



Smart Pension Master Trust Statement of Investment Principles

December 2021

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Introduction

This is the Statement of Investment Principles prepared by the Trustee of the Smart Pension Master Trust (the Trust / “Master Trust”). It replaces the statement dated September 2019. This statement sets down the principles which govern the decisions about investments that enable the Trust to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

In preparing this statement the Trustee has obtained advice from Hymans Robertson LLP, the Trustee’s investment consultants. Hymans Robertson is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

The Trust has been set up to service multiple employers. The Trustee has consulted with the nominated person, Smart Pension Limited, in the preparation of this statement and has complied with the employer consultation requirement. This body has been nominated by all employers to act as their representative in this regard.

The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement or the demographic profile of members.

The Trustee is solely responsible for the investment of the assets of the Master Trust, including decisions regarding the design and selection of the default strategy. The investment powers of the Trustee are set out in Rule 3 of the Trust Deed, dated 14 August 2019 (as amended from time to time). This statement is consistent with those powers. To assist in its decision making about investment, the Trustee has established an Investment Sub-Committee with the objectives of:

- implementing and overseeing the Trustee’s investment strategy within any guidelines set by the Trustee and the powers delegated to the sub-committee
- monitor compliance with the Statement of Investment Principles and recommend any changes to it by the Trustee.

The Investment Sub-Committee meets on a monthly basis and reports to the Trustee Board at least at each quarterly Trustee meeting, and at other times as necessary.

For the majority of employers offering their pension arrangement through the Master Trust, employers delegate all the fiduciary and governance responsibilities to the Master Trust Trustee e.g. design/selection of the default arrangement and other investment funds.

Therefore, members are offered a default fund and a range of self-select funds as selected by the Trustee and this does not differ between employers.

In some instances, employers wish to retain control over the investment strategy and receive their own advice. More details are provided in Section 1.3 Other default arrangements.

Statements of Investment Principles

To simplify this Statement of Investment Principles, the Statement is split into three sections covering different aspects of investments.

The Trustee's Statements of Investment Principles for the Trust contained in this document include the:

1. Statement of the aims and objectives for the default arrangement
2. Statement of the aims and objectives for investment options outside the default arrangement
3. Statement of investment beliefs, risks and policies

The Statement of Investment Principles for the Trust comprises items 1, 2 and 3.

The Statement of Investment Principles for the Scheme's default arrangement comprises items 1 and 3.

Appendices

- A. Investment implementation for the default arrangements
- B. Investment implementation for the investment options outside the default arrangement

This statement was agreed by the Trustee and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, and the Trust auditor upon request and members of the Trust.

The Trustee will publish an Implementation Statement each year from 1 October 2020 describing how these statements have been followed in the last year. This will be included within the Trustee's Report and Accounts.

Approved by the Trustee of Smart Pension Master Trust

December 2021

1. Statement of the aims and objectives for the default arrangement

The Trustee's policy is to offer a suitable investment arrangement having regard to the characteristics of the Trust's membership. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

1.1 Reasons for the Default Arrangement

The Trustee is responsible for the design of the governed default investment options. The Trustee has decided that the Trust should have a default investment arrangement because:

- The Trust is a qualifying scheme for auto-enrolment purposes and so must have a default arrangement; and
- The Trustee is aware that many members of the Trust will either not wish to choose how their contributions are invested or do not have the confidence to make such investment decisions. Therefore, the availability of suitable default investment options for the Trust's members is key to the Trustee's investment approach.

1.2 The main default for new members

Choosing the main default arrangement

The Trustee believes that the lifestyle arrangement set out below in Section 3 represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Demographic profile;
- Likely benefit choices at retirement;
- The level of income in retirement that members are likely to need;
- Members' likely benefit choices at and into retirement;
- Investment risks;
- Expected return on investments;
- Realisation of investments; and
- Socially responsible investment, corporate governance and voting rights.

Objectives for the default arrangement

The Trustee has discussed key investment objectives for the Trust as well as the constraints the Trustee faces in achieving these objectives.

The Trustee's main investment aims, and objectives are:

- to provide a suitably governed default investment option that is likely to be suitable for a typical member who is expected to utilise drawdown at retirement;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

The main default arrangement

The Trust focuses on pension provision to small to medium sized employers ("SMEs") and their employees. The expectation is that the majority of these members will partially access their retirement savings by taking a cash lump sum via pension freedoms and then use the balance for a mixture of income and protection in retirement. This expectation is reflected in the design of the Trust's retirement solution, Smart Retire and the approach for the default glidepath which transfers members' assets seamlessly into that solution.

In light of this consideration, the Trustee has adopted a default investment strategy that seeks to obtain a long-term, inflation-protected return through investment in passively managed equities, fixed-income and alternative assets funds whilst the member is considered in the growth accumulation phase of their saving journey. As they approach retirement, members begin to de-risk from equity holdings and diversify into lower risk assets including government bonds and other fixed income products reflecting the underlying investment approach used to support Smart Retire. This de-risking journey begins 8 years prior to retirement (at 57 for a SRA of 65).

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Given the Trust's focus on SMEs and the expectations about members intentions at retirement, the Trustee considers that their investment beliefs and policies (set out in full in Section 3 below) and their aims and objectives for the default arrangements are intended to ensure that the assets are invested in the best interest of the members.

