
SUSTAINABLE FINANCIAL MARKETS ENGAGEMENT PLAN

Railpen's system-wide stewardship plan for 2026 – 2030

RAILPEN



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EXECUTIVE SUMMARY

Railpen's goal is to support sensible corporate governance practices and capital market conditions that keep markets fair, accountable and reliable, thus supporting long-term financial value creation for investors and our beneficiaries.

This document sets out our 2026-2030 strategic engagement plan for effective system-wide stewardship that helps create thriving and sustainable financial markets.

For the next five years, we'll focus on the following themes:

- **Shareholder rights:** We'll continue to advocate for the protection and strengthening of shareholder rights, including equitable voting structures and accountability measures to align management decisions with long-term value creation.
- **Effective boards:** We'll emphasise the need for boards to be independent, skilled and diverse in order to provide robust oversight, reduce agency risks, and guide long-term business strategy that ultimately supports sustainable financial markets and member outcomes.
- **High-quality external audits:** We'll focus on the importance of building trust and resilience in the audit ecosystem through improved dialogue between auditors and investors, better disclosures, and policy advocacy to reinforce market stability.

Collaborative leadership and advocacy

Our plan builds on Railpen's leadership across investor initiatives – particularly the \$4 trillion global Investor Coalition for Equal Votes (ICEV) and the multi-trillion UK-focused Governance for Growth Investor Campaign (GGIC), as well as our recent Acting on Audit report and programme of work – expanding collaborative efforts and policy engagement at a critical time for global governance standards.

Objectives and milestones

We'll use company engagement and policy advocacy to help us achieve the following objectives:

- Policies that support a '**governance for growth**' approach in the UK and elsewhere, highlighting the value of **one-share-one-vote and reasonable time-based sunset clauses** that are well understood, and ensuring SRD III fairly balances shareholder influence with corporate competitiveness
- Raising awareness with policymakers and companies of the evidence-based link between **strong corporate governance and sustainable long-term value creation and economic growth**
- Encouraging boards to improve their board **effectiveness practices and disclosures**
- A more robust and resilient UK audit market and **better dialogue** between audit firms, Audit Committees and investors





BACKGROUND

“Sustainable Financial Markets (SFM)” is our term to describe the **core governance and capital market conditions** that keep **markets fair, accountable and reliable** for long-term savers. In practice, SFM is about protecting and strengthening the market ‘operating system’ so it consistently supports positive financial outcomes, and ultimately member outcomes.

The role of corporate governance

A key contributor to SFM is companies’ governance arrangements: the system of rules, practices, and processes that shape and guide the relationships between a company’s management, board, shareholders and other stakeholders¹. Corporate governance provides the structure and systems through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance.

Importantly, it provides the framework for exercising shareholder rights, ensuring companies are run in the interests of their shareholders (as owners of capital). A sound corporate governance framework protects and facilitates the exercise of shareholder rights and ensures equitable treatment of all shareholders.

While corporate governance standards and shareholder rights have become somewhat unfashionable in recent years², a well-established evidence base demonstrates its financial materiality and **shows that effective corporate governance and shareholder rights help companies perform better over the long-term³ and support thriving capital markets** and long-term economic growth through the following mechanisms⁴:

- **Board oversight:** independent, skilled boards provide effective oversight of management, reducing agency risks
- **Shareholder rights:** equitable shareholder and voting rights ensure strategic decisions align with long-term shareholder value creation and hold management to account, discouraging value-destructive decisions
- **Risk management:** effective governance helps identify and manage financial, operational, and reputational risks early, leading to greater business resilience, particularly during crisis
- **Investor confidence:** investors are more likely to invest in firms with strong governance, lowering the cost of capital⁵

As well as providing the basis for healthy capital markets (and company performance), we see corporate governance standards as a system-wide risk because of their close alignment with a market’s policy and regulatory framework: recent history has shown that where one market chooses to dilute its corporate governance and shareholder rights mechanisms, others will follow thereafter in what the International Corporate Governance Network (ICGN) has called a ‘governance race to the bottom’.



