



Smart Pension Master Trust Responsible Investment Policy

December 2025

A message to our members

This policy outlines our approach to managing your investments responsibly and identifying sustainable opportunities to enhance long-term outcomes. We believe that responsible business practices, such as how a company manages its greenhouse gas emissions, directly impact the risk and value of your investments. Our goal is to improve the long-term performance of your investments while contributing to solutions for real-world challenges.

We believe that to provide the best outcomes for our members we need to 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.

Our Responsible Investment Policy is embedded in our investment strategy and informs all the Smart Pension investment funds we provide for members, both within the default funds and the self-select investments. The policy is written and executed by the Trustee's Investment Sub-Committee which constantly monitors the application of the principles and investment guidelines. The policy is summarised and referred to in the Trustee's Statement of Investment Principles.

Guiding Principles

There are many ways to invest responsibly. In all our investments we take into account Environmental (E), Social (S) and Governance (G) considerations when investing members retirement savings. This means we will consider a wide range of potential risks when making decisions about how their money is invested, and require our asset managers to do the same. We also consider these areas in our selection of external managers and in the governing of our Trustee Board and its sub-committees. We define the E, S and G as follows:

- Environmental factors look at the conservation of the climate and natural world, such as the levels of greenhouse gas emissions¹ and deforestation from company operations.
- Social factors examine how a company treats people covering a range of issues including social diversity, human capital and labour standards.
- Governance factors consider how well a company is run including executive pay structures, anti-corruption measures and Board diversity.

We aim to invest sustainably by considering the long-term investment opportunities (in addition to the risks) which will have a positive impact on people and the planet, providing solutions for social and environmental issues, while also providing a financial return. Investing in opportunities related to climate and nature (our planet) can sometimes be referred to as "green" investing. Investment opportunities providing social benefits (to people), which may also provide environmental benefits, can often be referred to as Socially Responsible Investing (SRI). These are encompassed in our responsible and sustainable investment approach, in our

¹Greenhouse gas emissions are measured by converting them to carbon dioxide (CO₂). These are referred to as carbon emissions from hereon.

consideration of ESG risks and opportunities. Further details on our environmental approach can be found in our Climate and Nature Policy.

The risks

We look to ensure effective and integrated management of ESG risks, to support the Trustee's desire to protect and enhance value of members' assets over the long term. Governments around the world, particularly in Europe, are committed to try to limit global warming and bring in new environmental policies. Companies which do not reduce their emissions may face greater penalties and costs and will be worth less in the longer term. When factors like these are taken into account, the investment risks are mitigated and we can also prevent negative outcomes for people and the planet. We consider interrelated risks including biodiversity loss and commodity-driven deforestation, and are committed to limiting the effects of these issues on members' investments as well as the effect of members' investments on these issues.

The Trustee looks to receive feedback from members (through our website, webinars and surveys) to understand any specific ESG areas that they want to see reflected in the investment strategy.

The opportunities

We look to invest sustainably and have a positive impact on people and the planet. While the term 'sustainable investing' can often be used interchangeably with 'responsible investing', we define this as going beyond mitigating ESG risks. We look at preventing negative outcomes by avoiding the worst offenders i.e. being responsible, and investing in companies who are trying to generate positive outcomes for people and the planet, which will help "sustain" long-term financial performance i.e. being sustainable.

We believe that companies should be actively trying to reduce their carbon emissions and use climate and nature-aware responsible business practices. In addition, we believe investments contributing to solutions for social and environmental issues can offer potential returns, diversification and be impactful on global issues such as climate change. We call this 'impact investing'. We aim to identify companies and capture investment opportunities offering solutions to environmental and social challenges provided they are aligned with the investment objectives and strategy of our fund offerings. When assessing opportunities for new investments, we consider the United Nations' Sustainable Development Goals and the Principles for Responsible Investment's Impact Investing Market Map which aims to bring more clarity to identifying mainstream impact investing opportunities.

With a growing opportunity set for private markets, we acknowledge these investments could enhance long-term outcomes for our members and support our ESG-related goals. Where cost, transparency, liquidity and the opportunity is suitable, we will look to consider private markets in our investments. They can offer diversification and risk-reduction while providing access to long-term opportunities, innovative companies and projects in sectors offering innovative sustainable solutions. These investments and managers will be subject to the same due diligence we carry out on the selection and monitoring of our investments, and we will look to partner with managers who have a strong commitment to responsible and sustainable investing.