Full details of the main default arrangement are given in the document "Investment implementation for the default arrangement".

1.3 Other default arrangements

In some cases, an employer may decide to offer its pension arrangement through the Master Trust. For example, if your employer is actively involved in their pensions arrangement they may wish to take their own investment advice and retain the responsibility of setting a suitable investment strategy for their members, and reviewing this at least every three years.

The Master Trust Trustee retains ongoing responsibility to govern such arrangements in line with their fiduciary duty. As part of this, the Master Trust Trustee may be asked to approve changes to the investment strategy as proposed by the employer.

Full details of other default arrangements are given in the document “Investment implementation for the default arrangement”.

2. Statement of the aims and objectives for investment options outside the default arrangement

For Trust members that wish to make their own investment arrangements, a range of pooled “self-select” funds have been made available. The Trustee obtained and considered professional advice from its investment consultants in the selection of these funds.

2.1 Reasons for the investment options

In addition to the default arrangement, the Trust offers members a choice of investment options because members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible for a single default investment option to be suitable for all.

2.2 Choosing the investment options

Membership analysis

The Trustee believes that understanding the Trust’s membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- Likely benefit choices at retirement
- The level of income in retirement that members are likely to need
- Members’ likely benefit choices at and into retirement
- Investment risks
- Expected return on investments
- Realisation of investments

- The number of members who are likely to want responsible, ethical or faith-based investment
- The output from industry and other relevant surveys. For example, surveys on member choice generally suggest that:
 1. Too little choice is viewed negatively by members
 2. Too much choice can prove confusing and deter members from making decisions
 3. Some members will not regularly review their choices.

Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

2.3 Objectives for the alternative investment options

For members who wish to make their own investment asset allocation decisions, it is possible to personalise their investment arrangements in a number of ways. Members can choose to take higher or lower risk than the main default by selecting 'Smart Growth Speculative' or 'Smart Growth Cautious'.

The main objective of the alternative lifestyle options is to give good member outcomes. The alternative options are also based on different levels of risk, thereby catering for members' differing risk appetites.

The Trustee believes that it is in the best interests of members in the alternative lifestyle options to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives.

Self-select funds

The objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing their investments
- Provide a broader choice of levels of investment risk and return
- Provide a broader choice of investment approaches including responsible investing, ethical and faith-based funds
- Help members more closely tailor their investments to their individual needs

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current investment options available outside of the default arrangement are given in the document "Investment implementation for the investment options outside the default arrangement". This is included as Appendix B.

3. Statement of investment beliefs, risks and policies

This Statement sets out the investment beliefs and policies which guide the Trustee's decision making.

3.1 Kinds of investments to be held

The Trust is able to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

For Trust members that wish to make their own investment arrangements, a range of pooled "self-select" funds have been made available. The Trustee obtained and considered professional advice from its investment consultants in the selection of these funds. A due diligence exercise as part of this selection process ensures that the assets are invested with sufficient security and liquidity and that each of the funds is of the appropriate quality and calibre to ensure the quality and profitability of the assets.

3.2 The balance between different kinds of investment

The Trustee has made available different sections of the Trust to suit the varying requirements of the Trust's members and employers.

For Trust members, this includes offering a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term, inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to "protection" assets over the years preceding the member's target retirement date so as to protect the retirement savings of the member relative to the way in which they are expected to access these savings.

Alternatively, it may be possible for Trust members to choose to invest in one or more of the funds used to construct the above lifestyle arrangement if they wish to make their own investment asset allocation decisions.

Where members do not choose where their contributions, and those made on their behalf by their employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in the relevant Appendix.

The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

The Trustee considers the merits of both active and passive management and may select different approaches for different arrangements and asset classes.

3.3 Risks

Investment risk lies with the members themselves. However, the Trustee has considered a number of risks when making available suitable investment choices. Some of these risks will be more relevant to particular cohorts of members. The Trustee believes that the three principal investment risks most members will face are:

Risk	Description
Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Volatility	The risk that falls in fund values prior to retirement lead to a reduction in a member’s retirement benefits. Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.
Conversion risk	The risk that fluctuations in the value of assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangement made available to members, the Trustee increases the proportion of assets that more closely match how it expects members to access their retirement savings.

Other investment risks

The Trustee believes that other investment risks members may face include:

Risk	Description
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the fund range offered to members to ensure member outcomes can be maximised.
Investment manager risk	The Trustee monitors the performance of the underlying investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The investment platform provider has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
ESG and climate risk	The risk that environmental, social and governance issues including climate change will not be managed effectively in the portfolio, resulting in poor performance in individual investments and for the portfolio as a whole. The Trustee carefully reviews the approach of the underlying investment managers to ensure that they address ESG and climate risk in the selection of investments and engagement with companies in their portfolios.
Concentration risk	This is the risk that the Fund has excessive exposure to a single institution or institutions that share a common risk factor, for example by operating in the same industry. Additionally, concentration risk can occur if the scheme has excessive exposure to individual asset classes or geographical regions. Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	This is the risk of market loss as a result of adverse movements in foreign exchange rates. The Trust limits this risk and monitors the aggregate of these positions. The Trust may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee will also undertake a review of the internal controls and processes of each of the investment managers where necessary.
Counterparty risk	This risk arises when the Fund (or a fund manager appointed by the Trust) enters a financial contract with a third party which then fails, probably through default, to fulfil its obligations. The Trust controls this risk by setting an appropriately high