Our priority sub-themes

Railpen will centre our efforts on **shareholder rights, effective boards** and **high-quality external audit** because evidence shows they are significant contributors to the health (or otherwise) of financial markets. Given Railpen’s strong corporate governance heritage, and the Trustee Board’s commitment to focusing our sustainable ownership work on the issues that matter most for members’ financial outcomes, we believe we are well placed to share perspectives and play a leading role in relevant industry and policy debates. The case for us – and other asset owners – to do so has only strengthened in recent years, in light of the continued dilution of foundational shareholder rights across several jurisdictions⁶.

Policy engagement and stewardship strategies

While we will continue to use traditional stewardship tools, we’ll increase our focus on policy engagement as a key lever for systemic change on SFM, recognising its potential effectiveness in achieving impact across jurisdictions or sectors and the need to pursue alternative stewardship strategies in a context where shareholder rights are diminishing, hard won gains on board effectiveness are in danger of being lost and direct company engagement becomes less impactful as a result. Our work on SFM is particularly important as strong shareholder rights act as an enabler for achieving change on the rest of our systems stewardship priorities.

¹ OECD (2023) [G20/OECD Principles of Corporate Governance 2023](#), OECD Publishing, Paris.

² WEF (2022) [Defining the ‘G’ in ESG](#).

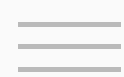
³ See, for example, Bui, H. and Krajcsák, Z. (2023), ‘The Impacts of Corporate Governance on Firms’ Performance: From Theories and Approaches to Empirical Findings’, *Journal of Financial Regulation and Compliance*, July 2023, [doi.org/10.1108/JFRC-01-2023-0012](#)

⁴ See, generally, OECD (2023), [OECD/G20 Principles of Corporate Governance](#), [oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2023_ed750b30-en](#)

⁵ GGIC (2025) [Going for Governance, Going for Growth](#).

⁶ Key examples include: new SEC guidance making it harder for shareholders to engage with companies, and easier for companies to ignore shareholder proposals; recent changes to the UK listing rules; scaled back EU sustainability regulations; antitrust accusations by some US law-makers of major investor collaborative engagement initiatives.





OUR ENGAGEMENT PLAN

Shareholder rights

Shareholder rights are critical for enabling investors (as part owners of the company) to influence the board and prevent misalignment between the interests of company management and the interests of shareholders. As such, these rights provide an important mechanism for delivering better financial outcomes⁷.

The primary risk related to the absence of strong shareholder rights is corporate entrenchment, which can be defined as the extent to which the board member/manager fails to experience discipline from the full range of corporate governance and control mechanisms⁸ i.e. a company is not run with a view to treating all shareholders equally and fairly, or potentially prioritises the needs of insiders over independent shareholders. Railpen see shareholder rights as a system-wide issue, not only because they are fundamental to the trust and success of a country’s capital markets, but also because evidence shows there is a ‘domino effect’ when it comes to industry and policy activity: where one large country leads on shareholder rights, others will follow.

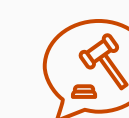
Dual-class share structures: the ultimate shareholder rights issue

Dual-class share structures (DCSS) strike at the heart of shareholder rights because they undermine the most fundamental safeguard: the ability to hold boards accountable through voting. Under a one-share-one-vote system, shareholders can influence board composition and company strategy, ensuring alignment with long-term value creation. Dual-class structures distort this mechanism, entrenching control and limiting accountability, which weakens governance and reduces transparency.

There’s clear evidence on the **negative impacts of DCSS on long-term sustainable financial value**, with research showing that such structures make it harder for shareholders to elect directors, challenge decisions, or access robust information, and any short-term benefits tend to disappear within 5–10 years. Our 2023 ICEV research found **clear evidence that dual-class share structures without a suitable time-based sunset clause are associated with a negative impact on company valuation**. With more jurisdictions permitting DCSS to attract Initial Public Offerings (IPOs), this issue is increasingly pressing, as it risks eroding core rights and long-term financial performance globally.

