

Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme (the “Scheme”) - Implementation Statement for the year ending 31 December 2023

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 2023.

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 2023 to 31 December 2023.

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 2023. In order to reflect new regulatory requirements, the SIP was reviewed and signed by the Chair post the end of the Scheme year on 9 January 2024. The main changes to the SIP were as follows:

- Asset allocation benchmark updated to reflect the changes to the investment strategy implemented in December 2023.

Apart from the inclusion new investment strategy, the Scheme’s SIP between 14 July 2022 and 9 January 2024 was fundamentally the same as the SIP signed on 9 January 2024 from an investment policy, objective and risk management perspective. The next review of the SIP will take place no later than January 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-\(SMBCE-December-2023\).pdf \(smbcgroup.com\)](#)

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 9 January 2024.

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 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
17 May 2023	Investment Strategy Evolution	To consider investment risks and probability of achieving the Scheme's long term objectives by developing and adopting an 'endgame' portfolio.	Hymans Robertson
11 December 2023	Diversity, equity and inclusion	Diversity, equity and inclusion	Allen & Overy

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 2023.

How the investment strategy is managed

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

At the end of 2023 DC members had units allocated in each of the underlying pooled funds, in proportion to the strategic asset allocation. The Trustees reviewed the investment strategy for the DC members and agreed to move assets into a single multi-asset fund that better reflects the risk and return requirements of the Scheme's membership. This change was completed in 2024.

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

The Trustees reviewed the DB strategy in the 2023/24 Scheme year. Following this strategy review, the Trustees added an ESG tilted corporate bond fund (disinvesting entirely from the Scheme's UK and Global Equity funds) and amended the Scheme's Liability Driven Investment ("LDI") funds to better match the Scheme's liabilities.

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 Mixed
- 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

The Trustees seek to ensure that LGIM is exercising voting rights and, where appropriate, will monitor voting patterns. The Trustees also monitor LGIM's voting on particular companies or issues that affect more than one company.

The Trustees had investments in equity assets for the majority of the Scheme year, the equity assets were totally disinvested from on LGIM's 14 December 2023 dealing dates. LGIM has reported on how votes were cast in each of these mandates as set out in the table below (please note the figures in the table are to 31 December 2023). There are no voting rights attached to the other assets held by the Scheme (i.e. gilts corporate bonds and cash-like money market instruments).

LGIM Index Fund	UK Equity	Future World Global Equity
Proportion of Scheme assets at 14 December 2023	2.7%	2.9%
No. of meetings eligible to vote at during the year	680	5,080
No. of resolutions eligible to vote on during the year	10,517	52,639
% of resolutions voted	99.8%	99.9%
% of resolutions voted with management	94.2%	80.3%
% of resolutions voted against management	5.8%	19.3%
% of resolutions abstained	0.0%	0.4%
% of meetings with at least one vote against management	42.0%	63.7%

Significant votes

The Trustees have asked LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Trustees. LGIM were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement they had undertaken with the company and the outcome of the vote. From LGIM's reports, the Trustees have identified the following votes as being of greater relevance to the Scheme:

Date	Fund	Company	Subject	Manager's vote and rationale	Outcome
27/4/2023	UK Equity	BP plc	Re-elect Helge Lund as Director	Voted Against – against the management recommendation	Governance: A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM.
23/5/2023	UK Equity	Shell plc	Approve the Shell Energy Transition Progress	Voted Against – against the management recommendation	Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets.
20/7/2023	UK Equity	SSE Plc	Approve Net Zero Transition Report	Voted for	Climate change: A vote FOR is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris

					goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
24/5/2023	Future World Global Equity	Amazon.com, Inc.	Report on Median and Adjusted Gender/Racial Pay Gaps	Voted for – against the management recommendation	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. company, economy and society.
31/5/2023	Future World Global Equity	Meta Platforms, Inc.	Elect Director Mark Zuckerberg	Withheld - against management recommendation	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. We expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an

					unequal capital structure. WITHHOLD votes are further warranted for Mark Zuckerberg, the owner of the supervoting shares.
10/10/2023	Future World Global Equity	Procter & Gamble Company	Elect Director Patricia A. Woertz	Voted Against	Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.

LGIM voted against management across a wide range of topics including remuneration, environment and governance. They take an active role when engaging with companies to better understand the reasons behind a resolution and vote against the majority if they believe a better outcome can be achieved.

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 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 2023.

Topic Engaged on	Number of times topic was engaged
Climate Impact Pledge	1,557
Remuneration	238
Diversity	202
Climate Change	174
Deforestation	162

The above are the top five topics LGIM engaged with companies on over 2023 with LGIM frequently engaging on climate related issues as well as topics surrounding remuneration and diversity. The main methods of engagement were management meetings, shareholder calls and AGMs.

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.