	<p>minimum credit rating of counterparties it will transact with and limiting the exposure to any single counterparty. Investment Management Agreements with fund managers similarly contain provisions to limit counterparty risk to the Fund. In addition, when choosing which investment vehicles are appropriate for the scheme, the Trust considers the security of assets policy of the investment manager and of the underlying vehicles.</p>
Liquidity risk	<p>The risk that the investments of the Trust are held in assets that are not accessible in a timely manner. The Trustee ensures that investments are generally held in assets that are realisable at short notice. The trustee holds 100% of its assets in investments with daily liquidity.</p>

Managing risks

The Trustee has developed and maintained a framework for assessing the impact of all investment risks on long-term investment returns.

Time horizon

The Trustee monitors the age profile of the Master Trust’s membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks:

- 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.
- A majority of members are expected to take income drawdown in retirement.
- As a result, investment risks for a majority of members who are approaching retirement, need to be considered over a time horizon in the range of 10-20 years; i.e. the period from retirement to when annuity rates may become attractive.
- Some members may choose to buy an annuity from age 55 and investment risks for this group need to be considered carefully. There may be a difference between the member’s time horizon and the time horizon for underlying investments which are expected to reflect the maturity profile (and interest rate sensitivity) of the assets backing an insurer’s annuity business.

Principal investment risks

The default arrangement manages the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of a majority of members.

Ability to invest/disinvest promptly and realisation of assets

The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee expects that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee has considered the risk of liquidity and recognises that most members' investments have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

Other investment risks

The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Master Trust.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

In accordance with its Environmental, Social and Governance Statement and its Climate Policy Statement, the Trustee has made explicit allowance for climate change within the development and implementation of its investment strategy. The Trustee has a stated belief, encapsulated in its Climate Policy Statement, that climate change, and policies to address the negative impacts of climate change and the transition to a lower carbon future will have a material impact on the value of investments over the time horizon of its members' pension savings. Additionally, the interests of its members are best served if its investment strategy takes full account of the risks and opportunities related to climate change. As such, the Trustee discusses the potential impact of climate risks with its adviser when reviewing the investment strategy, and with managers on a periodic basis, and invests in a number of specialist climate change funds within

the default investment strategy, as well as monitoring developments in this area including the availability of solutions to mitigate climate-related risks.

3.4 Expected returns on investments

The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisers on these matters, who they deem to be appropriately qualified experts.

The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation and charges when making decisions and comparisons.

Asset class	Expected long-term investment returns relative to inflation	Expected shorter-term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts)	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions. The Trustee meets the Trust’s investment managers as frequently as is appropriate in order to review performance.

3.5 Realisation of investments

The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee expects that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose

restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee has considered the risk of liquidity and recognises that most members' investments have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

3.6 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 ongoing 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 and also a separate Climate Policy Statement which they actively take into account in terms of the monitoring and selection of investment managers and funds. The Trustee expects that the fund managers will have our members' financial interests as their first priority when choosing investments.

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 and climate issues in investment decisions. Therefore, its approach is to:

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

Over time, the Trustee aspires to continue to develop its portfolio in order to continue 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 maximising what can be achieved. Remaining informed of appropriate investable innovations that address challenges (such as climate change) supports delivery of tangible impact.
- ESG and climate 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 and climate 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 solutions that address global challenges.

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. However, as outlined in the bullet points below, 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 and climate 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.

3.7 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.

3.8 Stewardship

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

The Master Trust offers members the default arrangement and a choice of alternative lifestyle options and self-select funds. The Trustee's stewardship activities are focused on the default arrangement which is used by the largest number of members and accounts for the majority of the Master Trust assets.

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.

The Trustee believes it is appropriate to actively encourage the fund managers directly or through the platform provider to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will request, where appropriate and practicable, that the platform provider or investment managers notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

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, or are working towards becoming, signatories of the UN Principles for Responsible Investment and the UK Stewardship Code
- certifying that fund managers engagement strategy is aligned as far as is possible 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
- the Trustee is 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 and climate 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 and climate issues that may affect the prospects for return from the portfolio.

The Trustee also expects the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues. The Trustee receives reports from the investment platform provider on the fund managers' voting activity on a periodic basis.

The Trustee reviews the fund managers' voting activity on a quarterly basis in conjunction with their investment adviser and uses this information as a basis for discussion with the investment platform provider and fund managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

The Trustee will meet with all major fund managers on at least an annual basis. The Trustee will provide the fund managers with an agenda for discussion, including issues relating to individual votes and, where appropriate, other ESG and climate issues. Managers will be challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG and climate issues that may affect the prospects for return from the portfolio.

Structure of the investment arrangements

The Master Trust invests contributions for members through an investment platform provider. Contributions buy units in the provider's funds. The provider in turn backs the value of its funds by buying units in funds from a selection of fund managers where investments are pooled with other investors. This enables the Master Trust to invest in a range of funds giving a good spread of investments in a cost-effective manner.