⁷ See, for example, Bui, H. and Krajcsák, Z. (2023), ‘The Impacts of Corporate Governance on Firms’ Performance: From Theories and Approaches to Empirical Findings’, *Journal of Financial Regulation and Compliance*, July 2023, doi.org/10.1108/JFRC-01-2023-0012

⁸ Definition adapted from Berger, P., Ofek, E. and Yermack, D. (1997), ‘Managerial Entrenchment and Capital Structure Decisions’, *The Journal of Finance*, Vol.52 (4), pp.1411-1438.



Our priority jurisdictions, sectors and engagements

Shareholder rights are under pressure globally as policymakers prioritise short-term economic growth, often influenced by the misconception that investor protections hinder innovation, productivity and therefore growth. **Asset owners like Railpen, whose interests are fully aligned with those of our members, are uniquely positioned to demonstrate how robust shareholder rights support long-term value**, healthy markets and economic resilience.

Given that regulations and standards largely determine the environment for shareholder rights, policy advocacy will remain our primary lever for systemic change. Traditional stewardship tools like voting and engagement are less effective when capital structure and voting rights are entrenched, so we’ll engage selectively at the company level, and focus on influencing policy and collaborating with other investors and associations to build critical mass. This approach mitigates the risk of Railpen being isolated as a proactive investor, in comparison to what is a well-aligned and well-co-ordinated issuer lobby, and should amplify our ongoing evidence-based advocacy through initiatives like ICEV and GGIC.





⁹ The US sets global standards on shareholder rights because of its size, its booming technology sector and lively Initial Public Offering (IPO) market, while the UK has historically differentiated itself in the global marketplace because of its emphasis on robust corporate governance standards and shareholder rights mechanisms – standards which have been copied around the world (such as the ‘comply or explain’ mechanism approach to corporate governance, or the Stewardship Code).

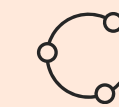
¹⁰ For instance, in the US, state-level competition for incorporations and stock exchange rivalry have fostered a permissive environment for takeover defences such as DCSS. Similarly, China – another major tech player – has a governance model shaped by state influence and limited investor protections, which has insulated firms from global norms. As regards the nature of tech firms themselves: founder-led structures, prioritisation of speed and innovation, and reliance on private capital with short-term horizons reduce pressure for robust governance measures, while recent strong financial performance has arguably further insulated tech companies from wider investor scrutiny, enabling management entrenchment and regulatory influence.



Jurisdictions

The **UK** and **US** are priority markets for Railpen, given our portfolio allocations – with 44% of our AUM invested in the UK alone. They’re also markets which, for different reasons⁹, significantly influence the policy and practice on shareholder rights in other jurisdictions.

As national policy debates on shareholder rights turn to the topic of ‘patriotic investment’, and as a UK asset owner working on behalf of hundreds of thousands of UK-based members of the railways pension schemes, we also have a particular interest in the UK – and in how shareholder rights support economic growth in our home market.



Sectors

Shareholder rights is a highly material theme across all sectors, so is generally **sector-agnostic**.

However, DCSS, and other poor shareholder rights practices, are **used most prominently in the technology sector** for a variety of reasons, including corporate governance law and norms in jurisdictions where tech firms dominate and there is a proliferation of founder-led structures¹⁰.



Companies and other financial market participants

We recognise the key role of policymakers in hindering or helping shareholder rights mechanisms at companies and the **difficulty of encouraging companies with existing poor practices like DCSS to reconsider their approach** once midstream.

However, there are ways in which we think we can maximise our likely influence with companies, with our dialogue focusing on the following:

- Companies before they list – when they are still open to being influenced
- Financial market participants (like pre-IPO advisers)
- Companies that are ‘music makers’ i.e. leaders in their sector, or high-profile, and to which their peers pay close attention on issues like capital structure





Investor initiatives

Collaborative engagement initiatives are central to our SFM plan because they amplify investor influence. We'll prioritise working through Railpen-led coalitions **ICEV** and **GGIC**, leveraging this critical mass to advocate for stronger shareholder rights and governance standards.

We will also continue to work closely with well-established and expert membership organisations on this issue, including the **ICGN** and **CII**.



