



Smart Pension

Master Trust

UK Stewardship Code, Voting and Engagement Report

 Smart Pension

30 June 2025

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Overview

Smart Pension operates a defined contribution master trust pension scheme for over one and a half million members across the United Kingdom, called the Smart Pension Master Trust (referred to as “Smart Pension” and “the Scheme”).

The independent trustee board (“the Trustee”), formed of Trustee Directors, makes sure the Scheme’s members’ retirement savings are invested responsibly and sustainably. The Scheme has a digital-first approach and uses a pensions technology platform, Keystone by Smart, to help members and employers to set up and run their workplace pension with simple, automated processes.

We offer a range of sustainable investment strategies and self-select fund options for members as well as sections for bespoke third party fiduciary manager arrangements. Currently, members who do not make an active choice are invested entirely in our default investment strategy, which invests in the Smart Sustainable Growth Fund (“default growth fund”) up until eight years from retirement, with an allocation remaining in this fund up to a member’s retirement. As a result, the majority of the Scheme’s assets, over 70%, are invested in this fund

For the Smart Sustainable Growth Fund, we are targeting net zero¹ by 2040 for our listed asset classes (94% of the fund), and a 75% reduction in scope 1 and 2 emissions from 2019 levels by 2030. We met our 50% reduction target for our emissions by 2025, meeting this early for our scope 1 and 2 emissions in 2022. The underlying funds in the Smart Sustainable Growth Fund are utilised in other funds in the broader investment options for members. Therefore, our sustainability efforts towards these investments cover over 85% of our Scheme’s assets. More details on our transition plan are available on our [website](#). This default growth fund aims to deliver strong returns for members’ pension savings whilst also investing to aid a transition to a lower carbon economy and make a positive difference to society and our planet. Performance of this fund, and the wider fund range, is provided in Appendix 7b.

¹Net zero refers to equalling the amount of greenhouse gases produced and the amount removed from the atmosphere through the investments we make.

We aim to protect members' pension savings with strong governance and oversight from trustees (6 of 7 are independent), who make up the Trustee Board. The Trustee has a number of policies setting out its beliefs and policies around responsible investing, climate and nature and voting and engagement. The Trustee's Investment Sub-Committee ("ISC") monitors the application of the investment-related policies. Further details on these policies, and their application, are provided throughout this report. Additionally, Trustee investment policies are available on our [Scheme Governance website](#).

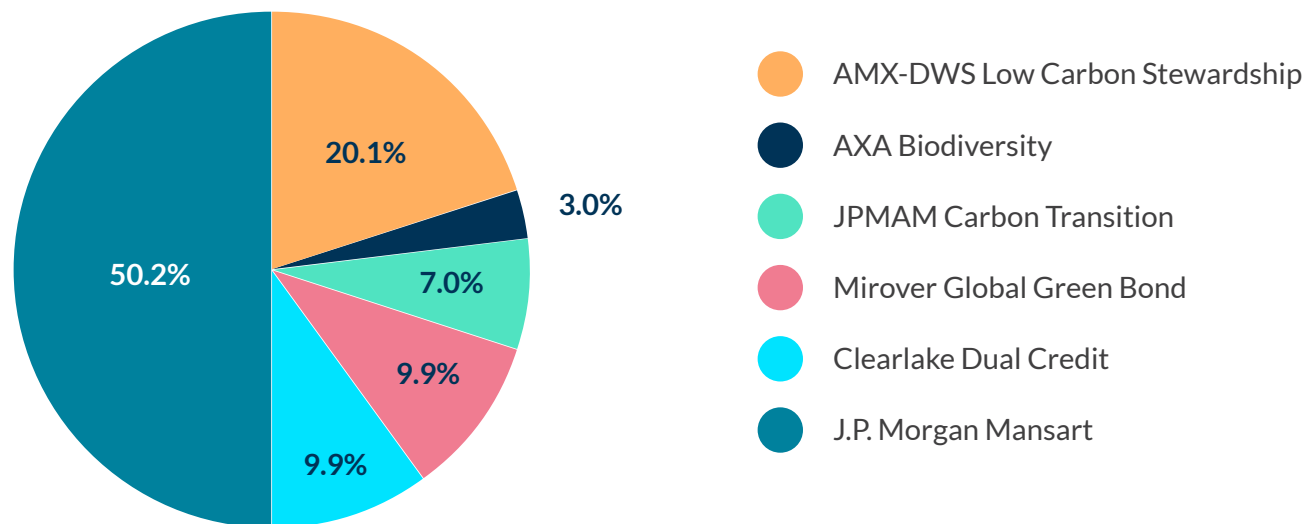
This report provides a summary of the Trustee's activities throughout the year to 30 June 2025 (the Scheme's year end) which aims to meet the requirements of the UK Stewardship Code and our policies. The activities detailed throughout this report demonstrate how our beliefs and policies are translated into our investment decisions and engagements. We believe that the information provided in this report shows that we have been effective in serving the best interests of beneficiaries during the Scheme year. In particular, we have reviewed and followed our policies, monitored and engaged with managers and our split voting proxy provider on their voting and engagement activities as well as maintained a strong governance approach with external advisers and internal teams. We consider the views of our managers and assurances from our investment adviser, Hymans Robertson, when monitoring the actions and outcomes of voting and engagement activities on our behalf. This report is in addition to our Implementation Statement, which is the regulatory requirement to set out how we have implemented our Statement of Investment Principles ("SIP"). Our Implementation Statement is published on our website and in our annual report and accounts.

Smart Pension Master Trust

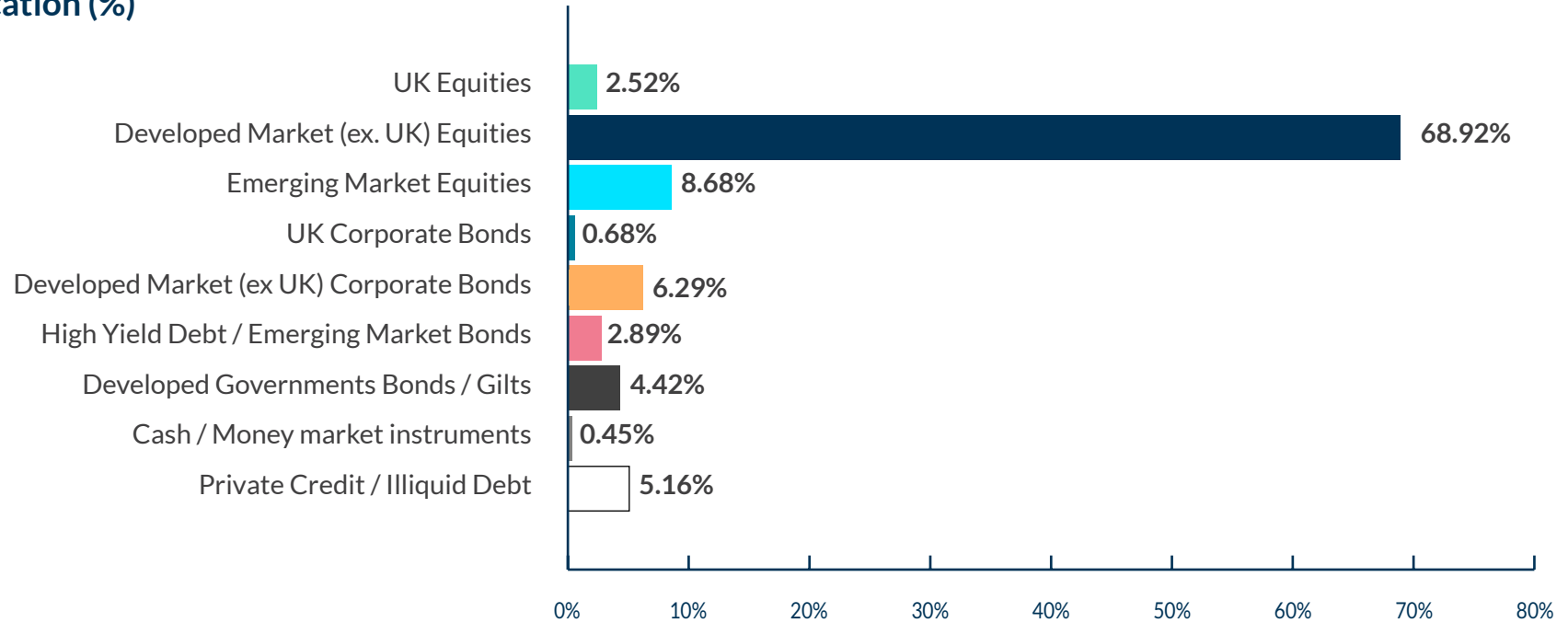
All data provided is as at 30 June 2025. There were c. 1.6 million members in the Scheme, 76% deferred and 24% active members. The largest age group of members is 25 - 34. Assets Under Management were £6,880.2 million.

Over the Scheme year, we changed the Smart Sustainable Growth Fund and Smart Sustainable Growth Core Fund allocations to include an equity index total return swap, managed by J. P. Morgan Mansart, on 50% and 60% of the funds respectively, using the Solactive ISS ESG Global Markets Net Zero Pathway Custom Index NTR. The underlying fund name is the Smart Pension Net Zero Pathway Custom Equity Index Fund and the index is a custom index for our use, to line up with our net zero target of 2040. We have structured the swap so that we have voting rights on the equities held as collateral within the pledge account. These investments are restricted to the companies within the Solactive Index and, when held at AGM dates, the votes will follow our split voting policy, used for the AMX-DWS Global Low Carbon Stewardship Fund, via Minerva. We also remain invested 20% in the AMX-DWS Global Low Carbon Stewardship Fund which invests in the Solactive Index and votes and engages on the underlying companies. We now have a separate stewardship report, produced by Minerva for Smart, in relation to the equities held in this index, this is made available on our [website](#).

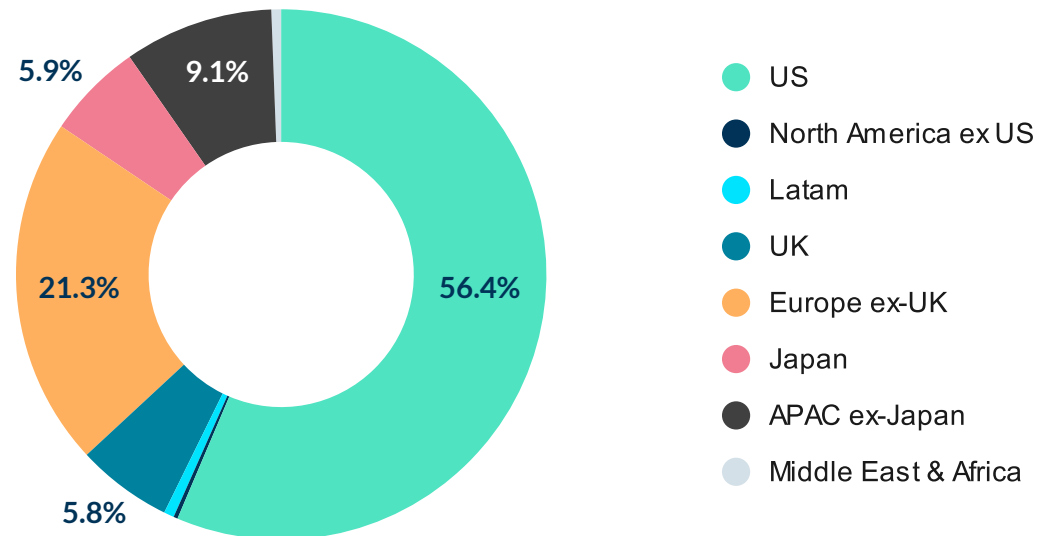
Smart Sustainable Growth Fund, as at 30 June 2025



Asset allocation (%)



Geographic allocation (%)





Our approach

Trustee beliefs and objectives

The Trustee has clearly-defined investment beliefs and objectives to help make investment decisions. These beliefs and objectives are set out in our SIP and are reviewed annually or when any significant changes to the Scheme or membership occur.

Smart Pension is open to new members from the age an employer chooses to allow access. Our youngest permitted age for members is 16 years old. Given the likelihood of increases in retirement ages in the future, investment strategies and risks need to be considered over a multi-decade time horizon exceeding 50 years. While the majority of members are expected to take a flexible income (or drawdown) in retirement, the Trustee offers investment strategies for alternative retirement routes and considers the ongoing suitability of these.

The Trustee recognises that responsible investing and good stewardship are key to providing members with the best outcomes in retirement. We take into consideration the long-term impact of their investments and the policies of the individual companies and countries to ensure sustainable outcomes, equality and fairness. We have policies covering responsible investing, climate change and voting and engagement, which set out our beliefs and provide the Trustee, its advisers and fund managers with a process to adhere to.

Some of our beliefs, in particular those relevant to stewardship and Environmental, Social and Governance (“ESG”) factors, are outlined below:



ESG risks, including climate and nature, 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 (including investment strategy, investment selection and reporting) needs to consider ESG risks.



