

The Trustees have thought about the policies specified in the SIP and have applied them in a proportionate manner to the Scheme's AVCs. Therefore, the reporting summarised elsewhere in the Implementation Statement also broadly holds true for the Scheme's AVC investments.

AVC section - Aegon

The funds with voting rights attached that are available to members with AVC policies are listed below. Aegon have not as of yet provided the Trustees with voting statistics for the AVCs. The Trustees, along with their investment advisers, are working with Aegon to obtain the information for next year's statement.

- Aegon European Fund
- Aegon High Equity With Profits Fund
- Aegon Mixed
- Aegon Pacific
- Aegon Global Fund
- Aegon North American
- Aegon UK Equity
- Aegon International

There is one fund (Aegon Long Gilt Fund) within the AVC fund range that does not have voting rights.

Conflicts of interest

As described on page 6 of the SIP, the Trustees consider potential conflicts of interest.

Over the last Scheme year, the Trustees considered any conflicts of interest arising in the management of the Scheme and its investments and have ensured that the appropriate conflicts of interest policies are in place.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager, LGIM. The Trustees believe it is important that LGIM takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focused on their dialogue with LGIM which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with LGIM to consider their exercise of stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

DB section

There are no voting rights attached to the assets held by the DB section of the Scheme (i.e. gilts corporate bonds and cash-like money market instruments).

The LGIM Future World Corporate Bond Fund however produces a report on ESG which includes the Fund's engagement over the 12 month period to 31 December 2024. The table below shows the top 5 engagement topics:

Topic Engaged on	Number of times topic was engaged
Climate Impact Pledge	114
Corporate Strategy	74
Climate Change	56
Remuneration	46
Capital Management	39

As shown, LGIM frequently engaged on climate related issues.

DC section

The Scheme's fund managers have reported on how votes were cast over the past year as set out below.

LGIM Future World Multi-Asset Fund	
Proportion of Scheme's assets	100%
No. of meetings eligible to vote at during the year	9,547
No. of resolutions eligible to vote on during the year	96,171
% of resolutions voted	99.8%
% of resolutions voted with management	76.7%
% of resolutions voted against management	22.6%
% of resolutions abstained	0.7%
% of meetings with at least one vote against management	71.7%

Engagement activity

The Trustees hold meetings with LGIM on a regular basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustees have met with LGIM twice.

Summary of manager engagement activity

LGIM also produces a report on their wider stewardship activity over the year detailing their engagement activity across their entire range of funds. The following table summarises the key engagement activity for the 12-month period ending 31 December 2024.

Topic Engaged on	Number of times topic was engaged
Climate Change (and mitigation)	3,209
Human Rights	397
Remuneration	163
Strategy	103
Deforestation	96

The table shows LGIM frequently engaged on climate related issues as well as topics surrounding human right and remuneration. The main methods of engagement were emails/letters and company meetings.

Use of a proxy adviser

Over the Scheme year, LGIM have made use of the services of Institutional Shareholder Services (ISS), a proxy voting advisor. LGIM use ISS's 'Proxy Exchange' platform in conjunction with their own in-house custom voting policy.

Review of policies

The Trustees have committed to reviewing LGIM's responsible investing policies on a regular basis. This review was undertaken by the Trustees on June 2022. The review considered LGIM's broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustees also considered changes to LGIM's voting policies.

The Trustees and their advisors remain satisfied that the responsible investment policies of LGIM and, where appropriate, the voting policies, remain suitable for the Scheme.

Limitations and missing information

The Trustees have been unable to obtain full information on voting data and engagement activity for the Scheme's AVC investments. The Trustees and their investment adviser will work with the AVC manager (and voting service agencies) to compile this information in readiness for next year's Implementation Statement.