



SMART PENSION POLICY DOCUMENT

Conflicts of interest policy

Effective date: September 2022

Trustee Board – Managing conflicts of interest

1.0 Policy management

1.1 Policy statement

Conflicts of interest have always existed for pension scheme trustees and their advisers. This reflects the fact that individual trustees and their advisers will have a variety of other roles and responsibilities, for example as members of the scheme or as senior managers of the sponsoring employer, as trustees of or advisers to other schemes or providers of services that the scheme may use.

Trustees have a duty to act in the best interests of the beneficiaries, but this does not preclude a trustee from having other roles or responsibilities which may result in a conflict of interest.

The trustee directors must be able to identify conflicts of interest and have procedures in place to manage them. This policy sets out how the Trustee deals with the identification, notification and management of potential and actual conflicts, both real and perceived.

Smart has a policy which states that trustee directors should not be affiliated to Smart.

This policy supersedes and replaces all previous policies.

1.2 Who this policy applies to

The Board of Directors of the Trustee, their advisers and service providers, Smart and the in-house teams supporting the Trustee and Smart Pension Master Trust (SPMT).

1.3 The purpose of this policy

- To set out the process by which potential and actual conflicts of interest between the Trustee Board and the parties mentioned above (see 1.2) are identified, recorded and managed.
- To recognise that trustee directors may be subject to conflicts of interest from time to time which do not prevent them from acting properly as a trustee director.
- To maintain the reputation and integrity of the persons covered by it.
- To maintain transparency of the actions undertaken by the trustee directors in their role as Trustee of SPMT.

- To assure that the trustee directors are acting in the best interests of the members of the Scheme and / or in the context of their other roles.
- To assure that evolving professional roles and responsibilities, as well as personal circumstances are assessed in light of a new or potential conflict of interest.
- To find alternative ways of managing a new or potential conflict.

1.4 The risks addressed by this policy

- That potential and actual conflicts of interest are not identified, disclosed and managed effectively.
- That they cause trustee directors to be, or be perceived to be, at risk of putting their professional and personal interests above the interests of the members of the Scheme or their role as a trustee director.
- That TPR, members of the Scheme or other trustee directors would question the actions, reputation and integrity of the person with a not disclosed / managed conflict of interest. This could include decisions of the Trustee being reviewed or overturned on the grounds that material conflicts of interest were not properly managed.
- That the personal or professional circumstances of individuals covered by this policy will change over the time and the conflict of interest is not recognised when it arises.
- That the Trustee Board cannot fulfil its overarching duties as a Trustee of SPMT.

1.5 Related policies and supporting documentation

This Policy operates alongside other policies and documentation of the Trustee and should be read in conjunction with:

- Conflicts of interest register.
- Gifts and entertainment register
- The Trustee's Policy on the Appointment of Advisers and Service Providers.
- The Trustee's Fit & Proper policy.
- Trustee Director Grievance Procedure.

1.6 Policy agreement and review

1.6.1 Policy ownership and agreement

Ownership and responsibility for this policy sits with the Trustee.

1.6.2 Policy review / updates log

It has been agreed that this policy will take effect from the date entered on the cover page and will supersede and replace any existing policy already in place.

The policy will be reviewed by the Trustee Board on a triennial basis commencing on the third anniversary of its agreement.

1.7 Policy terms and references

1.7.1 Glossary of terms used

<i>Scheme</i>	-	Smart Pension Master Trust	<i>Smart</i>	-	Smart Pension Limited
<i>Scheme Funder</i>	-	Smart Pension Limited	<i>tPR / TPR</i>	-	The Pensions Regulator
<i>Scheme Strategist</i>	-	Smart Pension Limited	<i>Trustee</i>	-	EC2 Master Limited

1.7.2 Key legislative references and regulations relating to the Scheme and the Trustee Board for the purpose of this policy

[The Pensions Regulator - Regulatory guidance on Conflicts of interest](#)

[The Pensions Regulator – 21st Century Trusteeship – 8. Managing conflicts of interest](#)

1.7.3 Trustee toolkit online learning

The 'Running a scheme' module contains a tutorial on 'Conflicts of interest'. One must log in or sign up to use the [Trustee toolkit](#).