Policymakers and standard setters

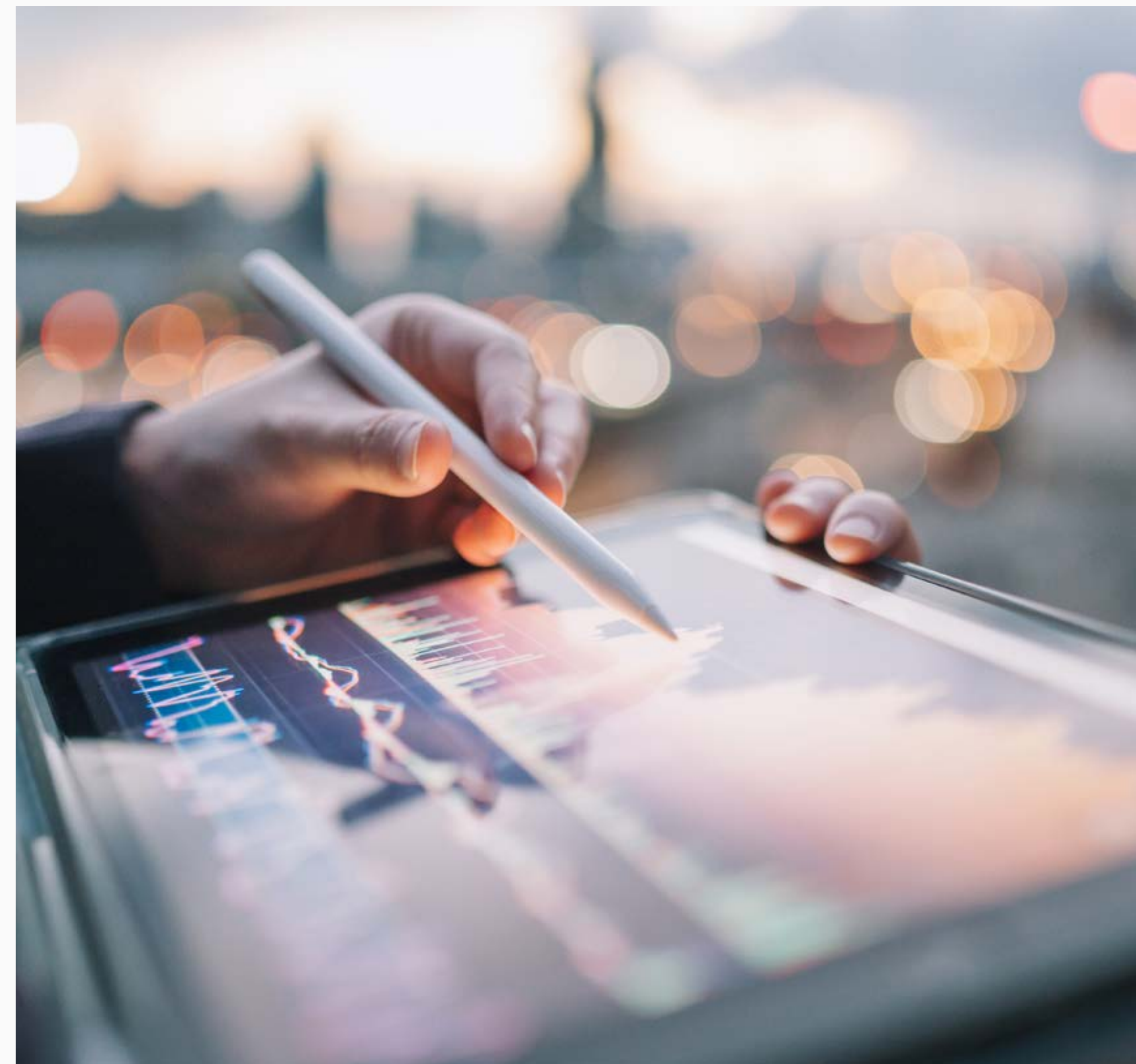
Our focus on policy advocacy reflects the systemic nature of the challenge – regulatory frameworks shape shareholder rights, and **reversing global declines in shareholder rights requires collective action**.

There are also several key opportunities in the UK for us to influence positively, while the nature of recent US political and policy activity on shareholder rights means there is often limited opportunity for consultation or formal influence¹¹.