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



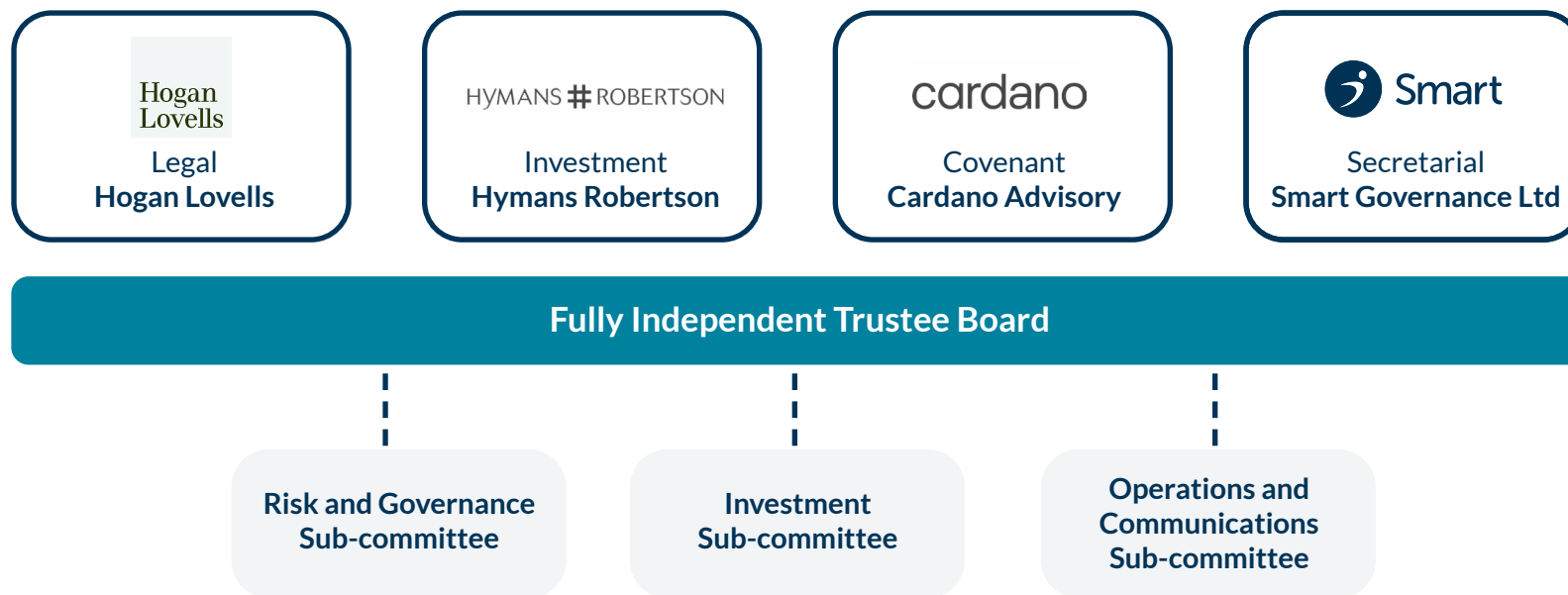
Being active owners of investments over the long term is critical for responsible stewardship of assets.

We believe that engagement and encouraging behavioural change will lead to better long-term sustainability outcomes than simply exclusion. Large scale exclusions may lead organisations to move outside public asset markets, where their actions are less easily monitored and assessed, and to continue to pursue damaging ESG policies. Therefore, we look to exclude companies which consistently refuse to engage or consider change in behaviour. In practice, doing so means we select investment managers who are effective at implementing this as part of their investment and stewardship approach.

Structure

Our Trustee Board is supported by three separate sub-committees: Investment Sub-Committee, Operations and Communications Sub-Committee, and Risk and Governance Sub-Committee. Each committee has at least two Trustee Directors and they meet quarterly to discuss developments and changes.

Alongside the sub-committees, Hymans Robertson provides investment advice, research and analysis, while Hogan Lovells provides legal advice. It is important to the Trustee that their advisers have a focus on ESG issues and developments. The Trustee's investment adviser is also a member of the Investment Consultants Sustainability Working Group. In addition, Smart Pension has internal governance, legal and investment teams who provide on-the-ground support, ensuring an additional layer of support and responsiveness to the Board. Our Trustee's strong governance approach is adaptive and responsive to changes in the industry and recognises evolving requirements in reporting and duties to members.



We have chosen this approach and structure to promote well-rounded stewardship by leveraging specialised committees, external oversight and knowledge as well as in-house teams. The Smart Pension in-house investments team over the Scheme year consisted of three persons. The benefits of a small team having strong cohesion and collaboration, agility and flexibility in being able to adapt quickly and comprehensive knowledge sharing. We also recognise the importance of working collaboratively with the Trustee, external advisers and industry groups to expand knowledge and expertise, augment resources and mitigate bias. This structure offers scalability and flexibility to engage with external experts and organisations as needed, manage workload and brings insights on best practice. This ensures the consideration of ESG issues facilitates all areas of decision-making and therefore will enhance our effectiveness in monitoring and carrying out voting and engagement activities. While there is a division of responsibilities, which allows for focussed discussions and expertise in each area, the committees, advisers and teams work collaboratively and have the opportunity to meet and discuss topics on a quarterly basis at the Trustee meetings.



Case study:

Strong development of governance practices

Over the Scheme year, the Trustee has joined the Diversity Project and the Asset Owner's Diversity Charter. The Asset Owner Diversity Charter (AODC) was formed with an objective to formalise a set of actions that asset owners can commit to improve diversity, in all forms, across the investment industry. Improving diversity, transparency and considerations within our asset managers can lead to stronger governance as it fosters better decision-making, innovation, and risk management. Diverse teams can bring a wider range of perspectives, skills, and experiences, which can lead to more comprehensive problem-solving and a greater ability to adapt to changing market conditions. The Trustee has embedded diversity, equity and inclusion engagement and monitoring into their annual oversight questionnaires and meetings with managers. Of our 11 underlying and managers, only four have previously completed the Asset Manager Diversity and Inclusion Questionnaire. Over the next year, we will be working with our remaining managers to complete the questionnaire, which aims to standardise complex diversity metrics beyond just gender to improve on disclosures. The questionnaire results will be available to other asset owners and feed into a progress report to inform engagement on improving diversity and inclusion.

The Trustee supports and participates in various external initiatives and reporting requirements, including:

- Principles for Responsible Investment (PRI)
- Financial Stability Board’s Task Force on Climate-related Financial Disclosure (TCFD)
- Institutional Investors’ Group on Climate Change (IIGCC)
- ShareAction
- Climate Action 100+
- Nature Action 100

Our Trustee, with input from the Investment Sub-Committee, the Director of Investment Proposition and the investment team at Smart Pension, as well as the Trustee’s independent investment adviser where appropriate, is responsible for the selection and monitoring of fund managers. The Trustee (directly or via the ISC) also meets investment managers on a rolling basis, with a focus on stewardship and ESG, to ensure they are acting in line with their policies and our beliefs.

Our Trustee Board is made up of experts of varying backgrounds and industry experience. A mix of ages, gender and race is represented within the Board, bringing knowledge gained from leading global advisory firms, pension scheme management, investment firms and specialisms in customer experience and digital products. The Trustee has a policy on equality, diversity and inclusion and welcomes and encourages diversity without discrimination, and wants to work with suppliers and providers who support this within their business and reflect it in their actions. As part of our process to appoint providers we have introduced a new factor of consideration, cultural fit, of which equality, diversity and inclusion forms a part.

Our Trustee Board aims for interactions and communications with members to be accessible and relatable to our diverse membership, and is therefore active in reviewing and considering member communication initiatives to support this goal. Feedback is welcomed and in the small number of complaints received they offer an opportunity to gain insight into any possible areas for improvement in communications, processes or Trustee policies.

Our current Trustee Directors are as follows:



Andy Cheseldine (Capital Cranfield – Chair of the Board of Trustees – Joined 2017)

Andy is renowned for his deep knowledge and wealth of expertise in the pensions industry and has accrued more than 35 years of experience in consulting on Defined Benefit and Defined Contribution arrangements. Andy Cheseldine joined the board in 2017. He's been named as one of the top 25 most influential investment consultants in the past five years – a testament to his reputation. Andy has written an [article](#) on why it's important to have a diverse trustee board.

David Brown (Independent – Trustee Director – Joined 2018)

David joined the Smart Pension Master Trust Board in October 2018. He is a Fully Accredited Professional Pension Trustee with a range of Board appointments. David has over 35 years' experience worldwide in the pension and investment industry, working as an operator and consultant. He has worked for two of the Big Four consulting firms and was the UK and ROI Pensions and Payroll Manager for Tesco.

David is a Fellow of the Pensions Management Institute and Associate of the Chartered Insurance Institute. He is passionate about ESG and addressing the risks and opportunities arising from Climate Change. He holds the CFA Certificates in ESG Investing (2021) and Impact Investing (2024).



Anna Darnley (Independent – Trustee Director – Joined 2019)

Before joining the Trustee Board in September 2019, Anna was a trustee of the Accenture Retirement Savings Plan (UK). She previously worked as a digital strategy consultant with Oliver Wyman specialising in the design, build and launch of digital banks and retail investment apps in East Asia. She currently works as a Senior Product Manager for a leading payments app.

Anna brings this technological expertise to the Board, along with her passion for great member communications and re-engaging scheme members. In 2019, she was recognised as Trustee of the Year at the Professional Pensions Rising Star Awards.

Nikesh Patel (Independent – Trustee Director – Joined 2021)

Nikesh Patel joined the board in 2021 and chairs our investment sub-committee. He has nearly two decades of experience in consulting trustees and employers on defined benefit (DB) and defined contribution (DC) pension schemes on all investment matters, including as an award-winning Chief Investment Officer for his role in managing the assets for a number of pension funds in the UK. He has a keen interest in responsible investment, alongside a deep expertise in both public and private markets. He is an actuary by training and is also a trustee director of the Church of England Pensions Board.



Kim Gubler (Independent – Trustee Director – Joined 2024)

Kim Gubler has over 30 years' experience in the pension industry, including as a founding director of the Pensions Administration Standards Association (PASA) and has been its Chair since 2019. She is a Fellow of the Pensions Management Institute (PMI) and the Pensions Advisory Service. Kims sits on the Pension Dashboards Programme Advisory Group and DWP's Default Consolidator Delivery Group and is the PMI's Principal Examiner for Professionalism and Governance.

Paul Bucksey (Affiliated – Trustee Director – Joined 2025)

Paul joined the Smart Pension Master Trust Board in June 2025. He is passionate about helping individuals build wealth via the workplace and has spent more than 20 years working for some of the UK's leading workplace pension providers. Prior to joining the Board, up until December 2024, he served as Chief Investment Officer of the Smart Pension Master Trust, where he also chaired the Scheme Strategist. Before his time at Smart Pension, Paul was Managing Director at BlackRock and later Aegon, where he led their UK defined contribution workplace pension scheme. He is also an independent member of the Prudential Independent Governance Committee.



Our diverse Trustee Board and committees provide rigorous oversight and accountability for effective stewardship. We recognise that any governance structure can continue to be improved, which is why we monitor the effectiveness of our Trustee Board and governance processes through formal board effectiveness reviews and by promoting Trustee development with training and knowledge checks. Raj Mody joined the Smart Pension Master Trust Board after this reporting period, on 1st July.

Over the Scheme year to 30 June 2025, the Trustee received training on private markets, carried out by Hymans Robertson, cyber security, value for members, pension schemes scams and sharia investment principles. On an annual basis a review against a skills matrix is undertaken, and a plan agreed with regard to training over the year. A reading room is also available where relevant industry publications and surveys are stored to support trustee learning.

Smart Governance Limited provides the Trustee with supportive Smart Pension teams. Within the internal Smart Pension teams there is significant experience within the pension industry as well as diversity of knowledge and backgrounds. We recognise the importance of stewardship and ESG considerations as integral to our corporate values and long-term sustainability, in addition to being significantly important to our members' outcomes. These considerations are therefore embedded into our objective setting and annual performance management process, where pertinent to the individual's role for Smart Pension and, more broadly, with corporate alignment. Key performance indicators (KPIs) include targets related to sustainability practices, commitments made by Smart Pension and interim targets, as well as community engagement and ethical conduct. While there is no separate reward programme that can be tied to stewardship and ESG, employees who demonstrate exceptional performance and make notable contributions to these areas are recognised during performance reviews.

Our internal teams support the effective stewardship of assets and processes by working with the Trustee. We assess the effectiveness of our structure and teams on an ongoing basis and remain content with the current structure. Members of these teams have varying skills, experiences, qualifications, and diversity and are continually available for input into stewardship topics and issues arising.

Governance and compliance team

Ian Digby, Director of Policy and Regulation

Ian is responsible for the compliance of the UK master trust proposition ensuring this continues to evolve in a fast changing regulatory landscape. Ian is also Smart UK's Policy Lead. Ian previously worked as an Industry Liaison Manager with The Pensions Regulator and has held senior client relationship roles and regulated advisory roles with employee benefit consultants. He holds the Advanced Financial Planning Certificate and the Certificate in Pension Trusteeship.

Rob Boston, Secretary to the Trustee

Rob is responsible for working with the trustee board to ensure an effective governance structure is in place. Rob has over 25 years in the pensions industry previously providing Governance and Secretarial support to the Crystal Trust and at Lane Clark and Peacock and has held a variety of Secretarial roles including at Tate & Lyle and Northern Trust.

Katie Court, Head of Governance

Katie provides support to the trustee board to ensure high levels of governance and compliance are maintained. Katie is also a main point of contact for The Pensions Regulator in respect of supervisory requirements. Katie has over 18 years' experience within the pensions industry, with exposure to all aspects of pensions administration, consultancy and trustee services across DB, DC and master trust arrangements.

Naj Al-Mussawi, Pensions Compliance Lead

Naj works with David to ensure compliance with relevant legislation and guidance is met and to ensure good customer outcomes. Naj previously worked at The Pensions Regulator as a Case Manager within Automatic Enrolment for seven years, working with various stakeholders and ensuring employers implemented AE correctly. Naj and David are asked to input into Trustee policies and processes as required.

David Marner, Head of Compliance

David ensures the Scheme's compliance with relevant legislation and regulation. David has over 30 years experience within the financial service sector, most latterly in senior governance and oversight roles with large regulated organisations. David's experience brings valuable compliance oversight, recognising the growing scale of the Scheme and the increasing focus delivering the right outcomes for our customers.