The basic principle in relation to conflicts of interest can be found in the High Court case of Re Thompson's Settlement [1986] where the Court held that:

'...a man must not put himself in a position where duty and [personal] interest conflict or where his duty to one conflicts with his duty to another unless expressly authorised'

2.0 Considerations in respect of the Trustee

TPR does not consider that the mere potential for conflict (as a result of the other positions held by the trustee director) should preclude the appointment of a trustee director. However, this does not justify the appointment of a trustee director, if this is likely to give rise to acute or pervasive conflicts. Furthermore, the benefits of having a mix of trustee directors with wider roles and responsibilities must always be balanced against the risk of conflicts and the problems for the management and administration of the scheme, which are likely to arise from such conflicts.

2.1 Areas of a possible conflict of interest

Possible areas that could give rise to conflicts of interest include (the list is not exhaustive):

- setting investment strategy and reviewing investment choices;
- voting and engaging on matters affecting one or more of our clients, prospective clients or companies Smart has a commercial relationship with;
- approving discretionary benefits to a member or beneficiary;
- choosing different scheme advisers;
- dealing with bulk transfers and scheme mergers;
- discussing changes proposed by the Scheme Strategist or Funder;
- settling a death in service benefit claim; and
- dealing with the allocation of surplus (for example, the use of any reserve account).

2.2 Additional considerations

In case of an unexpected event/s whereby the business was required to appoint its representative, so that the Trustee can continue in fulfilling its responsibilities towards the Scheme's members, an issue of the affiliation must be considered.

In relation to the Scheme, there would be additional challenges in relation to conflicts of duty in three key areas:

1. agreement of communications, commercial issues and costs between the trustee directors and the Scheme Strategist / Scheme Funder;
2. discussing matters relating to the security of the Scheme Funder (the covenant); and
3. the management of confidential information.

On points one and two, TPR has made it very clear that it expects a trustee director who could be involved in both sides of a negotiation to consider their position very carefully. With a fully independent board of trustee directors, it is highly unlikely that this will occur.

On the third point it is important to note that all trustee directors have a contract in place and key commercial information has been shared and agreed such as the business plan/CALP to which all parties are privy.

With regard to trustee directors sharing confidential information with other parties (for example participating employers, other members etc) it is important to remember that each Trustee Director has a fundamental responsibility to act on behalf of the Scheme and this duty should not be compromised by acting on behalf of other groups.

3.0 Policy specifications

3.1 Pre-agreed principles of the policy

For this policy and procedure to function the trustee directors have agreed that they must:

- acknowledge any potential conflict of interest they may have;
- be open with each other on any conflicts of interest they may have;
- adopt practical solutions; and
- plan ahead and agree on how they will manage any conflicts of interest which arise.

3.2 Potential conflicts of interest

If there are concerns about how a particular situation may be perceived, the trustee director should take the same actions as if there was an actual conflict of interest.

3.3 Procedure

With the pre-agreed principles described in section 2.1 in mind, the trustee directors have adopted the following procedure:

- Maintaining a register of trustee directors' interests which could give rise to a conflict and stating any new potential or actual conflicts at the start of each meeting.
- Maintaining a register of interests covering the trustee directors' advisers and the in-house teams supporting the trustee and SPMT.
- Each trustee director, adviser, and management member of the in-house teams supporting the Trustee and SPMT raises at a Trustee meeting any potential or actual conflicts of interest. These are recorded on the register of interests.
- At each meeting, participants identify any potential conflicts of interest and advise the Chair both of the conflict and the intended action, if any, to be taken as a result. The Chair has the final decision on any action required.
- Any trustee director who feels that they, another trustee director, adviser, or member of the in-house and administration team has a conflict of interest on a particular topic, must advise the Scheme Secretary prior to the meeting or state this clearly at the start of the meeting. The Chair will then confirm the action to be taken to mitigate the conflict, for example, to abstain from a discussion or vote. If such a conflict is identified outside of a Trustee meeting, the Chair will consult with the trustee director, adviser or

member of the in-house and administration team prior to making a decision. If the conflict is identified at a Trustee meeting, the Chair will consult with the other trustee directors prior to making a decision. All conflicts and mitigating actions will be recorded and minuted.