Investment Beliefs

We want to contribute to a better world whilst generating good investment returns for our members. Pension investments are for the long term. For younger members it will be decades before the benefits of the contributions they make today are enjoyed. How we invest now will shape how the world looks for many years. It impacts not just our own future but that of future generations.

The Trustee believes that investing responsibly and sustainably will not only improve societal and environmental outcomes but will also lead to improved returns for members' pension savings. The Trustee's responsible investment beliefs are summarised below:

- ESG including climate risks pose a real and material threat to members' retirement outcomes. Generating an appropriate and sustainable financial return for members while also addressing global challenges helps to mitigate these risks.
- Responsible investment factors influence long-term performance which presents opportunities and risks. Each stage of the investment decision making process needs to consider ESG risks (investment strategy, investment selection, monitoring and reporting).
- Being active owners of investments over the long term is critical for responsible stewardship of assets. We believe that engagements with managers and companies, and selecting managers who have robust engagement strategies with companies can have a positive impact on the overall ESG risks present in investments.
- Responsible investment is a discipline that is continuously evolving. Being open to new approaches and standards is critical to maximising what can be achieved. Remaining informed of appropriate investable innovations that address challenges (such as climate change) supports delivery of tangible impact.
- There are financial reasons for making impact investments part of the default arrangement, as they can contribute positively to returns and asset diversification, reducing risk, and future proof the strategy for long-term capital growth. Any impact investments adopted in the default arrangement should aim to have a positive impact for people or the planet, in addition to financial benefits.
- Impact investments which help the agenda of the UN's Sustainable Development Goals (SDGs), looking to contribute to solutions to world challenges, will be considered for investment. Recognising that not all the SDGs will be applicable to all companies, the Trustee will look to invest in investment vehicles which aim to have an impact across a broad range of SDGs, at a portfolio level.
- Illiquid investments may provide investment opportunities. There is an opportunity to enhance return through capture of the illiquidity premium while yielding measurable impact solutions that address global challenges. Any associated risks with illiquid investments will be considered prior to investment.

We aim to mitigate the risks from ESG factors including climate change and poor business practices, while addressing opportunities to contribute to help people and our climate crisis. This is an important matter to the Trustee and requires detailed considerations in our investment processes. Our investment policies are aligned with the 'best efforts' target of the Paris Agreement and recommendations by the Intergovernmental Panel on Climate Change (IPCC), to limit global warming to 1.5°C above pre-industrial levels, with no or limited

overshoot. To achieve this we aim to reach net zero carbon emissions, for listed investments in our default growth fund, by 2040. We also take into account interrelated nature risks which pose threats to the climate, and subsequently member outcomes. Our investment principles align with our commitment to take action to address commodity-driven deforestation and its impact on climate change, biodiversity and human rights. We provide further details on our ambitions and our approach to climate and nature-related risks and opportunities in our Climate and Nature Policy, [here](#).

The Trustee recognises that equitable practices, diverse backgrounds and inclusive cultures within investment teams and companies can contribute to long-term sustainable value creation. The Trustee will consider this as part of the “S” and “G” when integrating ESG into their investment and ownership decisions as well as external manager and adviser appointments. We expect our managers to integrate this into their teams and decision making as well as engage and vote in line with this and our split voting policy, which sets out these areas in more detail.

Smart Pension’s Responsible Investment Policy is based on the broader investment principles set out in the Trustee’s Statement of Investment Principles which can be found [here](#). This policy covers all the investments we make on behalf of our members, across different asset classes, and determines our overarching approach to the selection of external asset managers and individual funds.

Investment Strategy

Smart Pension’s investment process is built upon the integration of responsible investment factors into the investment strategy and the selection of appropriate investment funds which incorporate ESG factors. In addition, the investment strategy is structured to help meet the net zero goal, outlined above.

The Trustee’s Investment Sub-Committee of the Smart Pension Master Trust sets the investment strategy for the funds and the selection of external managers and funds. The execution of the investment strategy and the profiles of the funds are regularly reviewed to ensure it is in line with the stated principles and the strategy continually evolves to improve the sustainability outcomes, including the net zero goal outlined above.

Asset Allocation and Diversification

We have framed our portfolio decisions in two approaches; ‘reduce negative impact’ and ‘increase positive impact’. In particular, we can reduce negative impact by removing the worst offending companies and engage with those which show potential for improvement, and increase positive impact by investing in companies and projects which contribute to solutions to environmental and societal problems. We look to steward our investments where there is the potential to become more responsible in areas such as climate change, nature loss and social projects.