We'll **focus on influencing major regulatory and listing frameworks**, including the UK's DBT-led Modernisation of Corporate Reporting initiative, and developments at the SEC and NYSE. We will also monitor proxy adviser debates, given their important role in supporting shareholders to effectively employ their voting rights.

Beyond these core jurisdictions, there is scope to shape EU shareholder rights through SRD III and respond to the implications of the EU Listing Act, which has facilitated DCSS. Railpen will consider targeted interventions in other markets like Australia as the global debate on DCSS intensifies.

¹¹ For instance, the SEC recently reversed its stance on mandatory arbitration clauses without prior consultation: [ICGN letter to SEC on retail voting programs and mandatory arbitration](#) while the Trump administration in December issued an executive order on proxy advisers: [Trump Administration Issues Executive Order Aiming to Curb Influence of Proxy Advisory Firms | Insights & Resources | Goodwin](#).





Objectives and milestones

Our engagement objectives are outcomes-focused, and structured around short, medium, and long-term milestones, with progress tracked and reviewed regularly to ensure continued alignment with evolving best practice and regulatory expectations.

Our three core objectives are as follows:

- Advancing GGIC policy objectives to support a **'governance for growth'** approach in the UK
- Ensuring investor perspectives on the benefits of **one-share-one-vote structures** and **reasonable time-based sunset clauses** are well understood throughout the market
- Feeding into the debate on the **Third Shareholder Rights Directive (SRD III)** to help it achieve the right balance between shareholder needs and corporate competitiveness

Key activities will include proactively shaping and responding to relevant consultation responses, creating a pool of parliamentary champions, supporting international advocacy, and producing research to strengthen the evidence base for 'one-share-one-vote'. Collaboration with policymakers, market shapers, and investor networks will also form part of our key activity.

Success will be assessed by measuring the impact of our consultations on policymakers, greater parliamentary understanding of the importance of governance for growth, progress in the class-by-class vote disclosure debate, successful engagement with companies that have sunset DCSS and fewer dual-class IPOs without sunset provisions. Broader measures include appointments to key capital markets policymaking forums, recognition of scheme investor perspectives by UK ministers, and influence in global debates.

Effective boards

Company boards have a fundamental role in overseeing and scrutinising management and creating greater alignment between company strategy and the needs of shareholders. Railpen's approach to assessing whether there is, or is likely to be, an effective board of directors follows the principles articulated by the International Corporate Governance Network (ICGN)¹², and focuses on the following:

- **Expertise and mindset:** board directors should combine company and industry knowledge with core skills (finance, governance) and forward-looking capabilities (AI, cybersecurity). Cognitive diversity and stakeholder representation enhance decision-making and trust. We assess this via skills matrices, biographies, tenure, and diversity disclosures
- **Independence:** boards must be accountable to shareholders and free from undue influence by company management. Indicators include one-share-one-vote, annual elections, majority voting, and responsiveness to shareholder concerns. Risks arise from long tenure or close ties to senior management and other important stakeholders; cooling-off periods and transparent evaluations can mitigate this
- **Structure and support:** clear roles, strong committees (audit, remuneration, nomination, risk/technology), and transparent evaluations signal robust governance. Adequate disclosure and director capacity (avoiding over-boarding) are essential, while the independence and experience of the chair is pivotal to an effective board

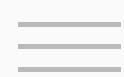
Board regulation and structures in the UK, EU and US

Board structures are heavily influenced by a jurisdiction's legal and regulatory framework, including corporate governance codes, company law and listing rules.

The UK and US are typically single-tier, while the EU features both single- and two-tier systems (e.g. Germany, Austria, the Netherlands). The UK relies on the UK Corporate Governance Code and a comply-or-explain approach to board effectiveness, while the US combines state corporate law, federal regulation, and stock exchange rules, with a historic focus on enforcement and litigation risk. The EU sets minimum standards through directives like SRD II and the Audit Directive, but with national codes and laws playing a significant role and enforcement approach varying by member state.

¹² International Corporate Governance Network. (2021). *ICGN Global Governance Principles* (ISBN 978 1 907387 27 2).