- Proposals from the Scheme Funder or Strategist that are tabled at a trustee meeting are to be presented by a company representative, for example a member of the Scheme Strategist.
- To help manage conflicts, Scheme documents clearly outline how the Trustee will act in their fiduciary role, and these are reviewed regularly. For example, the Statement of Investment Principles, Climate, Responsible Investment and Voting and Engagement policies are all reviewed at least every three years.
- Decisions about voting and engagement activities are agreed by the Trustee, with input from their investment adviser, in-house Smart governance and investments 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 over our approach to voting or engagement will be communicated to the Scheme Secretary and discussed with the Chief Investment Officer ('CIO'). As above, all conflicts and mitigating actions will be recorded.
- We publish our voting and engagement records and activities on our website each year.

3.4 Alternative ways of managing a conflict

The Trustee Board may wish to consider alternative ways of managing a conflict then those described in Section 2.3, for example:

- appointing a committee excluding conflicted trustee directors to consider particular matters;
- requesting Smart to appoint an additional or replacement trustee director;
- inviting any conflicted individual to participate in discussions; or
- taking any other action considered appropriate to manage the conflict.

4.0 Considerations in respect of the advisers and service providers

Conflicts of interest with advisers and service providers can arise because advisers and service providers may want to recommend services or products offered by related parties, for which they may gain financial or non-financial benefit.

Should any advice or service be considered as compromised, further measures to manage the conflict need to be considered. This may include:

- speaking to other advisers or providers
- tendering for alternate advisers or providers or services
- comparing products.

The actions taken are documented accordingly in meeting minutes / notes.

Advisers and service providers should also have their own arrangements in place for identifying, managing and disclosing their own conflicts of interest, and this will include a conflicts policy. The Trustee or the governance team on their behalf, reviews these policies and any potential conflicts with its advisers upon appointment as part of due diligence to make sure it is satisfied with it. On an ongoing basis any conflicts arising would be added to the Register and actioned/addressed accordingly.

4.1 Smart's involvement

The trustee directors appoint their own advisers. There may be circumstances where these advisers are asked to give advice to Smart in relation to pension matters, but this can only happen where there is no conflict of interest. If there is a potential conflict of interest Smart will appoint its own adviser(s). Any known conflicts should be incorporated into the service agreement.

There may be circumstances where Smart may appoint advisers for specific purposes or services, and will want the Trustee to be a party to the agreement so that the Trustee can benefit from any advice which may be given. In these circumstances, the interests of Smart and the Trustee will probably be aligned.

4.2 Professional responsibilities

All the trustee directors' advisers also have a professional responsibility to advise the trustee board, of any circumstances in which they feel they are conflicted. These responsibilities and guidelines for dealing with them are also covered by the respective professional bodies.

5.0 Considerations in respect of the in-house teams

The employees of the in-house teams supporting the Trustee and SPMT are all employed by Smart or Smart Governance Limited and currently comprise members of the:

- Financial Services team
- Finance team
- Communications team
- Operations team
- Development team.

The team members work closely together and liaise closely with the trustee directors, the Trustee's advisers and Smart's senior management. As such, they have access to a wide range of information and it is therefore important that they are included in the procedures adopted for managing conflicts of interest.

6.0 Gifts and entertainment

You should only receive hospitality or entertainment as a Smart trustee where it is likely to assist Smart Pension in achieving their objectives. This could also include:

- Maintaining or establishing business relationships
- Improving or maintaining image or reputation
- Presenting products and/or services effectively

Any gift you receive should be reasonable and appropriate.

You should give consideration to anti-bribery and corruption measures when accepting hospitality or entertainment. Any concerns should be escalated to the Chair or the Smart governance team.

All gifts or hospitality received of value over £50 should be recorded on the register maintained by the trustee Secretary.

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