The Master Trust's asset, and the Trustee's contract with the provider, is the policy of insurance issued by the provider. As a result, the Trustee does not have any contractual arrangement with the investment managers or title to the underlying funds' assets.

Delegation of investment decisions

The investment of contributions through the provider's investment platform means that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the provider, who has in turn delegated these investment decisions

to the investment managers. Part of an investment manager's day to day responsibilities include consideration, where relevant, of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee requires the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

Selection of funds

The Trustee will invest in funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Master Trust.

The Trustee's choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the Trustee will endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Master Trust's investment objectives and the Trustee's investment beliefs, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Master Trust and its members.

The Trustee will seek to engage with the platform provider to obtain funds which meet the Trustee's investment beliefs, and are expected to improve outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangements. The Trustee expects the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustee will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members. Nevertheless, the Trustee expects that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

The Trustee expects, where possible, that the investment managers will make decisions based on assessments about medium to long-term, financial and non-financial performance of an issuer of debt or equity. The Trustee acknowledges that investment managers for passively

managed funds are restricted to invest in a manner consistent with a specific benchmark index and so they are not responsible for day to day selection of shares or securities. The Trustee also expects investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Master Trust's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Master Trust's choice of provider to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee also undertakes a review at least every three years in which the appropriateness of the investment options at which time the suitability of the Master Trust's investment management arrangements are also considered.

The Trustee monitors the investment managers on a quarterly basis over rolling time horizons of up to 3 years, and believes this approach is consistent with determining whether the investment manager is making decisions based on an appropriate time horizon. As part of their monitoring process, the Trustee will consider the following information:

- performance of their funds' respective benchmarks or performance targets
- relative tracking error where appropriate
- non-financial matters, including the exercise of stewardship responsibilities (along with engagement with issuers)
- whether the investment manager is investing in a manner consistent with the stated objectives of the fund, including types of investments to be held and dealing requirements
- the management of risks

The platform provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

Portfolio turnover

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a

fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the Trustee will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Trust's reporting year. The Trustee will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the platform provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Portfolio duration

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Master Trust members' investment horizon. The Trustee 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 objectives for the related investment option.

The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Balance of investments

The Trustee reviews the nature of the Master Trust's investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Master Trust, particularly in relation to diversification, risk, expected return and liquidity.

Overall, the Trustee's intention is that the Master Trust's investment options:

- provide a balance of investments
- are appropriate for managing the risks typically faced by members

Security of assets

The funds we offer to members are provided through a policy of insurance issued to the Trustee. As a result, the value of our members' funds may be affected in the event of the provider getting into financial difficulties. The Trustee has considered the financial strength of the providers and believes that it offers our members a high degree of security. This position will be kept under review on a regular basis. As part of the process to become an authorised Master Trust, Smart Pension had to fulfil very stringent requirements, including in relation to financial stability and the Trustee draws comfort from the fact that the Master Trust is now fully authorised by the Pensions Regulator.

The underlying funds used by the provider's platform are accessed through a variety of different investment structures and are managed by a range of different fund managers. In the unlikely event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract between Smart Pension and the fund vehicles used by the fund managers' funds. The Trustee has reviewed the structure of the funds that we offer to members and are comfortable that the structure is appropriate when compared with other options available in the market.

For the record

The Trustee obtains and considers proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement and the alternative lifestyle options are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The investment platform uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- equities (company shares)
- fixed interest and index-linked bonds issued by governments and companies
- cash and other short-term interest bearing deposits
- commercial and residential property
- illiquid assets including infrastructure, forestry, private equity and private debt
- commodities through collective investment vehicles
- derivatives to facilitate changes in where funds are invested or to help control investment risks

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee considers that these types of investments are suitable for the Trust. The Trustee is satisfied that the funds used by the Scheme provide adequate diversification both within and across different asset classes.

Appendix A

Investment implementation for the default arrangement

Main default arrangement

The default arrangement is a lifestyle strategy which targets drawdown at retirement. This default is being gradually introduced to members between March 2020 and March 2021.

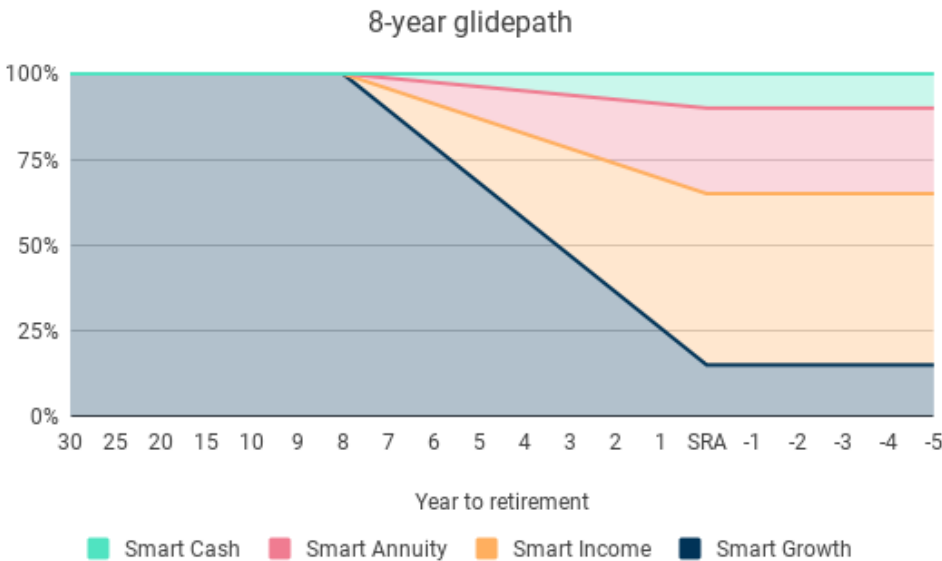
Members are invested in funds expected to give higher returns relative to inflation up to 8 years before their selected retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains from 8 years before their selected retirement date.