More proactive investor stewardship in recent years improved global board structure, composition and independence, though differences remain between jurisdictions¹³. At the same time, board directors report increased time commitments and stress¹⁴ and, despite recognising the need for refreshment¹⁵, board evaluation, succession planning and time for reflection and strategic thinking gets squeezed out. Boards have complained about the quality of investor stewardship, with a report produced by Tulchan Communications in 2022¹⁶ offering insights into common misperceptions held by board members of the role, nature and decision-making processes of investors.

Recent developments in the US on proxy advisers, shareholder proposals and passive managers – closely watched by capital markets policymakers in the UK and elsewhere – are shifting influence from shareholders towards boards, meaning the hard-won gains on board effectiveness and discipline are under threat¹⁷. This makes it more important than ever that Railpen tackles this issue as a fundamental ingredient of sustainable financial markets.



Our priority jurisdictions, sectors and engagements

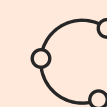
Our previous work on board effectiveness has been at the company level and while this will remain our priority mechanism, we will increasingly seek dialogue with key board directors, particularly chairs and lead/senior independent directors, on core governance issues and the wider need for reflection, evaluation and succession planning. Alongside this, we will refine our approach to wider awareness-raising of what good investor stewardship looks like, address misperceptions amongst company boards and policymakers about investor stewardship, and leverage our work on shareholder rights and investor access to enhance director accountability to shareholders.



Jurisdictions

Key markets are the **EU, UK and US**, given Railpen’s portfolio allocations, their role as a model for board effectiveness practices and policy for policymakers and market practitioners elsewhere, and in light of the ongoing and potential future regulatory rollback on key ingredients of board effectiveness in these jurisdictions¹⁸.

We consider standard **US board practice to generally fall below standards in other countries** on issues including board independence, director tenure, a separation of chair and CEO, and classified director elections.



Sectors

The effectiveness of a board of directors is a highly material theme across all sectors, so **primarily sector-agnostic**. However, key shareholder accountability mechanisms are likely to be weaker in founder-led industries such as technology, where insiders and entrepreneurs are likely to want (and be allowed) to maintain as much control over e.g. board elections as possible.

¹³ This can perhaps be overstated, with global director elections averaging 95% approval, including for underperforming boards; in 2023, director re/election proposals secured 95.9% average support globally, compared to 96.1% in 2022. Diligent, [“IN-DEPTH: What drives opposition toward directors?”](#)

¹⁴ EY (2025) [‘What is the agenda for reimagining more strategic, future-looking boards?’](#)

¹⁵ For example, more than half of board directors think someone on their board should be replaced. PWC, [‘2025 Annual Corporate Directors Survey: Driving a culture of accountability in the boardroom’](#)

¹⁶ Tulchan Communications (2022) [The State of Stewardship](#).

¹⁷ This is a good summary of some of the recent changes: [State Anti-ESG Movement Evolves to Target Investor Access - Climate Law Blog](#).

¹⁸ Board effectiveness is generally more developed in these jurisdictions (UK, EU and US) than in emerging market economies, for example. However, Railpen is not currently significantly invested in emerging markets and also, these markets look to EU, UK and US as standard-setters on corporate governance.





Companies

We'll focus on individual companies that have a heightened risk, as well as considering where practices of a single company could have broader systemic impacts.

Beyond individual company engagement, and given that take-up of comprehensive evaluations is lower than we'd expect¹⁹, we will work **system-wide to highlight the importance of i) genuinely independent board effectiveness reviews, and ii) clear and honest disclosure to shareholders** about the lessons learned and steps taken in response.

Our **company-specific work on equal voting rights** through ICEV, should also help improve board accountability and effectiveness overall²⁰.



Investor initiatives

Collaborative company engagement initiatives led by investment practitioners on board effectiveness tend to focus on board diversity – a key component. Railpen will continue to support the **30% Club Global** (which focuses on board diversity).

Our membership associations such as **ICGN**, the **Investor Forum** and **CII** advocate with policymakers or run sessions on board effectiveness, so we'll continue to feed into these where relevant²¹. We're also pleased to be contributing to the Issuer and Investor Forum's **Cross-Industry Working Group**²² in our capacity as Chair of the Governance for Growth Investor Campaign (GGIC).