Investment team

James Lawrence, CFA, Director of Investment Proposition

James leads the development of the Smart Pension Master Trust's investment strategy. This includes designing and overseeing the investments offered to members, to drive strong outcomes in retirement. James previously worked at Mercer for nine years including as lead investment strategist for the UK DC delegated investment business. James' experience brings important market and technical knowledge and expertise to the Scheme.

Fiona Smith, CFA, Head of Responsible Investment

Fiona is responsible for developing the investment strategy and responsible investing approach. Fiona previously worked at Mercer in DC investment consulting for seven years, working with large institutional pension schemes. Fiona received the CFA Certificate in ESG Investing in 2021 and participates in groups relating to ESG and stewardship.

Grifin Davian, Investment Analyst

Grifin supports the team in building, delivering and overseeing the investment strategy of the Smart Pension Master Trust. He aims to develop the internal capabilities of the investment team, including helping to build analytical tools and processes for the day-to-day running of the investment strategy. Grifin is studying for the CFA qualification.

Legal team

While the legal team is not included in the day-to-day management of the Scheme, they offer guidance to the Trustee and Sub-committees as needed and are available to discuss specific areas, for example, conflicts.

Carly Kisanga, Head of Legal, Pensions

Carly is a corporate lawyer with more than 16 years' experience. She oversees the Pensions Legal team and assists with master trust acquisitions. Carly previously worked for Linklaters LLP advising trustees and employers on all aspects of defined benefit and defined contribution schemes, including investments, litigation and taxation.

Kim Copland, Pensions Lawyer

Kim is a pensions lawyer with more than eight years experience and previously worked for Hogan Lovells. Kim focuses on technical queries related to members, employers and transfers into the Scheme.

Our Trustee has a Conflicts of Interest Policy [available online](#). This policy covers Trustee conflicts as well as conflicts with the Trustee's advisers and aims to make sure that priority is placed on covering the interests of clients and beneficiaries. Decisions about voting and engagement activities are agreed by the Trustee, with input from their investment adviser, in-house Smart governance and investment teams. Influence from other areas of Smart Pension Limited, such as those responsible for client relationships and client acquisition, is not permitted. Any potential conflicts arising will be communicated to the Scheme Secretary and the Trustee Board. The Trustee will regularly review this policy and any conflicts, as they arise. There were no new conflicts of interest noted over the Scheme year. We publish voting and engagement records and activities on our website each year, in our implementation statement.

To help identify and potentially manage conflicts of interest, the following actions were taken during the Scheme year:

- 1.** Regular training keeps Trustee Directors informed on various topics, including potential conflicts of interest related to stewardship. No new conflicts were noted this year. A conflicts register details other appointments and declared conflicts of advisers/providers.
- 2.** Required disclosures: at the start of each Trustee or sub-committee meeting, the trustees are asked to disclose any new conflicts of interest or any conflicts relating to any agenda item to be discussed at the meeting.
- 3.** Annual manager monitoring: as part of our manager monitoring oversight, external managers across all our asset classes were asked to provide details on voting and/or engagement activities during the Scheme year and flag any issues arising. Given the pooled nature of our investments, the review and engagement with external investment managers is key to determining conflicts or issues arising. More details on our manager oversight process is described later in this document.

The legislative requirement is for the majority of the Trustee directors (including the Chair) to be non-affiliated. Non-affiliated means that the director is not a director, manager, partner or employee of Smart or any other undertakings which provide advisory, administration, investment or other services in respect of the Scheme (a service provider), and has not been for the last five years, receives no payment or other benefit from a service provider other than a payment in respect of their role as a Trustee director, and that the person's obligations to the service provider do not conflict with their obligations as a Trustee director and, if there were to be a conflict, that their obligations as a Trustee director will take priority.

During the Scheme Year the majority of the directors were non-affiliated. To maintain the independence of the Trustee board, it is the intention that a majority of directors will continue to be non-affiliated (subject to any re-appointment processes).

The legislation requires a non-affiliated Trustee Director to be appointed by an open and transparent process. The appointment of any new Trustee would follow a rigorous recruitment process, including adverts for the vacancy, for example, in the pensions trade press and/or on LinkedIn to assist in the selection of candidates, and interviews with members of the Trustee board and the Scheme Funder (or their delegate). One new Trustee Director was appointed in the period, Paul Bucksey, and due to Paul's previous employment at Smart Pension, he is considered an affiliated Trustee.

Case study:

Appointment of an affiliated Trustee Director

In respect of Paul's appointment, a recruitment exercise was run during the Scheme Year which included placing an open advert in Pension Careers. The advert explicitly indicated Trustees with strong knowledge and experience of Defined Contribution investments, ESG, climate and nature and DE&I. In line with the Appointment of Trustee Directors Policy, the Funder, Smart Pension reviewed the applications received and agreed on a final short-list of suitable candidates for interview, which was shared with the Trustee (with the exception of the incumbent, Nikesh Patel). The short-listed candidates were interviewed by Smart's Director of Policy and Regulation, Smart's Head of Governance and Trustee Director David Brown.

It is important to note that due to Paul's affiliation with Smart, a number of additional questions were asked during his interview in order to receive comfort in the event he was offered the role. (e.g. 'how difficult would it be for you to challenge the business from the members' perspective?') It was felt Paul was able to provide encouraging, cognisant responses to the additional questions which gave the interviewing committee and subsequently the Trustee, every confidence in his ability to enforce the clear separation of the roles.

A summary of the interviews was shared with the Trustee and after focussing on the skills and experience of the individuals appropriate for the advertised role (alongside those of the existing Trustee where applicable) the Trustee agreed unanimously to reappoint Nikesh Patel due to the strong skillset and gravitas he continues to bring to the Board, and also appoint a new Trustee Director, Paul Bucksey, to strengthen the Board given the extensive amount of new regulation on the horizon.

Strategy

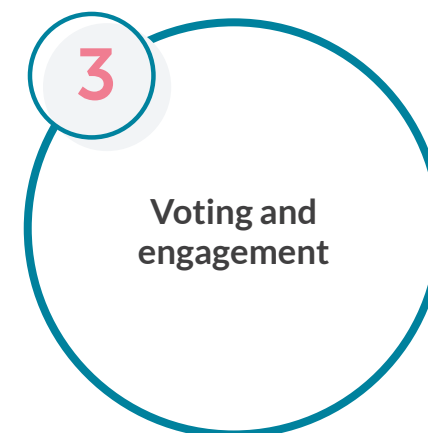
To ensure that investment and related stewardship risks are mitigated and suitably governed, engagement and behavioural change are encouraged, we have taken the following approach.



We consider financial, including ESG, risks and their effect on return into our investment strategies. These are incorporated into the objectives we set for the Trustee's independent investment adviser and our investment policies which set our expectations for our fund managers. Voting and engagement is considered a significant tool in improving ESG practices at companies, as set out in the previous section. However, the Trustee does implement some exclusions when investing, which addresses the "worst of the worst" ESG performers.



We consider investment opportunities when developing strategies and making new allocations. We aim to allocate to specific impact investments covering a range of ESG themes and we have a target to maintain an investment of at least 10% of our default growth fund into climate solutions. Our impact allocations are 3% to the AXA Biodiversity Fund and 10% to the Mirova Global Green Bond Fund, while investments in climate solutions are across all the funds. In particular, the Mirova Global Green Bond Fund allocates c. 60% to climate solutions. In addition, we are exploring allocations to renewable infrastructure and private equity, to increase the return potential for our members. The private equity will consider investments in technologies and products which can have a positive impact on healthy food, sustainable agriculture, blue economy and clean energies.



We share our policies covering responsible investing, climate change, and voting and engagement with our current and new fund managers, with the expectation that they will adhere to our beliefs when carrying out the day-to-day investment of the Scheme's assets. We assess this annually and our Voting and Engagement Policy addresses ESG factors, our areas of interest and our strategy with our fund managers to ensure effective stewardship is carried out.

Exclusions

Some exclusions are implemented when investing for companies operating in industries or with practices which have inherently negative environmental or social outcomes and poor governance policies. Our managers take this into account in line with their own responsible investing policies or fund guidelines, therefore some of our funds may have additional selective exclusions on top of those listed here. The funds we select still focus on engagement as a first priority, in order to have the greatest long term impact and maintain diversification throughout our investments.

In terms of reducing our negative impact by removing the worst offending companies, the Trustee seeks to minimise financially material risks to protect long-term returns by excluding companies that:

- are involved in the manufacturing of controversial weapons (chemical weapons, biological weapons, nuclear weapons, anti-personnel mines and cluster munitions) as defined by the United Nations;
- derive the majority of their revenues from coal mining. Not only does coal put out the most carbon dioxide per unit of energy versus other fossil fuels, it also has dangerous working conditions, it causes mercury pollution, acid rain and can pollute nearby water with sediments and chemicals. Therefore we do not see the stewardship benefits, as seen in other fossil fuel companies; and
- violate the United Nations Global Compact standards on human rights, labour, the environment and corruption.

The Trustee will also seek to invest with external managers who:

- offer investment strategies which are aligned with our investment beliefs set out in our policies and our net zero target;
- have a policy in place to cease the financing of fossil fuel expansion; and
- are committed to improving their climate and nature footprints including taking action to remove commodity-driven deforestation in their investments.

Voting process and engagement process

Voting and engagement is our preferred way of improving ESG practices at companies. We require our fund managers to be active stewards of our investments, which means voting on all company resolutions in the best interests of our members and driving sustainable best practice. In this section, we have summarised our voting and engagement processes and those of our external managers.

The majority of our listed equity allocation in the default growth fund is managed by investment managers using our own voting policy via Minerva. This is 70% of the fund managed by AMX-DWS and JPM Mansart. The remaining listed equity allocation in the default growth fund uses proxy voting to carry out the votes on our behalf via JPMAM, and AXA IM. LGIM and HSBC are other managers in our self-select fund range, while Wahed (aka Halal Workplace Savings), Mercer Workplace Savings and Schroders are used as part of third party arrangements as fiduciary managers. Voting is not applicable to our fixed income allocations managed by Clearlake Credit and Mirova.

The internal investments team has an ongoing open dialogue with investment managers to monitor their stewardship activities and the ISC formally reviews these policies and their outcomes at least on a rolling annual basis. This forms a key part of oversight of all managers, and examples such as these are discussed with managers when the ISC meets them. The ISC aims to actively encourage the fund managers to engage with key stakeholders (which may include corporate management, regulators and governance bodies) in order to improve corporate behaviours and performance and mitigate financial risks.

Our Statement of Investment Principles, Responsible Investment, Climate and Nature and Voting and Engagement policies set out the Trustee's beliefs and principles in relation to investments held in the Scheme. These are available online and we have shared these with our investment managers as an expression of wish. In our Responsible Investment policy, we set out expectations for managers to be, or working towards becoming, signatories of the UN Principles for Responsible Investment and the UK Stewardship Code. While we also expect managers to use collaborative engagements where suitable, we do not specify which initiatives or organisations they should use.

At Scheme year end, the default growth fund had equities exposure across four managers; 50% allocated to the Smart Pension Net Zero Pathway Custom Equity Index Fund, 20% to the AMX-DWS Global Low Carbon Stewardship Fund, 7% to the J.P. Morgan Asset Management ("JPMAM") Climate Transition Global Equity Fund and 3% to AXA Investment Management Biodiversity Fund. The default growth fund also had 10% allocated to Mirova Global Green Bond Fund and 10% to the MV Dual Credit Fund, managed by Clearlake Credit. MV Credit was acquired by Clearlake in May 2025.

Over the reporting period, the Scheme had split voting in place for 70% of the default growth fund (80% is allocated to equities). The remaining 10% allocation with voting rights used pooled funds and this was delegated to the external managers selected. The Trustee expects that the fund managers will have members' financial interests as a priority when choosing investments. Fund managers across all our asset classes (equity, bonds and private credit) are expected to:

- Integrate their responsible investment policies into their investment process;
- Be, or be working towards being, signatories of the UN Principles for Responsible Investment and the UK Stewardship Code or equivalent;
- Have net zero ambitions that are aligned, or will be aligned, with our own net zero ambitions; and
- Have engagement strategies that are aligned with reducing the negative environmental and social impact of their activities and enhancing the positive effects.

We do not set a requirement for our investment managers to use collaborative engagement to influence issuers. However, we do consider the key groups or initiatives managers are aligned to/members of, when selecting and monitoring our managers. In particular, engagements with issuers are considered within our bond and private credit allocations, where voting is not applicable.

The Trustee's own voting guidelines apply to the AMX-DWS Global Low Carbon Stewardship Fund, managed by AMX-DWS and the Smart Pension Net Zero Pathway Custom Equity Index Fund, managed by JPM Mansart. Recommendations are carried out by Minerva based on Smart Pension's guidelines. In addition, engagements in the AMX-DWS Fund are carried out by Engagement International in line with this policy. Minerva employs a voting framework that encompasses materiality, directive, and company assessments. This framework is used to determine how votes are cast, particularly when a topic is specialised and not explicitly covered by a specific guideline within the Trustee's own policy.

J.P. Morgan Mansart ("JP Morgan") is a specialist asset management business focusing on derivative based solutions and manages our equity swap. Smart Pension undertakes monthly monitoring and quarterly reporting to the ISC of the risks being monitored by Smart Pension, Mobius Life ("Mobius") and J.P. Morgan on the Smart Pension Net Zero Pathway Custom Equity Index Fund.