Finally, at retirement, members' pots are invested into funds aligned to their expected benefit choices at retirement. The Trustee, taking advice from its investment consultant, believes the retirement asset allocation to be suitable for members in the default arrangement.

Fund allocation

The allocation to each fund in the default arrangement at yearly intervals up to a member's selected retirement date is pictured below:



Funds

The funds used by the default arrangement are:

Platform Fund	Underlying fund
Smart Growth: Moderate Risk	LGIM Future World North America Equity Index Fund LGIM Future World UK Equity Index Fund LGIM Future World Europe (ex UK) Equity Index Fund LGIM Future World Japan Equity Index Fund LGIM Future World Asia (ex Japan) Equity Index Fund LGIM Future World Emerging Markets Equity Index Fund LGIM Global Developed Small Cap Index Fund LGIM UK FTSE 100 Index Fund J.P. Morgan Global Bond Opportunities Fund MV Dual Credit Fund
Smart Annuity	LGIM Pre-Retirement Fund
Smart Cash	LGIM Cash Fund
Smart Income	LGIM Retirement Income Multi Asset Fund

Investment costs

Fund charges

The investment platform provider’s and fund managers’ charges for the investment options are borne by the members. In addition to these charges, members also pay an administration fee. This will depend on the fee negotiated by the participating employer.

The Trustee has negotiated fee arrangements with the investment managers for the management of the Trust’s investments.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees for each fund). The additional fund expenses may vary from quarter to quarter.

The Trust is a ‘qualifying scheme’ for auto-enrolment purposes, which means that the Default Option is subject to the charge cap introduced by the Government from April 2015.

Transaction costs

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds’ unit prices and members’ fund values. The Trustee

monitors the overall level of costs periodically to ensure members are receiving good value for money including transaction costs.

Review

The Trustee reviews the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment manager with respect to performance within any guidelines set. The investment strategy was reviewed in 2019 and the first quarter of 2020 with the support of Hymans Robertson. Members are being transitioned to the new glidepath gradually - this process started in March 2020 and should be completed in the second quarter of 2021.

The performance of the investment manager will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Implementation Statement

The Trustee included an implementation statement as part of the 30 June 2020 Financial Report and Accounts.

The implementation statement included, but was not be limited to, discussion on items including:

- Policies and objectives
- Investment
 1. Investment Strategy
 2. Investment beliefs
 3. Security of assets
 4. Conflicts of interest
 5. Manager incentives
- Member engagement
- Governance

Gen Life Default Arrangement

The Trustee has selected a multi-asset fund as a default arrangement because it invests in a wide range of asset classes. Through its diversified approach it aims to achieve a balance between risk and long-term investment returns. It is called the Legal & General (PMC) Multi-Asset Fund 3.

The aim of the Multi-Asset Fund is to provide long-term investment growth through exposure to a diversified range of asset classes. The diversified nature of the Fund means that it is expected to have less exposure than an equity-only fund to adverse equity market conditions. However, the Fund may perform less strongly than an equity-only fund in benign or positive market conditions.

Ex- Tesco Default Arrangement

The ex-Tesco default arrangement is a lifestyle strategy which is designed for members who intend to take all of their retirement savings as cash quite soon after retiring (e.g. within three years).

Members remain in the LGIM Smart Pension (former Tesco MPS) Growth Fund until 20 years prior to their selected retirement age, at which point their assets begin to be de-risked in a multi-phased approach.

Platform Fund	Underlying fund
LGIM Smart Pension (former Tesco MPS) growth Fund	LGIM Smart Pension (former Tesco MPS) Equity Fund LGIM Smart Pension (former Tesco MPS) Diversified Fund

The first phase operates up until 10 years prior to retirement, gradually de-risking and reallocating a 20% portion of a member's assets across from the LGIM Smart Pension (former Tesco MPS) Equity Fund into the LGIM Smart Pension (former Tesco MPS) Corporate Bond Fund.

The member's 30% exposure to the Smart Pension (former Tesco MPS) Diversified Fund is maintained through the period, giving an allocation split at year 10 of 50:30:20 between the LGIM Smart Pension (former Tesco MPS) Equity Fund, the LGIM Smart Pension (former Tesco MPS) Diversified Fund and the LGIM Smart Pension (former Tesco MPS) Corporate Bond Fund.