Policymakers and standard setters

Company engagement will remain the primary influencing mechanism. However, we will also get more directly involved in policy debates on board effectiveness. Because our role as a non-US asset owner means we're unlikely to have significant direct sway with US policymakers, we **will work on any US policy issues through membership organisations such as the CII and the ICGN**.

We'll focus any direct policymaker engagement on developments in the UK and EU, including on any proposed changes to **UK corporate reporting related to board effectiveness disclosure** through our work on the **GGIC**.

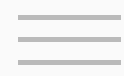
¹⁹ NACD (2025) [Board and Director Evaluations for Better Governance](#)

²⁰ Please see [Shareholder rights](#) section in this document

²¹ We also recognise that Railpen's work setting up and chairing the Workforce Directors Coalition (WDC) as part of our workforce thematic stewardship priority should help achieve more effective boards. Please see our [insert title of workforce engagement strategy and link when published].

²² Railpen participates as a representative of the Governance for Growth Investor Campaign (GGIC) and the Asset Owner Council.





Objectives and milestones

Over the next five years, Railpen will prioritise strengthening standards and accountability at companies in key jurisdictions by:

- Driving genuinely **independent board evaluations** and refreshment
- Improving the **clarity and comparability** of board disclosures
- Enhancing **board accountability** to shareholders
- Promoting the evidence base on the benefits of **cognitive diversity**

To deliver this, we will assess current practices, push for disclosure improvements, share best practice examples, and engage with laggard companies on diversity and inclusion.

Success will be measured by whether more companies commit to independent board evaluations at least every three years, achieve demonstrable improvements in board activity and the effectiveness of their reporting, increased responsiveness to shareholder engagement (including at AGMs), and increased representation – 40 per cent women and at least one ethnic minority – on executive committees amongst the UK’s largest firms.

High-quality external audit

High-quality audit has been defined by the CFA Institute as “one that diminishes the ability of a management team to obscure the economic reality, and one which ensures the timely communication of information which could become significant if the future state turns out to be different to reporting date expectations²³”.

While internal audit is also important, Railpen’s primary focus is external audit given the significant issues within the market for external audit and key opportunities for influencing the debate over the next few years.

There is extensive research²⁴ on the benefits of a high-quality external audit and its materiality for corporate performance. The US SEC’s Chief Accountant, Paul Munter, said in 2021: “Academic studies demonstrate that assurance provided by an independent auditor reduces the risk that an entity provides materially inaccurate information to external parties, including investors, by facilitating the dissemination of transparent and reliable financial information. Research also shows that an independent, high quality audit improves the credibility of financial statements reducing risk to investors, thereby lowering the cost of debt and the cost of equity for the company. Additionally, companies often benefit in other ways from the services of an independent auditor... audit may also help a company prevent fraud and aid in the evaluation of management²⁵”.

Examples from our 2024 report with Governance Perspectives Ltd. ‘Acting on Audit’ report show the losses that can be incurred in cases of audit failure, including at UK companies such as Bulb, Wilko, Carillion, Patisserie Valerie and Thomas Cook. While in each case the board and management were primarily responsible, weaknesses in the audit were identified as a significant contributory factor²⁶.

A market that supports high-quality external audits is vital for healthy and sustainable capital markets. However, some issuers and audit firms say that post-global financial crisis audit regulations restrict their growth, prompting UK and US policymakers to consider relaxing current requirements. Investor interest in external audit remains limited – with a review of stewardship disclosures undertaken for Acting on Audit indicating that very few investors actively engage on these issues²⁷.

²³ As quoted in the Brydon Review (2019) [Independent Review into the Quality and Effectiveness of Audit](#)

²⁴ A helpful summary of some of the academic research can be found in: [The Value of Audited Financial Reports - The CPA Journal](#)

²⁵ [SEC.gov | The Importance of High Quality Independent Audits and Effective Audit Committee Oversight to High Quality Financial Reporting to Investors](#)



Our priority jurisdictions, sectors and engagements

In 2024 and 2025, Railpen focused on deepening our understanding of the evidence base and policy frameworks on external audit in major markets, and we refined our standard stewardship tools and updated our Global Voting Policy. We’ll build on this work in the next five years by shifting to a more proactive and systemic focus.