Smart Pension Net Zero Pathway Custom Equity Index Fund ESG summary, June 2025

Smart Pension Net Zero Pathway Custom Equity Index Fund ESG summary, June 2025	
Exclusions	No issues, excluded in line with index
Stewardship (voting and engagement)	Trustee's voting policy is in place for the companies held in the basket strategy and Mansart did not carry out engagements during the Scheme year. These investments change frequently - see "Turnover". We continue to monitor the companies held in the equity basket for longer periods to assess the possibility of engagement.
Carbon footprinting	Economic exposure of the swap calculated in line with index
Turnover	Reasonable level of turnover during the period since inception, with c. 64% turnover on a quarterly basis. We do not have any significant concerns, and continue to assess this monthly.

AXA IM's voting and engagement policy, based on three principles (no abstention, management support, and engagement), includes a "Three Strikes and You're Out Policy" for climate laggards. They use proxy voting and shareholder engagement, believing that company management, directors, and investors are crucial for healthy financial markets and efficient capital allocation, concerning the rights and responsibilities of corporate stakeholders. AXA IM's voting policy aligns with their ESG and sustainability beliefs. As a Proxinvest Steering Committee member, AXA IM assists institutional investors with global asset portfolios in navigating Europe's regulatory diversity by offering corporate governance research and proxy voting advice based on local market expertise. This can make consistent proxy voting or corporate governance engagement challenging for global investors.

J.P. Morgan Asset Management ("JPMAM") monitors corporate actions and may use an independent proxy voting service to assist investment professionals. This service helps with proxy material processing, provides analysis and recommendations based on JPMAM guidelines or its own analysis, and executes votes unless overridden by JPMAM. JPMAM Proxy Committees, comprising members from Investment, Legal, Compliance, and Risk Management, oversee this process quarterly or more frequently. The Global Head of Investment Stewardship ensures global governance, including proxy voting, aligns with regulations and best practices. JPMAM's engagement model is built on four principles of intentionality, materiality, additionality and transparency. However, their voting has not always been in line with Smart Pension's views - see section 4 'voting and engagement' for details. This fund's allocation was reduced from 20% to 7% over the Scheme year.

Mirova's approach includes direct engagement and advocacy actions to structure and develop sustainable finance. Dialogue with national and international regulators, as well as with various professional organisations, promotes the emergence of specific regulations and standards that promote sustainable finance. Mirova is a member of the NZAMI and various other engagement initiatives including Finance for Biodiversity Pledge, Ceres, Global Impact Investing Network, Act4Nature and the Alliance for the Preservation of Tropical Forests.

The Clearlake Dual Credit Fund, is a blended manager fund with a strategic asset allocation target of private credit 60% and corporate bonds 40% to allow for daily liquidity in the fund. The actual asset allocation as at June 2025 was 52% and 48% respectively. Clearlake Credit provides the exposure to private credit, while Loomis Sayles invests the corporate bond allocation. The previous MV Credit team managing the portfolio remains the same, after the Clearlake acquisition. The team focuses its efforts on pre-investment ESG due diligence assessment and engagement with sponsors and the management of prospective borrower companies during the life of the investment. The ISC and internal Smart Pension team met with MV Credit and Clearlake in November 2024, prior to the acquisition, to discuss the acquisition in depth and the potential impact on the strategy and team.

Clearlake Credit have confirmed they will remain a signatory to the UN Principles for Responsible Investing and continue to be part of the Responsible Investment Working Group for AIMA (Alternative Investment Management Association) in line with MV Credit's previous signatories. Furthermore, in 2025 they became a member of ESG Data Convergence Initiative (EDCI), a global partnership of private markets stakeholders committed to streamlining the industry's historically fragmented approach to collecting and reporting ESG data. In 2023, Clearlake became a recognised supporter of the ESG Integrated Disclosure Project (IDP). The ESG IDP is an industry initiative bringing together leading lenders in the private credit and syndicated loan markets to improve transparency and accountability. However, following the acquisition of MV Credit, it was decided to cancel the membership to the European Leveraged Finance Association (ELFA), effective from September 2025. Loomis Sayles uses direct engagement to promote transparency, raise awareness of risks and opportunities and may also engage collectively with an issuer with a view to protecting and enhancing shareholder or bondholder rights, which can be affected by ESG-related matters, such as contract enforcement or questionable behaviour by management that could negatively impact investors. We are exploring allocating solely to Clearlake as a private credit allocation of 5%, without the public credit managed by Loomis Sayles. The project is in the early stages and will focus on potential benefits for members and improving the ESG and stewardship capabilities on the private credit allocation. This is part of a wider private markets project, where we are planning allocations to renewable infrastructure and private equity in 2025/6.

LGIM utilizes ISS ProxyExchange for electronic voting, employing a custom policy, including its Climate Impact Pledge. LGIM selectively lends overseas equities under strict conditions (counterparty credit rating, collateral quality/extent), limiting lending to 50% of fund assets and 10% per counterparty. Stock can be recalled, and borrowers cannot vote on loaned stock. LGIM avoids lending UK stocks due to scrip dividend and voting right loss. Citibank manages the securities lending program within LGIM's risk parameters. HSBC Asset Management is also used within the self-select fund range to manage our Sharia fund and uses ISS for vote instruction and proxy research firms for custom recommendations.

Third-party fiduciary arrangements

Over the Scheme year, we also had in place third-party fiduciary arrangements with three different managers; Schroders, Mercer Workplace Savings (MWS) and Wahed. These third-party fiduciary managers are included in the Trustee's annual monitoring of stewardship approach and wider investment strategy.

Schroders applies their voting policy and guidelines (outlined in their Environmental, Social and Governance Policy) to each agenda item. They will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting and engage with companies throughout the year. Schroders also use ISS for the processing of all proxy votes in all markets. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition to ISS's Benchmark research. ISS automatically votes all holdings of which Schroders has less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. Schroders represented 1.23% of total Scheme assets as at the Scheme year end.

MWS use the voting policies of their underlying investment managers and set out expectations and their engagement and review process for these managers. MWS has agreed on a number of themes as the focus of their voting and engagement activities; climate change, biodiversity and natural capital, human rights and labour practices and diversity, equity and inclusion. They will engage with their investment managers regarding these priorities and receive voting and engagement data quarterly, along with excluded activities annually. The Mercer section represented 0.01% of total Scheme assets as at the Scheme year end.

Wahed provides discretionary investment management services and provides discretion whether or not to exercise any voting rights attached to investment, in line with their conflicts of interest policy. Wahed has Proxy Voting Guidelines which will be applied with a measure of flexibility, if it is determined that such action is in the best interests of the Funds. Wahed represented less than 0.01% of total Scheme assets as at the Scheme year end.

Oversight

Over the Scheme year, questionnaires were sent out to our investment managers to help the Trustee to determine whether they are meeting the Trustee's policies and objectives in their stewardship activities and day-to-day management of assets. Investment managers completed these questionnaires for ISC meetings in September 2024 (Mirova, MV Credit - now Clearlake Credit), November 2024 (LGIM, JPMAM), March 2025 (Mercer, J.P. Morgan Mansart, Mobius - platform), June 2025 (AXA, Schroders, Wahed). In addition, the ISC met with our platform provider Mobius Life and sent an oversight questionnaire, in August 2024.

The ISC meets with these managers annually and discusses stewardship activities. The annual meetings are set over a calendar year, rather than Scheme year, therefore the ISC is due to meet with remaining managers DWS and HSBC in November 2025. Currently, all our investment managers are signatories to the UN Principles for Responsible Investment and the UK Stewardship Code, with the exception of our private credit manager, Clearlake Credit, and our equity swap manager J.P. Morgan Mansart. Clearlake Credit generally supports the objectives that underlie the Code but is currently reviewing the provisions of the Code and their reporting requirements in light of the acquisition.

A graphic of a spiral-bound notebook with a white page and a dark blue cover. The page is filled with horizontal bars of various colors (grey, cyan, red, teal, orange, green) and lengths, representing a list or data. The spiral binding is on the left side.

Case study:

Manager questionnaires

As part of the rolling annual oversight programme, this year we included questions on defence and asked for details on any active or passive stance our investment managers are taking. In particular, some of the technology companies invested in can be indirectly linked to the defence sectors as they provide enterprise software solutions which can be used in military activity.

AXA IM recognised that amid growing geopolitical challenges, enhancing European strategic autonomy, particularly in defence, is crucial for the sustainability of democracies. Their approach acknowledges that a strong public-private partnership is needed to channel capital into European companies, thereby strengthening the defence industry while driving innovation, growth, and competitiveness across the region, as a robust defence industry reduces Europe's vulnerabilities and reinforces its independence. This stance is taken into account by adhering to controversial weapons policy that covers primarily weapons banned by international treaties and applies widely across AXA IM portfolios, in addition to applying a filter on white phosphorus weapons to funds which integrate ESG. Potential investments case-by-case to ensure responsible business practices and alignment with ESG standards, stringent ESG criteria, and sustainable practices. Furthermore, AXA IM engages with defence companies to promote transparency and accountability, reflecting fiduciary duty to uphold responsible practices while fostering industry growth. For the Biodiversity Fund and the People and Planet Fund specifically, invested in by Smart Pension members, some investee companies provide software or services to companies in the Aerospace & Defense sector; this typically accounts for a small portion of their revenues (less than 5%) and does not prevent their eligibility in the fund, as long as they are not involved in activities for which our exclusion rules exist. Smart Pension's other investments also have exclusions on controversial weapons and ESG filters which meant no pure play defence companies were invested in during the Scheme year, however, there could still be indirect links for a small proportion of revenues, as described above. Our portfolio, across managers, has a less than 10% threshold of revenues from military weapons.

Prior to engaging with managers, we take a view on the investment managers' abilities to exercise responsible investment insight. Where our managers offer passive investment funds and we realise there is a limited ability for it to influence through security selection, but there is a clear ability to influence through voting and direct engagement with the underlying companies. Smart Pension's investments team carries out assessments on the level of engagement from the investment managers, the quality of their responses and priorities for future engagements. The Investment Sub-Committee reviews these responses and the assessments and agrees to the priority areas and any additional engagement activity required. The Trustee, via the in-house investments team and the ISC undertakes an assessment of all voting activity (for the listed equity managers), covering votes in the priority areas for the default growth fund as follows:

- The top five holdings of each underlying fund;
- Material climate impacting sectors, as set out by the Paris Agreement Capital Transition Assessment (power, coal mining, oil and gas upstream sectors, auto manufacturing, cement, steel and aviation) and taking action to remove commodity-driven deforestation;
- Votes that are highlighted by ShareAction, on a case by case basis;
- Where managers voted in different ways or where a manager's vote could have influenced the overall outcome of the vote.

If equity managers have not voted as expected, they are asked to explain the reasons for their actions, and this would be escalated if the response is not satisfactory. If the further response to this is not seen as satisfactory, this could lead to a review of the allocation.

A graphic of a spiral-bound notebook with a white page and a dark blue cover. The page is filled with horizontal bars of various colors (grey, cyan, red, teal, orange, green) and lengths, representing text that has been redacted. The spiral binding is visible at the top left.

Case study: JPMAM misaligned voting

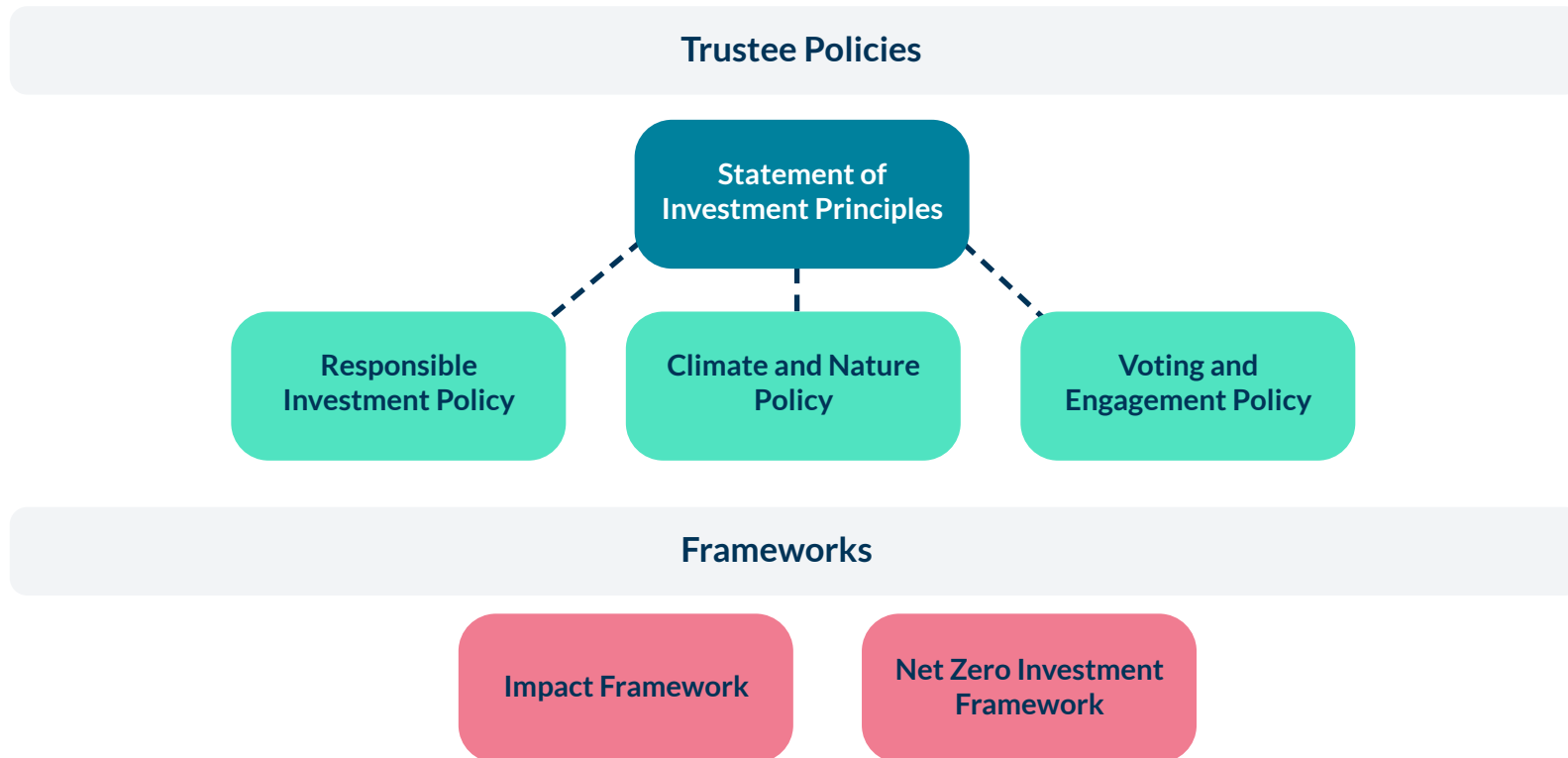
At the end of 2024, the ISC via the Smart Pension investments team engaged with JPMAM on their recent voting, raising a concern that the votes cast didn't align with the fund's engagement focus and climate transition strategy. Analysis of voting over the previous period showed JPMAM voted 'against' in cases where peers and ShareAction's recommendations went 'in favour'.