This same lower risk allocation is then maintained up until 4 years prior to retirement, at which point a member's assets are once again further de-risked, with exposures to the LGIM Smart Pension (former Tesco MPS) Diversified Fund and the LGIM Smart Pension (former Tesco MPS) Corporate Bond Fund both removed, and exposure to the LGIM Smart Pension (former Tesco MPS) Equity Fund dramatically reduced to an at retirement allocation of 15% of total assets. The balance of assets is split 60% in the LGIM Smart Pension (former Tesco MPS) Nearly There Bond Fund and 25% in the LGIM Smart Pension (former Tesco MPS) Cash Fund. This enables members easy access to withdraw their tax-free lump sums on retirement.

Platform Fund	Underlying fund
LGIM Smart Pension (former Tesco MPS) Equity Fund	LGIM World developed equity Index Fund LGIM PMC Tesco Pension Investors Equity Fund LGIM World Emerging Market Equity Index Fund LGIM UK Smaller Companies Index Fund
LGIM Smart Pension (former Tesco MPS) Nearly There Bond Fund	LGIM Under 5 Year Index-linked Gilts Fund LGIM Short Dated Corporate Bonds Index Fund LGIM Absolute Return Bond Fund

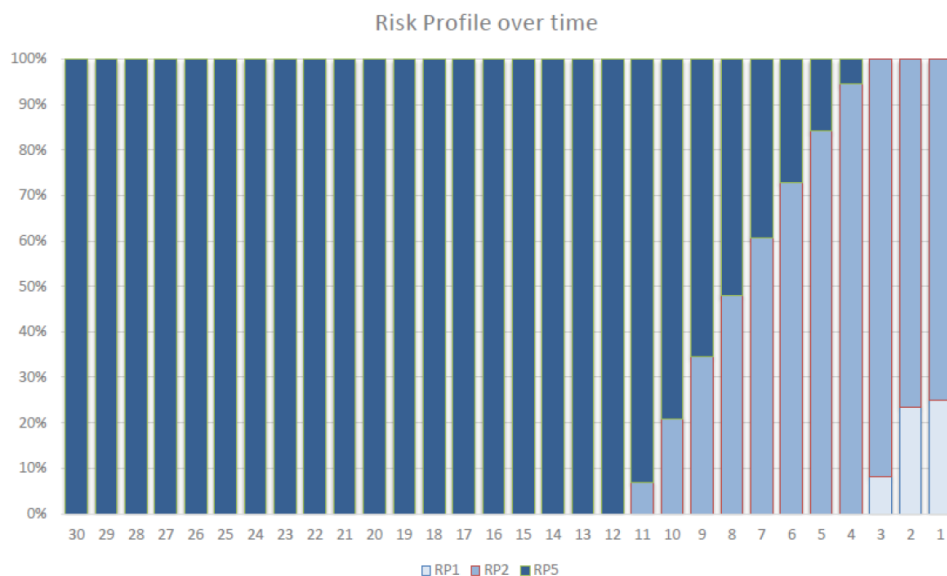
LGIM Smart Pension (former Tesco MPS) Diversified Fund	LGIM Private Equity Passive Fund LGIM FTSE Developed Core Infrastructure Index Fund LGIM Global real Estate Equity Index Fund LGIM Managed Property Fund LGIM High Yield Bond Fund LGIM Emerging Market Passive Local Currency Government Bond Fund
LGIM Smart Pension (former Tesco MPS) Corporate Bond Fund	LGIM AAA-AA-A Corporate Bond Fund
LGIM Smart Pension (former Tesco MPS) Cash Fund	LGIM Cash Fund

Barclays Default Arrangement

The Barclays default arrangement is a lifestyle strategy designed for members targeting to withdraw 25% cash at the point of retirement and access pension freedoms. The expectation is that members will flexibly use their pot to provide income in retirement.

Members' assets are invested in a single investment strategy - the Global Markets Investment Strategy. This strategy invests in a range of funds with different risk profiles - the funds in this strategy are called the Barclays Wealth Global Markets Funds and are numbered 1-5 (the strategy currently makes use of three of these funds).

These funds in turn invest in a range of underlying investment funds in proportions determined by Barclays Investment Solutions Limited ("BISL"). The underlying investment funds are managed by BlackRock via their iShares series of funds. The range of risk profiles reflect different levels of return targeted for each fund, with commensurate levels of risk. When members are within 12 years of their selected retirement date, their assets will move gradually to a lower risk profile, with a final reduction in risk implemented in the final 3 years, as shown in the chart below.



Funds currently used in the Global Markets Investment Strategy:

BISL Fund	Target return	Underlying BlackRock iShares funds
Barclays Wealth Global Markets 1 Fund (RP1)	CPI + 1% per annum	UK Equity Index World ex-UK Equity Index Emerging Market Equity Index
Barclays Wealth Global Markets 2 Fund (RP2)	CPI + 2% per annum	Over 15 Years Gilt Index Over 5 Years Index-linked Gilt Index All Stocks Corporate Bond Cash
Barclays Wealth Global Markets 5 Fund (RP5)	CPI + 5% per annum	Other BlackRock iShares funds may be held from time to time to support the delivery of the overall objectives of the blended fund

Appendix B

Investment implementation for investment options outside the default arrangement

Lifestyle options

The Trust offers members a choice of alternative lifestyle option as an alternative to the default arrangement.

