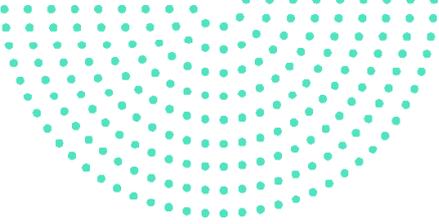




Smart Pension Master Trust Responsible Investment Policy

September 2019

The Trustee of the Smart Pension Master Trust's views on Responsible Investment are contained in the Statement of Investment Principles on pages 13 to 16. They are repeated here for convenience.



Financially material considerations

Given the Trust uses pooled funds, the Trustee has delegated day to day investment decisions including the management of financially material considerations to the fund managers.

The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Master Trust's investment options. The Trustee has developed a policy on Environmental, Social and Governance issues which they actively take into account in terms of the monitoring and selection of investment managers. The Trustee expects that the fund managers will have our members' financial interests as their first priority when choosing investments.

Time horizon

The Master Trust is potentially open to new members from age 16.

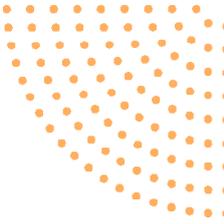
As a result, given the likelihood of increases in retirement ages in the future, investment risks need to be considered over a multi-decade time horizon exceeding 50 years.

Responsible Investment Policy

Guiding Principles

The Trustee strongly believes that the interests of its members are best served if its investment strategy is implemented in a sustainable and responsible manner, carefully taking account of ESG issues in investment decisions. Therefore, its approach is to:

- ensure effective and integrated management of ESG risks, to support the Trustee's desire to protect and enhance the value of its member assets over the long term; and
- explore how to engage with its members to understand any specific ESG issues that they want to see reflected in the investment strategy.

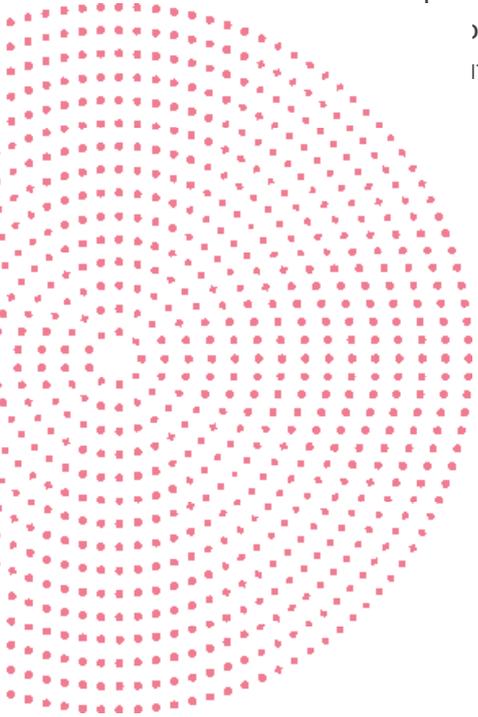


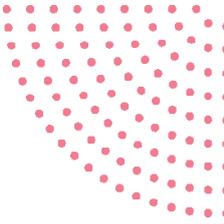
Over time, the Trustee aspires to develop its portfolio in order to be able to:

- identify and capture some existing investment opportunities offering solutions to environmental and social challenges (for example, healthcare solutions for ageing populations; renewable technologies to address climate change; technologies to improve the use of water, gender equality in employment), provided they are aligned with the Fund's objectives and strategy;
- actively explore innovative investments that seek to respond to global challenges affecting the current and future health and well-being of its members and invest in these where they are compatible with the Fund's objectives and strategy.

Responsible investment Beliefs

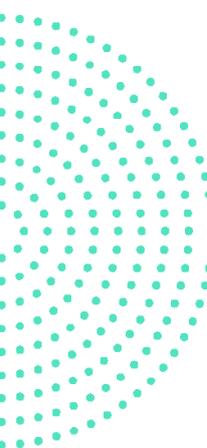
The Trustee's responsible investment beliefs are summarised below:

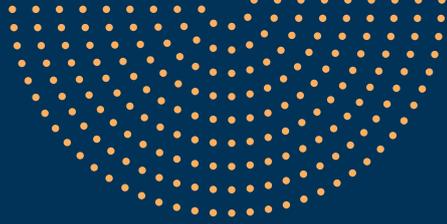
- Responsible investment is a discipline that is continuously evolving. Being open to new approaches and standards is critical to maximizing what can be achieved. Remaining informed of appropriate investable innovations that address challenges (such as climate change) supports the delivery of tangible impact.
 - ESG risks pose a real and material threat to members retirement outcomes. Generating an appropriate and sustainable financial return for members while also addressing global challenges helps to mitigate these risks.
 - Responsible investment factors influence long-term performance which presents opportunities and risks. Each stage of the investment decision making process needs to consider ESG risks (investment strategy, investment selection, reporting etc). Being active owners of investments over the long term is critical for responsible stewardship of assets.
 - Illiquid investments (which may or may not yield a direct social impact) may provide investment opportunities. There is an opportunity to enhance return through capture of the illiquidity premium while yielding measurable impact contributions that address global challenges.
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Implementation

The Trust uses standard pooled funds offered by investment platform providers and fund managers. This gives access to a range of funds while keeping down costs to members, but means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Trust. The Trustee nevertheless seeks to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
 - For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
 - For passively managed funds, the Trustee recognises that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustee believes will deliver appropriate risk adjusted returns];
 - Utilise a robust and credible approach to evaluating companies' performance on environmental, social and governance issues, both in terms of management of ESG risk and identification of opportunities arising from future SI trends;
 - In particular, take account of climate-related risks and opportunities in investment strategy;
 - Engage with the companies in their portfolio in order to reduce the negative environmental and social impact of their activities and enhance the positive; and
 - Actively look to exclude investments in companies that:
 1. are involved in the manufacturing of controversial weapons (chemical weapons, biological weapons, nuclear weapons, anti-personnel mines and cluster munitions)
 2. derive the majority of their revenues from coal mining
 3. violate the UN Global Compact standards on human rights, labour, the environment and corruption for three years or longer.
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Non-financial factors

The Trustee recognises that a number of members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

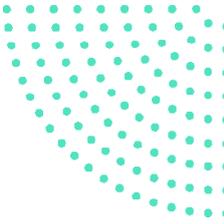
The Trustee notes that a large majority of members have not made active investment choices and so the Trustee believes that most members are unlikely to have strong views on where their savings are invested.

The Trustee continues to seek opportunities to actively engage with members to understand the issues that are of particular interest and concern. Among other things, this helps to inform the responsible investment policy and its effect on the investment strategy. The Trustee requires an annual report from relevant staff providing details of issues raised, whether or not they have been taken into account, and where appropriate modifications to the investment strategy can be made. In addition, over time the Trustee seeks to engage with members by reporting on the impact of the portfolio.

The Trust offers a choice of ethical, environmental and faith-based funds for members who are likely to hold stronger views in these areas than the majority of members.

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.



Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

Members' financial interests

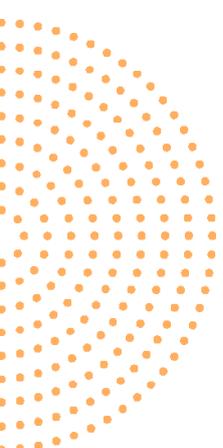
The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

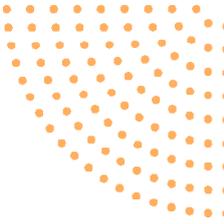
Voting and engagement

The Trustee believes that engagement with the companies in which the Trust invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Trust's investments.

We recognise that the Trust's assets are currently invested through pooled funds which are managed by external fund managers. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee expects the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance practices on request.





Monitoring

This is administered and monitored:

- Obtaining and periodically reviewing a copy of the fund manager's sustainable investment policies, which outline how SI factors are integrated into their investment process;
- Ensuring that fund managers are signatories of the UN Principles for Responsible Investment and the UK Stewardship Code;
- Certifying that fund managers engagement strategy is aligned with the Red Line Voting Initiative;
- Requiring investment managers report periodically on voting approach, history and any potential conflicts (in line with the UK Stewardship Code), ensuring managers are voting thoughtfully;
- Confirming that fund managers have a publicly documented voting policy;
- Working with fund managers to explore ways of reporting on SI issues, including metrics for assessment of climate-related risks and opportunities and for disclosure of greenhouse gas emissions; and
- The Trustee are willing to collaborate with investors and undertake engagement activities to improve the chances of achieving positive change in members' best interest.

The Trustee aims to meet with all fund managers on a periodic basis. The Trustee will provide the fund managers with an agenda for discussion, including as appropriate issues relating to performance, strategy, risks, individual holdings and ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.



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