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 using managers which apply exclusions to companies in funds used by Smart Pension in line with:

- 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; 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.

The funds we invest in will focus on engagement as a first priority, in order to have the greatest long term impact and maintain diversification throughout our investments. However, some companies operate in industries which have inherently negative environmental or social outcomes and our managers will 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 above. The Smart Sustainable Growth Fund has an additional threshold exclusion for companies generating more than 5% of revenues from tobacco cultivation and production. While often seen as a Social exclusion, tobacco can be linked to environmental risks, such as deforestation and pesticide use. The Trustee monitors the level of these additional exclusions.

This leads us to our second approach of increasing our positive impact, by looking to invest in areas that offer more sustainable practices and impactful solutions, while offering strong investment outcomes for our members. This provides access to emerging industries and growth sectors, for example, renewable energy, clean technology and waste management. These are potential areas for significant growth as economies transition to carbon neutral practices. These also offer diversification into other companies versus those traditionally seen in broad market indices e.g. oil and gas companies and returns which are expected to be more resilient in the long-term. Both reducing our negative impact and increasing our positive impact will generally offer a reduction in ESG risks as well as regulatory risk as governments and regulators increasingly focus on responsible business practices.

Engagement and Active Ownership

Our Responsible Investment policy is built on the principle that engagement and encouraging behavioural change will lead to better long term sustainability outcomes than simply exclusion. Numerous automatic 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 environmental, social and governance policies. Therefore, only companies which

consistently refuse to engage or consider change in behaviour will be subject to exclusion. Our escalation process is set out in our Voting and Engagement Policy, [here](#).

Smart Pension does not manage investment funds directly and our members' voting rights are exercised through our split voting policy or through our external asset managers. Our split voting policy applies to the investments held with our appointed managers AMX-DWS and J.P. Morgan Mansart. This refers to an arrangement where the voting policy that the manager follows is directed by the Trustee. We review the voting and engagement activities of our asset managers on at-least an annual basis, to track performance. We require all managers to have an active and transparent voting and engagement policy and for their activities to be in line with our Responsible Investment principles and we influence voting where possible. Our split voting policy is available alongside our broader Voting and Engagement Policy, [here](#).

Investment managers

Our members' pensions are invested in funds managed by external asset managers, selected by the Trustee. When we appoint a new asset manager, we take into account their approach to ESG factors and ensure their practices align with the following:

- Fund manager's responsible investment policies are integrated into their investment process including the management of ESG risks and identification of opportunities (in particular for active managers);
- Ensuring that fund managers are, or are working towards becoming, signatories of the UN Principles for Responsible Investment and the UK Stewardship Code (or equivalent);
- Using investment managers with net zero ambitions that are aligned, or will assist in achieving the net zero ambitions of the Scheme; and
- Certifying that fund managers' engagement strategies are aligned as far as is possible with the stewardship and engagement priorities for the Scheme. This means engaging with companies to reduce the negative environmental and social impact of their activities and enhance any positive impact.

For the management of ESG risks and opportunities, we aim to appoint managers who consider Environmental (E) factors including climate change and nature loss in their investment process and engagement with underlying investments. We provide further details on our ambitions targets and our approach to climate and nature-related risks and opportunities in our Climate and Nature Policy, [here](#).

In relation to Social (S), we will aim to appoint managers who consider social factors including basic human rights, labour rights, diversity and inclusion, local communities, in their investment processes and who engage with companies to promote fair and equitable treatment of people and support responsible business practices that contribute to societal well-being.

In relation to Governance (G), we will aim to appoint managers who consider governance factors including risks related to corruption, bribery and regulatory non-compliance as well as board composition, remuneration, shareholder rights, auditing and accounting processes. Our managers should encourage companies to maintain high standards of corporate governance, reporting and transparency, board accountability, diversity, equity and inclusion.

We require external asset managers to be active stewards of our investments which means voting on company resolutions in the best interests of our members and driving sustainable best practice.