We’ll prioritise policy advocacy and structured engagement to improve audit quality and transparency, recognising that regulatory frameworks and market standards are key drivers of change. Furthermore, recognising that historically investors have paid less attention to audit than its materiality warrants, we’ll raise awareness through our membership associations, and provide input on what constitutes effective audit disclosure to investors.

²⁶ Railpen and Governance Perspectives Ltd (2024) [Acting on Audit](#).

²⁷ Of those that reported audit as an engagement topic, it accounted for only a small proportion of governance engagements–4% and 7% respectively

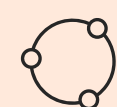




Jurisdictions

We'll target the **UK, EU and US** markets, given their relevance to our portfolio, and because other jurisdictions consider these markets to provide a model for their own approach to audit.

The **UK** should see a significant level of policy debate on audit issues in the next 2-3 years, and as a major UK asset owner, we are most likely able to influence here.



Sectors

We see the importance of a high-quality external audit as **primarily sector-agnostic**. Our focus will primarily be on policy, as opposed to individual company engagement.

However, any forthcoming UK debates on Public Interest Entity (PIE) status will likely have a sectoral angle to them²⁸.



Companies

We see merit in some **limited engagement with companies** in key jurisdictions on audit. Policy or regulatory nudges can be helpful, but companies can also be encouraged to take steps now to improve (for instance) reporting on audit.

We'll focus on engaging with companies that have been early movers across other audit and accounting trends e.g. climate accounting leaders and companies that score highly for the likelihood of weak audit controls, governance and processes.



Investor initiatives

Rather than lead a dedicated collaborative engagement initiative on audit, we'll leverage existing forums such as the **Investor Forum, ACCIF, and ICGN's Investor-Auditor roundtables** to contribute to industry-wide dialogue.

We will dedicate some resource – as a trusted asset owner on these issues – to awareness-raising and collective communication with audit firms and committees, building on our Acting on Audit work. This includes supporting **educational sessions for investors** through our existing networks like the Asset Owner Council (AOC) and promoting **good practice engagement and disclosure models**, helping us influence the debate without duplicating efforts or overstressing capacity.



Policymakers and standard setters

Policymakers have a significant role to play in the market for audit quality. Our policy advocacy will work on issues we had identified previously as key levers: i) improving information from companies to investors on audit ii) improving audit market competition and iii) more effective regulatory and firm oversight.

Key debates and policy 'hooks' in the UK – **a priority market given our role as a UK asset owner and the impact UK audit regulation has on regulation worldwide** – include the Modernisation of Corporate Reporting and discrete initiatives that arise in the wake of the scrapping of the Draft Audit Reform and Corporate Governance Bill in the UK.

²⁸ As of January 2026, the UK's Draft Audit Reform and Corporate Governance Bill, which would have provided an opportunity to review the definition of a PIE, has been dropped.



Objectives & milestones

Over the next few years, Railpen will focus on three priorities for strengthening external audit quality:

- Improving investor-auditor dialogue
- Enhancing audit-related disclosures by companies
- Influencing policy to strengthen audit market resilience

This reflects our view that better audit practices underpin market integrity and long-term value. We will work to close the understanding gap between investors and audit firms, advocating for audit partners' attendance at AGMs, and promote graduated reporting, Resilience Statements, and Audit and Assurance Plans at UK companies. Our policy engagement will centre on reforms that enhance information sharing and competition in audit markets, including revisiting market cap proposals.

Success will be measured through positive feedback from investor and audit firm engagement sessions, increased uptake of our Acting on Audit report recommendations, broader take up of enhanced audit disclosures, and policymakers referencing Railpen's positions, raising audit market competition issues, and re-opening consideration of structural reforms. **Over time, we aim to see greater investor involvement in audit discussions and improved transparency and accountability across the audit ecosystem.**





Disclaimer

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