JPMAM responded that they were voting solely in the best long-term interests of its clients and not for other objectives. In many cases, successfully managing climate change and social risks is important for the future success of the company and resolutions around it merit our in-depth attention. JPMAM were concerned with the increase in the overall number of resolutions being filed, but also an increase in shareholder proposals that were of poor quality and often overly prescriptive, dictating specific actions by the company and/or not tailored to the company's specific risks. They believe that similar resolutions asking energy companies to set absolute Scope 3 emissions targets or to voluntarily cease oil and gas production which would lead to unintended consequences and do not reflect a complete understanding of the energy system. JPMAM expressed concern that preventions could transfer activities to other public companies or to privately owned or state-owned enterprises that may have a poorer track record of environmental stewardship.

This remains misaligned with the Trustee's beliefs to encourage transparency and make progress towards a net zero transition. The 2025 voting season showed that JPMAM voting remains misaligned with the Trustee's policies and the allocation is currently under review.

3

Investment decisions



The Trustee's investment beliefs are set out in their Statement of Investment Principles and their wider policies, such as their voting and engagement policies, provide additional details on these areas. The Trustee also has internal frameworks for their net zero targets and development of impact investing allocations. 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. All the Trustee's policies are reviewed annually to ensure they remain up to date and incorporate the Trustee's latest beliefs on investment approach and stewardship. The policies are reviewed by the internal investments team, then presented to by the Investment Sub-Committee and finally approved by the Trustee Board. Their policies are available to members on our Smart Pension website.

As a master trust, our purpose is to deliver strong retirement outcomes for our members. The investment strategy forms a critical part of this, alongside contributions. Given the importance of the investment strategy in delivering returns, stewardship is in turn key in helping to ultimately build and invest in companies which will provide these returns over the longer term while doing no harm to people and the planet or even creating a positive outcome. Robust stewardship helps to ensure that managers, and the companies invested in, are on the right track. We are working towards building for a future that our members will be happy to retire into.

To address market-wide and systemic risks and ensure well-functioning markets, we:

- Have a dynamic Trustee risk register in place, with the key risks for the Scheme, which is reviewed at least annually and discussed at each quarterly meeting;
- Discuss ongoing risks to the portfolios regularly at Trustee and Investment Sub-committee meetings. These include shorter-term risks, such as specific political uncertainty, as well as medium to longer-term risks, such as stranded assets and climate change;
- Regularly request details from our managers on the risks they are seeing, and how they are managing them, as part of our oversight process;
- Have invested in a specific biodiversity strategy as we see this as a systemic risk to both natural and financial systems;
- Understand how universal ownership feeds into our portfolios, to ensure we have visibility on systemic risks, rather than moving the problem elsewhere;
- Regularly request details from our managers on how they are most effectively allocating capital and trading efficiently; and
- Select managers based on their risk management processes and controls, in line with PRI due diligence questionnaires, as well as their ability to execute efficiently and form part of a well functioning market. This forms a key part of the advice and research we receive from our investment adviser, Hymans Robertson.

We believe that the above process remains effective in addressing the risks identified as well as reviewing ongoing stewardship activities that are associated with the Scheme's investments. Our online, dynamic risk register has discussion areas which allows exchange of messages in respect of each individual risk, and the register can be updated in real time. It contains a robust controls listing and assessment of key Trustee risks, subject to regular review and supported by deep dive exercises of specific risks. A change log records every update to the register and this is shared regularly with the Trustee. The heatmap is another powerful tool for the Trustee to see risks. We will continue to explore new ways of managing risks, including being more proactive where possible, such as in evolving geopolitical issues. Similarly, from an efficient market perspective, we believe that we are active in allocating capital to geographies and companies, via investment managers, where there is a risk and return benefit from doing so. We have chosen to use selected levels of active management in particular as we believe that they can efficiently allocate capital on our behalf.

Related risks considered over the Scheme year include:



The Trustee fails to engage with ESG requirements, climate change considerations, or own a stated policy.

This risk continues to be ongoing with the consequences that the Trustee holds assets which do not comply with policy or market sentiment and finds itself in 'stranded assets' or inappropriate assets such as oil and gas, investment managers do not implement and follow their own responsible investment and stewardship policies, as well as the reputational and regulatory consequences of not adhering to the Trustee's policies.

To manage this risk, external managers are requested to complete a rolling annual questionnaire and meet with the ISC annually, which helps to assess the effectiveness of stewardship activities. The questionnaire asks a number of stewardship-related questions including stewardship priorities and commitments, changes within stewardship teams, split voting development, details of any strengthened voting priorities on climate and social issues. Managers are asked to share their latest policies, including progress towards net zero. Following the responses to these questionnaires will set our priorities for engagement with the managers going forward. Hymans Robertson also reviews the responses and attends these meetings to provide assurances and suggestions.

Case study: Equity allocation review

Over the Scheme year, the Trustee has increased its allocation to a bespoke index where split voting can be applied, in line with our current split voting policy in place with AMX-DWS via Minerva. This now applies to 70% of the default growth fund, compared to 20% at the end of the last Scheme year. By the end of the next Scheme year, this will apply to all of the passive listed equities within the default growth fund.





Members' fund values drop suddenly and significantly as markets are volatile and uncertain.

Global market volatility was evident in 2025, influenced by geopolitical tensions, trade policies, and recession concerns. Frequent market changes have made the volatility apparent on a day-to-day basis, and the market continues to be under some stress. Short-term fluctuations can reflect immediate reactions to political announcements, such as US President Trump's tariff announcements and global retaliations. The Scheme's default investment option diversifies across different investments, as well as increasing its allocation to investments known to be less risky as a member approaches retirement. Members are also encouraged to check that their investment choices reflect their goals, and the Scheme's investment guide sets out the individual funds and asset class options for members, which have different levels of risk and potential returns.



Case study:

Member article

Smart Pension updated their members' **volatility article** and created a **new explainer video** covering what market volatility means for pension savings. The aim was to ensure our members feel reassured during times of volatility and demonstrate that we're considerate in our approach to managing their long-term investment.

There are a number of ways we engage with our members and clients, facilitated by our technology platform. Examples of this include:

- Member webinars which covered key areas such as investments, financial wellness and pension scams;
- Member quick nudge questions to ask members' opinion on ethical topics;
- Digital communication campaigns around changes to our funds and our new commitments; and
- Site visits to employers to present on various pension scheme topics including a broader understanding of Smart Pension.

Our approach uses technology primarily to communicate, usually via the app, as engagement rates will be stronger than with more traditional means, such as letters. It also allows us to test new ideas quickly and poll our members and clients on their views in real time.

As noted above, pension savings can have long-term time horizons, particularly for our younger members. These members are invested in a higher proportion of equities, providing us with the ability to align the engagement strategy with these time horizons. This means working with companies, including those we ultimately invest in, to work towards a brighter future over the long term. Our focus is therefore on engagement over divestment, to reflect this time horizon and our ability to engage over the longer term. However, in some circumstances, we recognise the need for divestment from managers or in the case of individual companies, we monitor our managers ability and processes of carrying this out.

When we select our investment managers, the ability to engage for the longer term is a critical requirement and made clear in selection processes. Whilst we do not have direct contractual arrangements in place, given we access funds through our investment platform Mobius Life, we review all investment managers, including new managers, annually, and we will ultimately remove any who do not meet the high standards expected, in line with our escalation process set out in our Voting and Engagement Policy.

Stewardship and engagement is bespoke based on managers, asset classes and geographies. For example, our equity funds oversight differs from our private credit manager. A higher proportion of time is spent on our default strategy managers, given the majority of assets are invested here, but all managers used across the Scheme are engaged with and reviewed on an annual rolling basis. Broadly, our funds are structured to be global or pan-European in nature, and therefore there are limited differences in how we engage based on geography at this stage.

A rolling investment manager oversight programme is in place at ISC quarterly meetings, through which managers are met with at least on an annual basis, and asked to provide an update on portfolios, including voting and engagement and broader ESG items, as well as priority areas being discussed. Managers are reviewed against our Scheme's policies over the year as part of the ongoing oversight process. The Investment Sub-Committee met with nine managers and their platform provider over the period. A new manager, J.P. Morgan Mansart, was introduced in July 2024 and the ISC has met them twice since appointment. We also met with prospective managers, who presented private equity solutions for allocations within the default growth fund. Smart Pension's investments team and the ISC received over 30 proposals for the private markets solutions. Allocations to renewable infrastructure and private equity investments were agreed to be made over 2025/6. The manager search

process for renewable infrastructure was carried out in the last Scheme year.

Our service providers and investment adviser are reviewed on a regular basis in line with our Appointment and Review of Advisers and Service Providers Policy. There were no issues raised with service providers over the Scheme year. An annual questionnaire is sent to them and a Trustee assessment of the provider is undertaken. ESG/sustainability positioning and credentials are one of the pillars in our policy to ensure it is considered as part of a review. Consideration is given formally to a re-tender exercise every three years.

These assessments help the Trustee to determine whether the service providers are meeting the objectives set for them. In addition, a number of service providers attend Trustee meetings, in which the Trustee is updated on the work undertaken by those providers and can ask questions on the quality of the services being delivered. The scope of the Trustee annual review includes that of the Trustee's legal, covenant, investment and audit (accounts and TECH 05/20 supplied by separate parties) advisers, as well as their administrator, platform manager and software governance tool provider.

Objectives are set for the Trustee's investment adviser, which meet investment consultant requirements and incorporate a number of items related to ESG and stewardship, including the following objectives (unchanged from last year):

- Help the Trustee to implement an investment strategy which adds value through the integration of ESG, responsible investment, effective stewardship and environmental considerations in their investment manager appointments and strategy recommendations. This should be in line with the Trustee's policies, as well as the Trustee's net zero and impact frameworks.
- As appointed adviser to the Trustee, to act in line with the Trustee's expectations of key advisers and suppliers. This includes demonstrating commitment to responsible investment and stewardship through actions across their corporate function that do not significantly differ from the Trustee's beliefs and policies.

As well as the Trustee's policies, which are available online and referenced in other communications where relevant, members are regularly communicated to on a number of topics. We keep our [website](#) up to date for members, employers, consultants and prospective clients. Members are communicated to on a regular basis, including through an annual newsletter updating them on changes and via annual benefit statements, as well as on an ad-hoc basis as and when required.

We aim to communicate mainly through digital means, given our use of technology and to limit the impact from a sustainability perspective, but will also communicate by paper if required. Digital communications can take the form of both messages and nudges within the app, emails and webinars. Nudges in particular allow us to communicate quickly, including testing out new ideas and to gain our members' views on investment options, stewardship and engagement.

Case study: Member nudge

Prior to our self-select fund range review over the third quarter of 2025, in May 2025 we sent out a member nudge question on tobacco revenues in investments. Currently tobacco investments in our default are restricted to investing in companies with less than 5% of revenues from tobacco production and consumption. This exclusion is applied from an ESG risk perspective. In our self-select fund range we offer the 'Smart Ethical and Climate Fund' that goes further to completely exclude tobacco. Our member's nudge question tested this ethical choice. There were 630 member responses and a majority of 64.8% responded not to exclude tobacco. The remaining members thought tobacco should be excluded at a threshold (12.5%) or entirely (22.7%). While decisions are not made solely on the results of these nudges, it is useful to feed into wider reviews of the fund range to assess the suitability of the wider investment options for members.





Voting and engagement

We aim to improve long-term outcomes for our members through voting and engagements. The Trustee works closely with the internal investment team and our investment adviser, Hymans Robertson, to oversee and implement the stewardship strategy for the Scheme. Hymans Robertson keeps both the Smart Pension internal teams and the Trustee up to date on best practice around stewardship, as well as areas of stewardship priority based on their internal research. Our main focus areas over the Scheme year continue to be climate, nature, diversity, equity and inclusion (DE&I). Climate, which is interlinked to nature, remains a priority area for the Scheme and we continue to engage with our managers on their progress. We believe that our investments have made strong progress in addressing climate change and investing into climate solutions. Our managers have been selected because their investment approaches align with our policies and overall climate targets. They engage with, and score companies on, ESG to make sure their strategies are on track with a low carbon transition, with well-resourced stewardship teams working on this. Therefore, we believe we have the potential to have greater impact by focussing our wider stewardship efforts on areas not currently taken into account explicitly in our investment strategies.