In light of the above, we continuously monitor our external managers by:

- Regularly reviewing existing managers climate and ESG policies and actions to ensure these are in line with our responsible investment principles, including via an annual oversight questionnaire and annual meeting with the Investment Sub-Committee;
- Requesting reports on their ESG investment practices and approach, including the disclosure of available climate, nature and impact metrics so we can assess the outcomes of our investments, and to explain how their own policies are evolving;
- Reviewing their engagement and voting activity where appropriate to ensure they are acting as responsible stewards of our members' pension savings; and
- Follow the engagement and escalation process set out in our Voting and Engagement Policy.

The Scheme also offers access to third party arrangements as fiduciary managers. The ESG approach of these arrangements are considered in these partnerships and annual monitoring of their stewardship approach and wider investment strategy. The Trustee expects these managers to integrate ESG considerations into their investment process and report on progress to climate and wider ESG targets. However, the level of ESG exclusions applied to investments may differ from the main section of the Scheme.

Industry engagement and reporting

We actively engage in policies and market initiatives, to promote and advance the assessment, data and consistency of nature, climate and social targets and progress. For each engagement opportunity, we consider whether it is an important issue relating to our investment strategy, Trustee policies and net zero goal, and how likely we are able to have an influence in the matter. We have joined the Institutional Investors Group on Climate Change, the Impact Investing Institute and the Asset Owner's Council. We are also signatories to the UN PRI and the UK Stewardship Code and engage with a number of other industry initiatives such as Nature Action 100, ShareAction and Climate Action 100+.

We aim to be as transparent as possible with all our investments so that members have a complete understanding of how their pensions are performing. Our Statement of how we implemented our policies and practices during the scheme year end can be found in our Implementation Statement [here](#).

The Trustee supports the recommendations from the Taskforce for Climate-related Financial Disclosures (TCFD) and reports annually on the climate profile of the main default fund. As

noted above, the Smart Pension Master Trust has committed to a target of net zero carbon emissions by 2040 for listed assets in the Smart Sustainable Growth Fund.

As a signatory of the UN Principles for Responsible Investment, and targeted signatory of the UK Stewardship Code, the Trustee will report as required on responsible investment and stewardship activities. These reports will summarise and monitor our activities.

Glossary

Asset Owner Council

The council provides schemes with a forum for sharing experience, best practice and research, and providing practical support on stewardship activities such as shareholder resolutions, climate change, corporate governance and other topics.

Biodiversity

Biodiversity refers to the variety of living species on Earth, including plants, animals, bacteria, and fungi.

Climate solutions

Investments which look to help the conservation, restoration and improved land, water and waste management actions that increase carbon storage or avoid greenhouse gas emissions.

Greenhouse gases

There are four greenhouse gases linked to global warming: carbon dioxide (the majority), methane, nitrous oxide and fluorinated gases. “Carbon dioxide equivalent” or “CO²e” is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO²e signifies the amount of CO² which would have the equivalent global warming impact.

Impact Investing Institute

Launched in 2019 with a simple mission: to accelerate the growth and improve the effectiveness of the impact investing market in the UK and internationally – as set out in the United Nations’ Sustainable Development Goals.

Institutional Investors Group on Climate Change (IIGCC)

The European membership body for institutional investor collaboration on climate change. Its work supports and helps to define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.

Intergovernmental Panel on Climate Change (IPCC)

The United Nations body for assessing the science of climate change and to report on its implications and potential future risks, as well as to put forward adaptation and mitigation options.

Net Zero

The balance between the amount of greenhouse gases produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away. It will help limit global warming.

Paris Agreement

A legally binding international treaty on climate change to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. Countries communicate actions they will take to reduce their Greenhouse Gas emissions and they will take to build resilience to adapt to the impacts of rising temperatures.

PRI Impact Market Map

The PRI designed a market map from the United Nations' Sustainable Development Goals and their own reporting framework to categorise mainstream impact investments into themes, of which the PRI identified 10. The themes include; energy efficiency, green buildings, renewable energy, sustainable agriculture, sustainable forestry, water, affordable housing, education, health and inclusive finance.

Principles for Responsible Investment (PRI)

A United Nations-supported international network of investors working together to use responsible investment to enhance returns and better manage risks.

Task Force on Climate-related Financial Disclosures (TCFD)

A Task Force which has developed consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information.

UK Stewardship Code

High stewardship standards for those investing money with the aim for responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

UN Sustainable Development Goals (or Global Goals)

Set up in 2015 by the United Nations General Assembly they are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". Examples of the goals are to achieve gender equality, ensuring availability of water and sanitation for all, and protecting biodiversity.

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