Objective

While the default arrangement's lifestyle strategy targets drawdown at retirement with an intermediate overall level of expected investment risk, there are two alternative lifestyle options which continue to target drawdown at retirement with a lower and higher overall level of expected investment risk.

Members in the default arrangement can also choose a lifestyle strategy targeting annuity or cash at retirement. If they do so, investments will be switched gradually from Smart Growth to Smart Annuity or Smart Cash respectively. This de-risking will start 8 years prior to the selected retirement date.

Approach for higher and lower expected investment risk

Members are invested in funds expected to give higher or lower returns relative to inflation up to 4 years before their selected retirement date.

Members are gradually switched into funds which are expected to give good returns relative to inflation while consolidating past investment gains between 4 and 2 years before their selected retirement date.

Finally, members are automatically switched into funds that align to their expected retirement choices during the last 2 years up to their selected retirement date.

Funds

The funds used by the alternative lifestyle options are the same as the main default fund but have a fund growth fund: Smart Growth Cautious and Smart Growth Speculative for the lower and higher risk strategies respectively.

Platform Fund	Underlying fund
Smart Growth Cautious	LGIM UK FTSE 100 Index Fund LGIM World (ex UK) Developed Equity Index Fund LGIM North America Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund
Smart Growth Speculative	LGIM UK FTSE 100 Index Fund LGIM World (ex UK) Developed Equity Index Fund LGIM North America Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund

Alternative lifestyle strategies for ex-Tesco members

Ex-Tesco members have the option to invest in 2 alternative lifestyle options as well as the ex-Tesco default.

One option, the Tesco Drawdown Lifestyle Option, is intended for members utilising drawdown at retirement and taking 25% as a tax-free lump sum. The glidepath is identical to the ex-Tesco default up until 4 years before retirement. From 4 years from retirement, the glidepath gradually transitions to the following balance of assets: 25% in the LGIM Smart Pension (former MPS) Cash Fund, 25% in the LGIM Smart Pension (former MPS) Equity Fund, 30% in the LGIM Smart Pension (former MPS) Diversified Fund and 20% in the LGIM Smart Pension (former MPS) Corporate Bond Fund.

The other option is the Tesco Regular Income Lifestyle Option, which is intended for those purchasing an annuity at retirement and taking 25% as a tax-free lump sum. It is identical to the ex-Tesco members default fund up until 4 years before retirement. From 4 years from retirement, the glidepath gradually transitions to 25% in the LGIM Smart Pension (former MPS) Cash Fund and 75% in the LGIM Smart Pension (former MPS) Pre-Retirement Fund.

Self-select fund range

The Trust offers members a choice of self-select funds options as an alternative to the default option and alternative lifestyle options.

Fund range

The choice of self-select funds are:

Platform Fund	Underlying fund
Smart UK FTSE 100 Equity Index Fund	LGIM UK FTSE 100 Equity Index Fund
Smart World (ex UK) Developed Equity Index Fund	LGIM World (ex UK) Developed Equity Index Fund
Smart All Stocks Index Linked Gilts Fund	LGIM All Stock Index Linked Gilts Fund
Smart North America Equity Index Fund	LGIM North America Equity Index Fund
Smart Cash	LGIM Cash
Smart Overseas Bond Index Fund - GBP Hedged	LGIM Overseas Bond Index Fund - GBP Hedged
Smart Income Fund	LGIM Retirement Income Multi Asset Fund
Smart World Emerging Markets Equity Index Fund	LGIM World Emerging Markets Equity Index Fund
Smart Ethical Global Index Fund	LGIM Ethical Global Index Fund
Smart Sharia Fund	HSBC Islamic Global Equity Index Fund
Smart Annuity	LGIM Pre-retirement Fund
Smart Future Fund	LGIM Future World Equity Index Fund LGIM Future World Europe (ex UK) Equity Index Fund LGIM Future World North America Equity Index Fund LGIM Future World Japan Equity Index Fund LGIM Future World Asia Pacific (ex Japan) Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund

Investment costs

The investment platform provider's and fund managers' charges for the investment options are borne by the members.

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken

into account when calculating the funds' unit prices and members' fund values and are borne by members.

Ex Tesco members

Platform Fund	Underlying fund
LGIM Smart Pension (former Tesco MPS) Equity Fund	LGIM World developed equity Index Fund LGIM PMC Tesco Pension Investors Equity Fund LGIM World Emerging Market Equity Index Fund LGIM UK Smaller Companies Index Fund
LGIM Smart Pension (former Tesco MPS) Nearly There Bond Fund	LGIM Under 5 Year Index-linked Gilts Fund LGIM Short Dated Corporate Bonds Index Fund LGIM Absolute Return Bond Fund
LGIM Smart Pension (former Tesco MPS) Diversified Fund	LGIM Private Equity Passive Fund LGIM FTSE Developed Core Infrastructure Index Fund LGIM Global real Estate Equity Index Fund LGIM Managed Property Fund LGIM High Yield Bond Fund LGIM Emerging Market Passive Local Currency Government Bond Fund
LGIM Smart Pension (former Tesco MPS) Growth Fund	LGIM Smart Pension (former Tesco MPS) Equity Fund
	LGIM Smart Pension (former Tesco MPS) Diversified Fund
LGIM Smart Pension (former Tesco MPS) Cash Fund	LGIM Sterling Liquidity Fund
LGIM Smart Pension (former Tesco MPS) Corporate Bond Fund	LGIM AAA-AA-A Corporate Bond Fund
LGIM Smart Pension (former Tesco MPS) Pre-Retirement Fund	LGIM Pre-Retirement Fund
LGIM Smart Pension (former Tesco MPS) Shariah Fund	HSBC Islamic Global Equity
LGIM Smart Pension (former Tesco MPS) Ethical Fund	LGIM Ethical Fund
LGIM Smart Pension (former Tesco MPS) Index Linked Gilts Fund	LGIM Index-Linked gilts Fund