All Trustee Directors have experience in stewardship, whether from other trustee roles or as part of their day-to-day roles. This experience is utilised as far as possible for the Scheme, for example David Brown's work with Pensions for Purpose, or Nikesh Patel's work in creating a proactive and forward-looking engagement and exclusion policy at Kempen Capital Management.

As part of the oversight program the Trustee has in place, the objective for engagement with each manager is discussed by the Trustee. Individual managers are scored using a Red Amber Green (RAG) framework for their level of engagement and quality of approach. The Trustee and its investment adviser engage with managers to improve a manager on areas which are red or amber. The Trustee therefore has bespoke objectives and priorities depending on the manager or service provider in question. These objectives and priorities are detailed in the stewardship oversight questionnaires and reports discussed by the Trustee on a quarterly basis. Examples of the areas flagged with managers are: changes to their stewardship teams, policies in relation to DE&I, progress on net zero targets and split voting capabilities.

The Trustee's policies considers biodiversity loss and deforestation as a risk, and a priority engagement area. External managers receive our policies as an expression of wish. The Trustee joined the Diversity Project (DP) and the Asset Owners' Diversity Charter (AODC). The membership consists of the completion of the DP's Goals & Progress Online Tool, participation in meetings and encouraging disclosure from investment managers.

A graphic of a spiral-bound notebook with a white page and a dark blue cover. The spiral binding is on the left side. The page contains several horizontal bars of different colors: a short grey bar, a long cyan bar, a long grey bar, a long pink bar, a long grey bar, a long teal bar, a long grey bar, a long grey bar, a long grey bar, a long grey bar, a long orange bar, a long grey bar, a long grey bar, a long grey bar, and a long light green bar.

Case study:

Updated policy wording

We updated the escalation strategy for poor progress in our Voting and Engagement Policy in April 2025. The formal escalation procedure was expanded to cover more details on how this would be carried out. In addition, in our split voting policy, Diversity was moved out of the Board Composition section into a new Diversity, Equity and Inclusion subsection while the Board Composition was expanded. Introductory text was added on DE&I with language around all characteristics across organisations and a request for measurable disclosures in relation to gender and ethnic diversity. In particular, in relation to gender, we set out the expectation that investee companies adopt and disclose a policy on board diversity and encourage measurable objectives for increasing gender diversity and report on progress against the objectives. As a minimum standard, last year the expectation was for boards to have at least one female member; this has been updated to encourage good practice and on a global basis and expect at least one-third of the board to comprise women. Companies listed in the UK are expected to comply with the Financial Conduct Authority diversity targets concerning at least 40% female representation and for at least one of the senior board positions (Chair, CEO, CFO or Senior Independent Director). Finally, additional wording was added on social impact: companies should consider the impacts of transitioning to a lower-carbon business model on their workers and communities and commit to decarbonising in line with the International Labour Organisation's 'Guidelines for a Just Transition'.

The Trustee ensures that suitable due diligence is carried out in the selection and monitoring of investment managers, in line with the Trustee's Investment Manager and Platform Selection and Oversight Policy. As mentioned in the "Voting activity" section, if any issues arise during the appointment, for example an investment manager not voting in line with the Trustee's views or expression of wish, the Trustee Board will engage with investment managers in a constructive manner. The Trustee's formal escalation procedure is as follows:

- Annual manager assessment or flagged company assessment: the priority areas outlined in this policy in the section 'Voting activity' are considered in the annual assessment of managers or any flagged companies which the Trustee has chosen to engage with. These areas include companies' climate transition goals, nature impacts and dependencies as well as other social issues.
- Informal discussions: areas of divergence from the above priorities or voting principles are raised with the investment manager or direct engagement via the in-house investment team.
- Formal meeting: if unable to resolve the issue through informal discussions, the investment manager may be invited to a formal Trustee or sub-committee meeting to discuss the concern. This concern will be clearly documented in the meeting minutes and the expectation is that the issue should be resolved as soon as possible.
- Senior management: if the Trustee is unable to resolve the issue through informal and formal discussions, the issue can be escalated to the investment manager's senior management team, or board. The Trustee will consider all available options, including divestment from the company or termination of the investment manager appointment, to manage the concern.

The Trustee believes in opportunities to work collaboratively with other asset owners to use its voice to improve stewardship such as working with Nature Action 100, the Asset Owner Council and ShareAction. The review and input of all parties at Smart Pension has ensured stewardship is embedded into manager selection and oversight exercises, including the appointment of another manager with trustee-directed split voting capability.

Similarly, the Trustee uses the experience of the Trustee Directors, advisers and Smart Pension teams to help make sure the stewardship reporting is fair, balanced and understandable. As mentioned previously, member feedback is regularly sought through a variety of methods, and part of this is determining whether members are happy with the reporting and feel it is balanced. Smart Pension has a number of teams, including marketing and content writers, who review stewardship reporting to make sure that it is easy to understand.

Engagements over the Scheme Year

In this section, we have provided examples of collaborative and manager engagements carried out by the ISC and the in-house pensions team.

Collaborative engagements

Nature Action 100

Smart Pension continues to be a member of two engagement groups through Nature Action 100: Unilever and Johnson and Johnson. Unilever is responsive and showing progress; it's currently a "leader" in its industry according to the Forest 500 assessment, although it has many areas to progress in relation to the Nature Action 100 benchmark. Johnson and Johnson is less progressed in comparison but also within its industry, according to the Nature Action 100's benchmark results.

Hymans Robertson carried out deforestation analysis for the ISC offering insights into potential engagement opportunities and priorities. The analysis explored investment exposure to key biodiversity sectors and sensitive biodiversity locations, exposure to deforestation risk, based on Forest 500 and MSCI data, contribution to deforestation, including split by sector, geography and commodity as well as key nature and deforestation controversies. Flagged companies included Unilever and Johnson & Johnson, alongside other companies like JP Morgan Chase & Co, Procter & Gamble, and Nestlé. While coverage data was unavailable, targeting major holdings in the Scheme's default investment options can guide engagement strategies. Therefore, the Trustee remains content with a focus in Nature Action 100 and will continue to engage with companies flagged as high-risk in our analysis.

ShareAction

Examples of engagements in conjunction with ShareAction are provided in the table below. Smart Pension has also collaboratively engaged with policymakers with the aim to maintain high ESG standards and ongoing risk-adjusted returns for members.

Date	Type of engagement	Topic
April 2025	Letter to company	Smart Pension signed an investor statement to HSBC asking them to publicly commit to maintain its existing climate commitments and consult investors in its upcoming review.
April 2025	Letter to company	Smart Pension signed an investor statement to Barclays asking them to provide a robust methodology for its sustainable finance targets and set a renewable power target.
April 2025	Letter to company	Smart Pension signed an investor statement to Standard Chartered to set a strategy and target for financing more renewable power in emerging markets and developing economies (EMDEs).
April 2025	Letter to company	Smart Pension signed an investor statement to Crédit Agricole to set a high-level sustainable finance target and build on the bank's existing fossil fuel commitments by developing robust client transition plan assessments.
May 2025	Voting	There was a resolution set out for Next to disclose substantially more information to investors about their lowest paid workers and sub-contracted workforce. This was highlighted by ShareAction as an upcoming vote. Smart Pension liaised with Minerva prior to the vote, to confirm the vote would be made in favour of the resolution, in line with Smart's policy. This is an example of actively monitoring the split voting policy to confirm its alignment with the Trustee's beliefs.

Diversity Project and the Asset Owner Diversity Charter

DE&I has become a focus of the ISC and we are now a part of the Diversity Project (DP) and the Asset Owners' Diversity Charter (AODC). We have also included additional questions on this area within our oversight questionnaires, to encourage managers' to improve their own practices and improve practices within issuer companies held within the portfolios they manage. These questions cover areas like established policies and how cognitive diversity is ensured within portfolio teams, specific actions implemented over the past year within organisations, and what improvements have been observed as a result.

We are working with our underlying and third-party managers on the AODC transparency questionnaire; only four have previously completed the AODC Asset Manager Diversity and Inclusion Questionnaire, which aims to standardise complex diversity metrics beyond just gender to improve on disclosures. The questionnaire results will be available to other asset owners and feed into a progress report to inform engagement on improving diversity and inclusion.

Manager-led engagements

Throughout the Scheme year, the ISC held quarterly meetings with nine managers. Additionally, the Smart Pension investments team regularly met with managers to address follow-up engagement points from ISC meetings and discuss ongoing developments. This report provides various examples and specific case studies of these engagements. This section provides further examples of the main areas we engaged on, over the Scheme year. In addition to these examples, Engagement International, as part of our arrangement with Minerva on the AMX-DWS Global Low Carbon Stewardship Fund selects 50 companies a year to engage with the aim to improve their climate plans. A specific report on these engagements and wider voting activity for this fund is available on our [website](#) in the 'AMX-DWS Low Carbon Fund Annual Voting and Engagement Report'. This report will be updated annually.

Portfolio strategy

The ISC engaged with AXA IM on the inclusion of Nvidia in the AXA Biodiversity Fund. Regarding the latter, the ISC sought clarification around a new process for this Biodiversity Fund which put more emphasis on financial return than it had in the past. The ISC were concerned that the "impact" focus was no longer as prominent in the dual-objective of impact and financial return. AXA IM responded to these queries and provided their Nvidia Investment Note and Nvidia Impact Assessment for completeness. The allocation now more resembles a global equity index, with less diversification benefits from the global passive allocation within the default growth fund and the ISC will be reviewing how they can achieve impact through investments.

Climate change

Minerva and Engagement International have developed a Low Carbon Stewardship Engagement Policy which sets out the overall approach and sits alongside the Voting Guidelines for the AMX-DWS Global Low Carbon Stewardship Fund. While these engagements are carried out through

this fund, these companies may also be held in the collateral basket of the Smart Pension Net Zero Pathway Custom Equity Index Fund throughout the Scheme year, given it uses the same underlying index for the swap structure. Minerva applies the same voting to this basket, as the AMX-DWS Global Low Carbon Stewardship Fund. These two funds represent 70% of the portfolio and over 90% of the passive equities allocation. By 2026, they will represent all of the passive equities allocation.

In addition to influencing companies to effect positive outcomes, engagement is a key tool to complement and influence voting activity. Our passive equity approach seeks to “join the dots between voting and engagement” rather than taking a siloed approach. An engagement may inform voting decisions as part of the Fund’s stewardship escalation structure. Conversely, voting activity may also inform engagements as an escalation to voting activity. The Minerva and Engagement International Team regularly review the engagement outcome status of engagements and the voting activity to inform the implementation of the Escalation Strategy. Whilst the engagement strategy is focused on joining the dots between voting and engagement, given the volume of meetings and resolutions voted on it is not feasible to engage on every voting action undertaken. Accordingly, a vote against management may be considered a suitable stewardship tool to raise concerns to management without further engagement.

The main engagement areas are:

- Proactive climate net zero focussed on companies that contribute the highest absolute amount of Scope 1 and 2 emissions and in total at least 70% of the Fund’s aggregated emissions from investee companies in high impact sectors.
- Reactive climate net zero focussed on companies where votes have been cast against management due to climate-related factors, such as by supporting a shareholder proposal seeking to improve a company’s net zero climate strategy.
- Environmental, Social and Governance for other material issues such as natural capital depletion and biodiversity. This approach is initially linked to shareholder voting and not a part of the first engagement rounds.

In the first engagement and reporting period over 2023/4, engagements focused on proactive and reactive climate net zero improvement at 50 companies. This first round of engagement did not cover general ESG issues. The next round of engagements and voting report for this specific allocation will be posted on our [website](#), for the Scheme year-end 2025, when it becomes available.

Our passive equities have a strong focus on addressing climate change, following a 2040 decarbonisation target and voting and engaging in limelight with this. Therefore, the Trustee assessed ways to increase their ESG impact and considered that we are more likely to have a greater impact by focussing our stewardship efforts on issues which are not currently taken into account explicitly in our investment strategies. Prioritisation is important to help optimise resources, time and efforts to achieve the greatest impact. In 2024, the ISC selected two long-term focus areas to help guide stewardship and engagement efforts beyond that already carried out by our managers. Those two additional areas were Diversity, Equity and Inclusion (DE&I) and Nature, starting with Deforestation.

Diversity, Equity and Inclusion

Mirova confirmed they engage with companies specifically on their diversity policies. One long-term engagement is with General Motor's (GM's) CEO, Marry Barra, as one of the rare female CEOs in the sector and in the Fortune 500. Having a Chief Diversity, Equity and Inclusion officer, GM is promoting diversity from within through different policies. However, Mirova has previously engaged with the company to highlight key areas of improvements, notably on the fact that they currently have not communicated any D&I targets. The company explained that they prefer not setting targets since they have seen it has not worked in the past and it is not their way to push D&I. They did emphasise that they do measure 'leading' indicators such as equity scores, and overall parity within the organisation to follow progress of their D&I strategy. Furthermore, the company still has targets for its supplier diversity and retail network (womens' health) internally also. The ISC asks managers for updates in relation to their engagements. In light of the current geopolitical context, particularly in the U.S. with Trump's executive order on diversity, Mirova confirmed that they continued their engagement with GM in June 2025. Currently, GM has paused the publication of its ESG report to assess whether their eligibility criteria may be impacted by the new guidelines, which could potentially conflict with the law or be perceived as preferential treatment. They are expected to release their report in early autumn, but there will likely be changes in the terms used, and there may be a discontinuation of certain programs and quotas related to diversity.

Last year, Mirova was leading an engagement with LVMH Moët Hennessy Louis Vuitton (LVMH) due to the fact that they are one of the CAC 40 companies with the least women on their executive committee (13%) while having one of the most women in their workforce (71%). Due to changes in portfolio exposure over the past year, Mirova stopped direct individual engagement with LVMH. However, they maintained engagement with LVMH through participation in the 30% Club France Investor Group, engaging with the company in June 2024 and planning a Q3 2025 follow-up after their annual report. During the last meeting, LVMH was encouraged to:

- Set gender diversity targets.
- Greater transparency on "key positions" definitions and breakdowns.
- Continue progress in women appointments, especially in female-dominant pipelines.
- Implementing a global parental leave standard for all employees.
- Publishing adjusted gender pay gap figures, with targets and action plans to close it.
- Monitoring and acting to address gender imbalance.

Deforestation

The ISC, with their investment adviser, carried out a risk assessment to identify sectors where portfolio companies will be most exposed to biodiversity (Locate). The focus was on evaluating the dependencies within the portfolio on the exposure to biodiversity sensitive locations,

including deforestation fronts (Evaluate). The risk through nature controversies in companies and the companies marked as risks in Global Canopy's Forest 500 companies list (Assess) were considered, alongside a plan and next steps (Prepare).

The portfolio's highest exposed sector was to 'Pharmaceuticals', with twice the exposure (4.3%) to the next highest 'Chemicals' (2.0%). In addition, 50.1% of our portfolio companies are exposed to operations in biodiversity sensitive areas. Johnson & Johnson, a pharmaceutical company, was flagged in the Forest 500 assessment as having a large exposure within our portfolio and being exposed to deforestation risk. Unilever and Procter & Gamble were also in the Forest 500 list, as consumer staples, and flagged in the controversies assessment for the "Land" theme. Ecolab was flagged in the controversies assessment for "Toxic" theme but remains a leader in water, hygiene, and energy technologies, generally maintaining a strong ESG (Environmental, Social, and Governance) profile.

The portfolio's highest exposure to controversies are within the "Land" and "Toxic" themes. "Toxic" emissions and waste tends to be harder to engage and improve on in investments compared to "Land" issues like deforestation due to several key reasons tied to data quality, standardisation, traceability, and policy frameworks. Higher-quality data, Non-Governmental Organisation scrutiny and clear commodity linkages (e.g. palm oil, soy, beef) help trace financial exposure in deforestation. In addition, engaging with companies on land use often involves requesting clear supply chain targets, sector-wide initiatives and measurable outcomes. Engaging on toxic emissions and waste is highly technical and site-specific and currently less influenced by standard ESG dialogues or stewardship voting mechanisms. Therefore, we are comfortable that we have chosen deforestation as a starting point for our nature-related efforts. Deforestation and land-use change is also more visible in climate transition risk assessments, given the direct link to negatively affecting carbon sinks and biodiversity—both increasingly factored into our investments.

J.P. Morgan Chase and Co was flagged in the Forest 500 list and has a high exposure within our portfolio's equity holdings. The company has and continues to face wider controversies, being heavily criticised for financing fossil fuel projects, including oil, gas, and coal, contributing to environmental degradation and climate change. J.P. Morgan Chase is included in the Forest 500 list due to its significant role in financing companies with substantial exposure to forest-risk commodities such as soy, beef, leather, palm oil, timber, and pulp and paper. J.P. Morgan's inclusion is primarily due to its substantial financial support to companies without comprehensive deforestation policies. We also acknowledge banks have a role in financing positive projects like renewable energy. In addition to joining Nature Action 100, the ISC included questions on deforestation policies and engagements within their manager oversight questionnaires.

Voting over the Scheme Year

The Trustee, with the in-house investments team and its investment adviser, undertakes an assessment of each investment manager's voting activity (for the listed equity managers), covering priority areas for the Scheme including top holdings, material sectors, votes highlighted by ShareAction and significant votes where a manager's vote could have influenced the overall outcome of the vote. A summary of voting analysis is included in the Trustee's Implementation Statement, available on our website under [Scheme Governance](#). This policy is reviewed at least once a year.

Smart Sustainable Growth Fund (SSGF): top ten holdings

Company	Exposure %	Manager engagements* over the Scheme year
Microsoft	4.3	2
Apple	3.8	2
Nvidia	3.6	3
Meta	1.7	5
Broadcom	1.2	2
TSMC	1.1	1
Alphabet	1.9	1
Eli Lilly & Co	0.8	0
JP Morgan & Chase	0.7	0
Tencent	0.7	0
Top ten holdings	18.8	

Source: Investment managers

*Engagements refer to direct or collaborative meetings, dialogue and issues raised outside the usual voting process.

Sectors (GICS)*	SSGF (%)	MSCI ACWI (%)
Technology	18.1	19.1
Health Care	0.7	0.0
Financials	0.7	0.0
Consumer Discretionary	0.0	3.6
Top ten holdings	19.5	22.7

*Sectors of SSGF were given by Transition Pathway Initiative Industries, which were then mapped to MSCI's Global Industry Classification Standard (GICS) sectors, therefore some companies may not be mapped like-for-like and these figures are based on estimates.

The top ten holdings have been compared to the MSCI All Countries World Index, as an indication to how overweight or underweight the default growth fund is compared to global equity markets. Over the Scheme year, one company moved out of the top ten holdings; AstraZeneca. Tencent moved into the top ten holdings.

Technology holdings are similar between the default growth fund and the MSCI ACWI. All technology companies in the default growth fund's top ten are also present in the MSCI ACWI's top ten, with the exception of Tencent. A key difference is that the MSCI ACWI includes Tesla and Amazon, two other consumer discretionary companies with a strong technology bias, in its top ten. The default growth fund's top ten, however, includes Eli Lilly & Co (healthcare) and JP Morgan (financial), rather than these companies.

Material sectors

The Transition Pathway Initiative (TPI) is a global initiative, partnering with FTSE Russell, led by asset owners and supported by asset managers. It assesses companies' preparedness for the transition to a low-carbon economy. This analysis helps us to prioritise areas going forward for engagements. Using this initiative, the following analysis was carried out:

1. Exposure to material carbon intensive sectors² – airlines, aluminium, autos, cement, coal mining, consumer goods, electricity utilities, oil and gas, oil and gas distribution, other basic materials, paper, services and steel.
2. Management quality – assessment of level of integration of climate considerations in management decisions.

²Includes sectors covered in the Paris Agreement Capital Transition Assessment (PACTA) tool.

Key: TPI Levels

0 - Unaware of climate change as a business issue

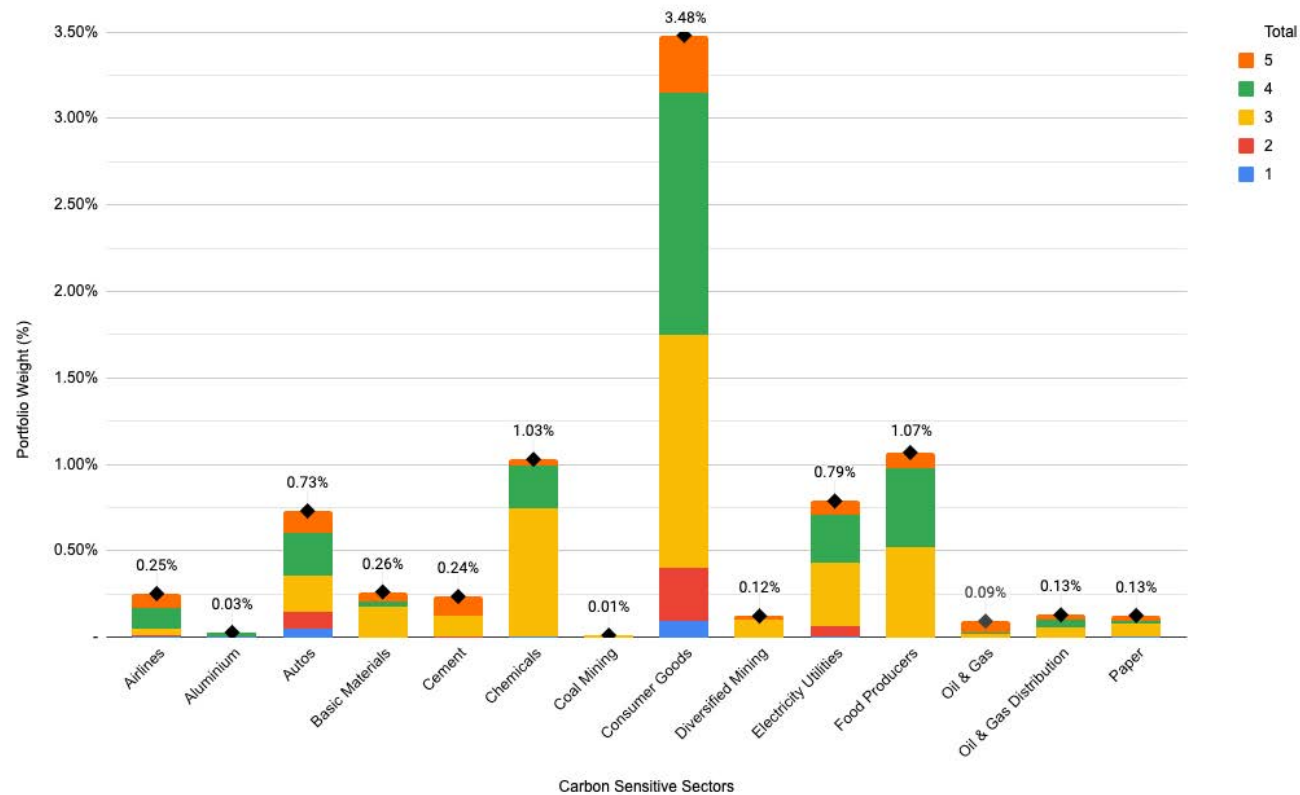
1 - Aware of climate change as a risk and the need to manage it

2 - Building capacity to manage and process the risk climate change

3 - Integrating climate considerations into operations and responsibility

4 - Strategic assessment to understand the risks and opportunities to integrate into business

5 (previously 4*) - Transition planning and implementation across business and value chains, including specific goals and targets



Source: Transition Pathway Initiative

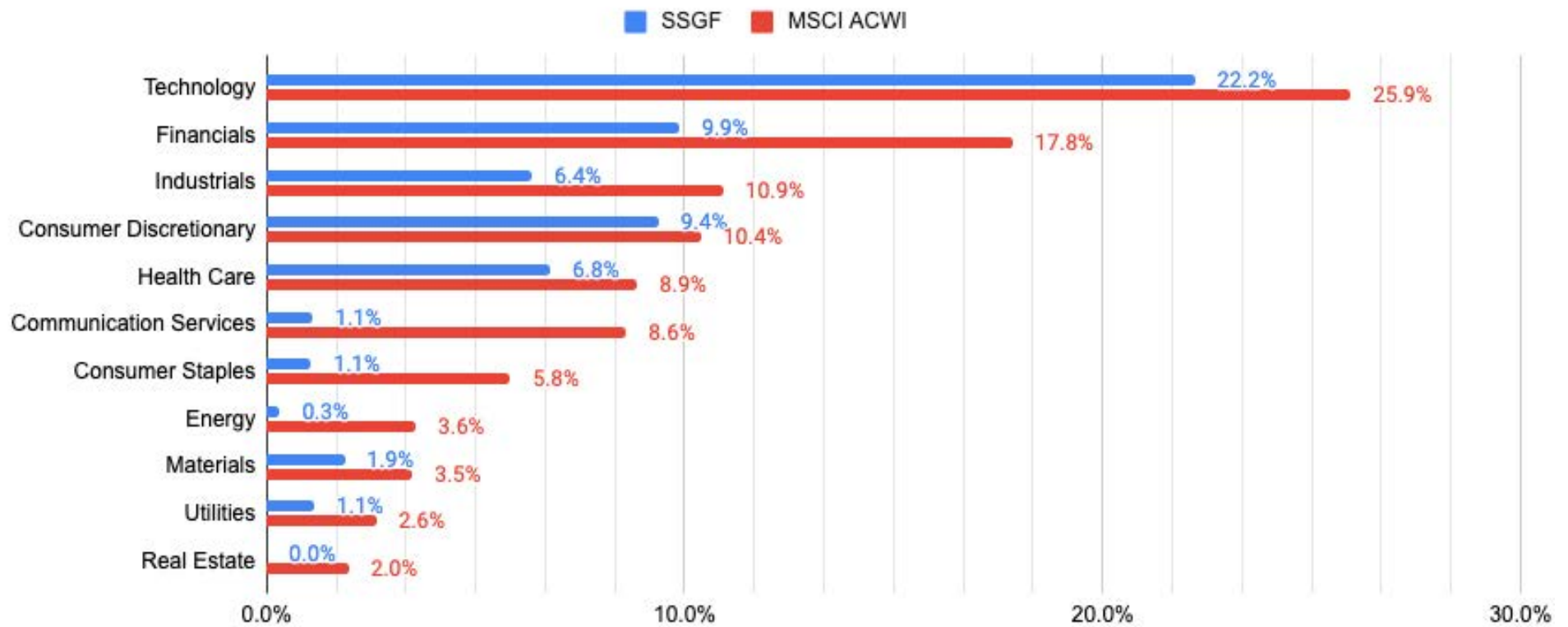
Within the default growth fund, no companies were categorised by TPI as level 0, indicating an awareness of climate change as a business risk throughout the fund. The equity exposure to carbon-intensive sectors, based on TPI classifications, is 8.5%. The consumer goods sector holds the largest exposure, at 3.5% as of 30 June 2025, down from 6.7% last year. This sector also contains the most companies assessed by TPI as level 1, meaning they acknowledge climate change but lack formal tracking and reporting capacities. The food producers sector is the next largest, with no companies assessed as level 1. Auto manufacturers represent the third-largest carbon-intensive sector in the fund, with some companies assessed as level 1; BYD, an electric car manufacturer, is the largest holding in this category at 0.04%.