Barclays members

Platform Fund	Underlying fund
Barclays Wealth Global Markets 1 Fund (RP1)	BlackRock iShares UK Equity Index Fund
Barclays Wealth Global Markets 2 Fund (RP2)	BlackRock iSharesWorld ex-UK Equity Index Fund BlackRock iShares Emerging Market Equity Index Fund
Barclays Wealth Global Markets 3 Fund (RP3)	BlackRock iShares Over 15 Years Gilt Index Fund BlackRock iShares Over 5 Years Index-linked Gilt Index Fund BlackRock iShares All Stocks Corporate Bond Fund
Barclays Wealth Global Markets 4 Fund (RP4)	BlackRock iShares Cash Fund Other BlackRock iShares funds may be held from time to time to support the delivery of the overall objectives of the blended fund
Barclays Wealth Global Markets 5 Fund (RP5)	
Smart UK FTSE 100 Equity Index Fund	LGIM UK FTSE 100 Equity Index Fund
Smart World (ex UK) Developed Equity Index Fund	LGIM World (ex UK) Developed Equity Index Fund
Smart All Stocks Index Linked Gilts Fund	LGIM All Stock Index Linked Gilts Fund
Smart North America Equity Index Fund	LGIM North America Equity Index Fund
Smart Cash	LGIM Cash
Smart Overseas Bond Index Fund - GBP Hedged	LGIM Overseas Bond Index Fund - GBP Hedged
Smart Income Fund	LGIM Retirement Income Multi Asset Fund
Smart World Emerging Markets Equity Index Fund	LGIM World Emerging Markets Equity Index Fund
Smart Ethical Global Index Fund	LGIM Ethical Global Index Fund
Smart Sharia Fund	HSBC Islamic Global Equity Index Fund
Smart Annuity	LGIM Pre-retirement Fund
Smart Future Fund	LGIM Future World Equity Index Fund LGIM Future World Europe (ex UK) Equity Index Fund LGIM Future World North America Equity Index Fund

	LGIM Future World Japan Equity Index Fund LGIM Future World Asia Pacific (ex Japan) Equity Index Fund LGIM All Stocks Index-Linked Gilts Index Fund
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Appendix C

Investment implementation for the decumulation solution - Smart Retire (outside the default arrangement)

Smart Retire

The Trust offers members a decumulation solution, Smart Retire, which provides members with the ability to retain their pension savings within the Trust at retirement and make use of a choice of investment options for continued investment and flexible access to the monies.

Objectives

While the Trust is primarily used to provide an accumulation solution for members which targets drawdown at retirement, it also offers members a decumulation solution when they reach their selected retirement age. This decumulation solution offers members a range of four different investment funds, referred to as 'pots', to provide continued investment during the decumulation phase.

The 'pots' offer:

- 'Flexible Income' - the objective of this pot is to provide growth above inflation to meet regular income withdrawals, whilst maximising the time until depletion, across market cycles
- 'Later Life' - the objective of this pot is to grow the pot (ideally in line with inflation), whilst reducing the fluctuations in the amount of income that can be theoretically bought using an annuity (i.e. maintaining annuity purchasing power)
- 'Rainy Day' - the objective of this pot is to protect capital in all market environments, net of all fees
- 'Inheritance' - the objective of this pot is to provide growth above inflation over the long term to grow savings for inheritance or as a last resort to fund other pots

Members accessing the Smart Retire solution can choose from one or more of these retirement 'pots', to best suit their own income requirements during retirement.

Funds

The funds used by the Smart Retire decumulation 'pots' are:

Smart Retire Pot	Platform Fund	Underlying fund
Flexible Income	Smart Income Fund	LGIM Retirement Income Multi-Asset Fund
Later Life	Smart Annuity Fund	LGIM Pre-Retirement Fund
Rainy Day	Smart Cash Fund	LGIM Cash Fund
Inheritance	Smart Growth: Moderate Risk Fund	LGIM Future World North America Equity Index Fund LGIM Future World UK Equity Index Fund LGIM Future World Europe (ex UK) Equity Index Fund LGIM Future World Japan Equity Index Fund LGIM Future World Asia (ex Japan) Equity Index Fund LGIM World Emerging Markets Equity Index Fund LGIM Global Developed Small Cap Index Fund J.P. Morgan Global Bond Opportunities Fund MV Dual Credit Fund



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