In our last report, Brilliance China Automotive, Spring Airlines, Qatar Electricity & Water and Saudi Investment Group were flagged in the category “not aware” of climate change. Spring Airlines showed improvement moving into category 1 and the other companies were no longer held. The table below shows the companies that have received a management assessment of 1 by TPI with fund exposures over 0.01%. There were no companies that scored 0 held over the Scheme year.

Company	Exposure	Engagement
D.R. Horton	0.05%	No engagements were undertaken with these companies over the reported period.
Lennar	0.04%	
BYD	0.04%	Engagement International has engaged with these companies on their climate plans on behalf of the Trustee.
Qatar Industries	0.02%	

Source: Investment managers, TPI

The next chart shows a comparison of the default growth fund vs. the MSCI ACWI by Global Industry Classification Sector (GICS) breakdown, which is the sector framework used by MSCI. As a proxy for comparing the default growth fund to the index, we mapped TPI’s sector labelling framework to that of GICS. Please note that the mappings may not be like-for-like as, for example, TPI labels combine companies that the GICS framework would label separately as consumer discretionary and consumer staples. However, the mapping provides an estimate to compare the default growth fund’s carbon intensive sectors to that of MSCI ACWI.



As expected, the default growth fund has less exposure to carbon-intensive sectors such as energy sector, materials, and industrials. The fund also has a smaller exposure to consumer staples, which includes food and household products. Aggregating all consumer products (both discretionary and non-discretionary) in the default growth fund, totals to 10.4% vs. 16.2% in MSCI ACWI.

Significant votes highlighted by ShareAction

We focused on significant ShareAction resolutions from the past year that were held in our default growth fund, specifically within the equity managers AMX-DWS, J.P. Morgan Asset Management, AXA IM and J.P. Morgan Mansart (if they held the company at the AGM date) due to the high proportion of assets in these funds. Our allocation with AXA IM did not include any companies flagged by ShareAction and is therefore not detailed in the following tables.

In the tables, “N/A” indicates that a company was not held. “Green” signifies alignment with the Trustee’s beliefs, “Red” indicates misalignment, and “Yellow” denotes issues where the Trustee has not established specific beliefs in relation to the topic and Minerva’s voting framework was followed.

Climate change

Company	Smart %	Resolution	Date	AMX-DWS	JPMAM	JPM Mansart
Goldman Sachs	0.2	Disclose total financing in low-carbon energy supply relative to that in fossil-fuel energy supply	April 2025	For	Against	N/A
Bank of Montreal	<0.1	Disclose lobbying and policy influence activities	April 2025	For	For	For
McDonald’s	0.2	Assess whether current climate transition plans can reasonably achieve 2030 and 2050 emissions reduction targets, or whether additional commitments are necessary	May 2025	For	N/A	N/A
Travelers Companies Inc	<0.1	Disclose climate transition plans	May 2025	For	Against	N/A
Coca-Cola Co.	0.3	Report on food waste management	May 2025	For	N/A	N/A

Chubb Ltd	0.1	Disclose and reduce GHG Emissions from underwriting, insuring, and investment activities	May 2025	For	Against	N/A
Amazon.com Inc	0.2	Disclose scope 3 emissions	May 2025	N/A	Against	N/A
Alphabet Inc	1.9	Disclose additional information illustrating if and how company will meet its 2030 climate goals	June 2025	N/A	Against	N/A

Human rights and decent work

Company	Smart %	Resolution	Date	AMX-DWS	JPMAM	JPM Mansart
Next	<0.1	Report on workforce composition and pay, employee turnover and the feasibility of paying the real Living Wage.	May 2025	For	N/A	N/A

Health

Company	Smart %	Resolution	Date	AMX-DWS	JPMAM	JPM Mansart
Yum! Brands Inc	<0.1	Comply with Expert Guidelines on Antimicrobial Use	May 2025	Against	N/A	N/A

For the climate change related proposals, JPMAM has voted against resolutions asking for additional climate disclosures that would otherwise enhance the holding companies' commitment to their sustainable goals. This is contradictory to the objective of the Trustee and their split voting policy in place for the remaining passive listed equity. This fund's allocation was reduced from 20% to 7% over the Scheme year and there are plans to remove the allocation over the remainder of 2025.

Regarding the Yum! Brands shareholder proposal, under our voting framework applied through Minerva, an "against" was cast due the proposal being considered too directive, which was seen to impact strategic/operational decisions.

5

Partners in change

The Trustee collaborates with various organisations, including pressure groups and other pension schemes, to promote change and ensure the robust functioning of financial markets. Our investment strategy has been driven by these engagements as well. We are signatories to Pensions for Purpose's Impact Investing Principles and one of our Trustee Directors, David Brown, is now their Senior Director and Training Lead. We are members of the Asset Owner Council (formerly Occupational Pensions Stewardship Council), the Diversity Project, Asset Owners' Diversity Charter as well as working with Nature Action 100 and ShareAction on engagements with individual companies.

Our Trustee Board continues to have significant experience in the industry, and is involved in a number of industry groups, helping bring expertise and new ideas to the Scheme, as well as driving the industry, including financial markets, forward. The Trustee and Smart Pension teams work closely with Hymans Robertson, as investment adviser to the Trustee, to develop new ideas and thinking, including pushing boundaries on stewardship from a DC pension scheme perspective.

We include details on how members' savings are invested in [information we host on our website](#) and useful tips and questions on our [pension download page](#). Overall, we believe this improves outcomes for members through improved engagement, which can turn into an increase in contributions.



Ongoing priorities

The Trustee and Smart Pension teams are committed to continuously improving our member offering and delivering enhanced value for money. Our key areas of focus, particularly concerning voting and engagement, include:

- **Policy implementation and oversight:** We will continue to implement and add to our split voting policy and ensure robust oversight of all voting and engagement activity.
- **Proactive risk management:** We are proactively addressing risks, including ESG risks in our investments. Our ESG engagement focus is on climate, nature and DE&I and we remain vigilant regarding ongoing geopolitical risks and their impacts on our members' pensions.
- **Member engagement and education:** We aim to engage with members through various channels and on diverse topics, with a strong emphasis over the past Scheme year on educating them about investments and market volatility.
- **Promoting stewardship standards:** We will continue to leverage our influence and collaborative efforts to advocate for and maintain high stewardship standards.
- **Strengthening equity approach:** We continue to develop our equity strategy to enhance our impact on voting and engagement initiatives and are moving our default allocation to passive equities entirely to a split voting process over the next year.
- **Monitoring progress:** We continue to monitor our progress against our established net-zero and impact frameworks.
- **Industry innovation:** We are dedicated to driving innovation within the industry, exploring new technological and investment solutions to achieve optimal member outcomes.

We will continue to report on our progress through our annual UK Stewardship Code and Voting and Engagement reports.

Andy Cheseldine

Chair of Trustee, Smart Pension Master Trust



Appendix

A) 2020 UK Stewardship Code principles

Stewardship Code Principles	Page references
1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	3-13, 19-25, 30-31
2. Signatories' governance, resources and incentives	3-4, 9-18
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	16-18
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	7-9, 19-21, 30-31
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.	3-4, 7-13, 17-18, 27, 29-37, 41, 48
6. Signatories take account of client and beneficiary needs and communicates the activities and outcomes of their stewardship and investment to them.	3-4, 7-9, 11-13, 21-22, 30-37
7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	8, 11, 21, 25-28, 36
8. Signatories monitor and hold to account managers and/or service providers.	4, 9-11, 17-22, 25-28, 30-36, 41-54
9. Signatories engage with issuers to maintain or enhance the value of assets.	4, 8, 12, 21-22, 27-28, 32-36
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.	7-8, 21-22, 41-47, 55
11. Signatories, where necessary, escalate stewardship activities to influence issuers.	27-28, 35, 38-47
12. Signatories actively exercise their rights and responsibilities.	7-8, 25-34, 38-56

B) Investment performance

Fund and benchmark (shaded) performance to 30 June 2025

Smart blended funds	3 months	1 year	3 years	5 years
Smart Sustainable Growth Core				
Fund (returns beyond 1y are annualised)	3.0%	5.1%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	3.0%	5.1%		
Benchmark (UK CPI+3.5%)	2.6%	7.1%		
Smart Sustainable Growth				
Fund (returns beyond 1y are annualised)	3.1%	5.2%	10.2%	8.7%
Fund (cumulative returns)	3.1%	5.2%	33.7%	52.0%
Benchmark (UK CPI+3.5%)	2.6%	7.1%	8.0%	8.5%
Smart Sustainable Growth Plus				
Fund (returns beyond 1y are annualised)	3.3%	3.5%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	3.3%	3.5%		
Benchmark (UK CPI+3.5%)	2.6%	7.1%		
Smart Growth - Higher Risk				
Fund (returns beyond 1y are annualised)	2.9%	5.8%	11.1%	10.4%
Fund (cumulative returns)	2.9%	5.8%	37.2%	64.2%
Benchmark (UK CPI+5.0%)	3.0%	8.6%	9.5%	10.0%
Smart Growth - Lower Risk				
Fund (returns beyond 1y are annualised)	2.9%	6.2%	9.1%	7.2%
Fund (cumulative returns)	2.9%	6.2%	30.0%	41.7%
Benchmark (UK CPI+3.0%)	2.5%	6.6%	7.5%	8.0%
Smart Income				
Fund (returns beyond 1y are annualised)	2.7%	6.1%	7.1%	3.8%
Fund (cumulative returns)	2.7%	6.1%	23.0%	16.1%
Benchmark (UK CPI+2.0%)	2.5%	6.6%	7.5%	8.0%

Equity	3 months	1 year	3 years	5 years
Smart Active Impact Equity				
Fund (returns beyond 1y are annualised)	4.3%	2.1%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	4.3%	2.1%		
Smart UK Equity Index				
Fund (returns beyond 1y are annualised)	3.7%	13.1%	10.8%	11.2%
Fund (cumulative returns)	3.7%	13.1%	36.0%	69.7%
Smart World (ex UK) Developed Equity Index				
Fund (returns beyond 1y are annualised)	4.0%	7.0%	14.4%	12.9%
Fund (cumulative returns)	4.0%	7.0%	49.6%	83.8%
Smart North America Equity Index				
Fund (returns beyond 1y are annualised)	4.1%	6.7%	15.2%	14.6%
Fund (cumulative returns)	4.1%	6.7%	52.9%	98.0%
Smart World Emerging Markets Equity Index				
Fund (returns beyond 1y are annualised)	3.3%	8.0%	5.5%	5.3%
Fund (cumulative returns)	3.3%	8.0%	17.3%	29.8%

Fixed interest	3 months	1 year	3 years	5 years
Smart Active Impact Bond				
Fund (returns beyond 1y are annualised)	2.6%	6.4%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	2.6%	6.4%		
Smart All Stocks Index-Linked Gilts Index				
Fund (returns beyond 1y are annualised)	1.4%	-5.0%	-6.4%	-8.8%
Fund (cumulative returns)	1.4%	-5.0%	-18.0%	-37.0%
Smart Global Bond Index				
Fund (returns beyond 1y are annualised)	2.4%	6.1%	4.4%	0.4%
Fund (cumulative returns)	2.4%	6.1%	13.8%	2.1%
Smart Annuity				
Fund (returns beyond 1y are annualised)	3.1%	1.0%	-1.7%	-6.6%
Fund (cumulative returns)	3.1%	1.0%	-5.0%	-23.9%

Cash	3 months	1 year	3 years	5 years
Smart Cash				
Fund (returns beyond 1y are annualised)	1.1%	4.9%	4.4%	2.7%
Fund (cumulative returns)	1.1%	4.9%	13.9%	14.3%

Smart specialist funds	3 months	1 year	3 years	5 years
Smart Sharia				
Fund (returns beyond 1y are annualised)	3.3%	1.2%	15.3%	13.6%
Fund (cumulative returns)	3.3%	1.2%	53.3%	89.4%
Smart Ethical and Climate				
Fund (returns beyond 1y are annualised)	3.5%	6.1%	12.3%	12.2%
Fund (cumulative returns)	3.5%	6.1%	41.7%	78.2%
Smart Wahed Growth+				
Fund (returns beyond 1y are annualised)	7.3%	-0.2%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	7.3%	-0.2%		
Smart Wahed Growth				
Fund (returns beyond 1y are annualised)	5.2%	0.7%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	5.2%	0.7%		
Smart Wahed Balanced				
Fund (returns beyond 1y are annualised)	1.0%	0.0%	Fund has been in existence for less than three years.	
Fund (cumulative returns)	1.0%	0.0%		

Source: Mobius, Smart Pension. Gross of fees.

Please note we have shown performance for our main investment offering, not bespoke sections with Mercer, Schroders or Wahed. Growth and Income funds' benchmark UK CPI is the Consumer Price Index, sourced from ONS and calculated by Smart Pension. Benchmarks for other available funds are not currently provided by Mobius.

C) External manager stewardship and ESG reports

AXA IM

https://core.axa-im.com/sites/core/files/2025-03/STEWARDSHIP_2024-FinalB.pdf

DWS Asset Management

<https://download.dws.com/download?elib-assetguid=f66936b763044903b38acb46b55e77b3>

J.P. Morgan Asset Management

<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf>

Mirova

www.mirova.com/en/uk-stewardship-code

MV Credit

<https://clearlake.com/responsibility/>

HSBC

<https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/about-us/responsible-investing/stewardship>

Mercer

https://investment-solutions.mercer.com/content/dam/mercerc-subdomains/delegated-solutions/responsible-investment/Mercer%20IS%202024%20Sustainability%20and%20Stewardship%20Report_F.pdf

Schroders

<https://www.schroders.com/en/global/individual/about-us/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/>

These reports are the latest available when drafting this report and were working links when this report was published.



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