

INVESTMENT STEWARDSHIP FOR SYSTEMS CHANGE

An overview of Railpen's refined approach to systems stewardship
for **2026-2030**

RAILPEN



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EXECUTIVE SUMMARY

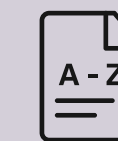
To help secure our members' future, Railpen has undertaken systems stewardship for over five years, recognising our role as a universal owner of assets¹ and that our global portfolio is exposed to system-wide sustainability as well as governance risks and opportunities that we cannot diversify away from.

Systems change requires patience and a consistent approach over several years; however, evolving markets, politics and a strengthened academic evidence based on universal ownership and systemic stewardship led us to reassess and refine our approach across 2025.

As part of our refreshed systems stewardship 2.0 approach we are publishing for the first time a series of structured engagement plans for each priority theme, including our high-level objectives and success measures over the next 3-5 years. We believe that doing so helps us be transparent to our stakeholders, signal our engagement intentions to the market and supports peers who are developing their own approaches.

Although each engagement plan can be read as a standalone document, this paper provides an overview of our refreshed systems stewardship strategy. It explains the multi-phased approach we took to reviewing and refining our work in 2025, as well as discussing commonalities and trends in the evolution of our approach. This includes a renewed insistence on **'following the evidence' on financial materiality**, sharpening and **articulating how we have decided to prioritise jurisdictions, sectors and engagement targets**, and **outlining for the first time our theory of change on systems stewardship** – why it matters to member outcomes that we are willing to be vocal, to proactively engage in public policy debates, and to work ever more closely alongside Railpen's operational experts in engaging with systemically-important companies.

In refining our approach, Railpen has collaborated widely with our internal operational and investment experts, with our Trustee, and with external experts and peers. Although we are in no doubt that our approach will need to remain nimble and develop within an evolving landscape, we hope that our 2025 work and our five-year engagement plans provide a solid foundation for systems stewardship that truly moves the dial on financial outcomes for our members.



Our choice of terminology

Stewardship that considers the full social, economic, and financial system is described using a range of terms. Across our engagement plans, we use 'systems stewardship', as well as 'system-wide' and 'systemic' (more often 'systemically'), interchangeably, reflecting their broad understanding across the industry and beyond. We avoid 'systematic' due to its multiple alternative meanings.

¹ A universal owner's portfolio is so broad that it cannot diversify away from economy wide, systemic risks like climate change, inequality or pandemics. Universal owners therefore have an interest in, and a responsibility for, the long-term health of the financial system as a whole, as system-level failures will inevitably affect their overall returns. Please see [systemic-stewardship-the-financially-material-imperative.pdf](#) for further details of the literature on universal ownership.



BACKGROUND

At Railpen, we've been doing systems stewardship for several years, recognising that the increased diversity of our holdings – which span the breadth of the global economy – exposes us not only to system-wide sustainability and governance risks, but also to opportunities.

Our hybrid approach to investment, our scale and our long-term time horizons mean we must remain alert to the risks and opportunities which could have an effect on long-term returns for our members. We therefore benefit from having the widest possible range of stewardship tools at our disposal.

Influencing the system within which we operate takes time, focus, and commitment. Chopping and changing approach, or chasing after the next big thing, impedes progress. However, markets, industries and political economies are evolving, academic and industry evidence has developed, and the effectiveness of systemic stewardship tools has expanded substantially².

This is why Railpen spent time in 2025 reassessing and refining our approach. This review had four phases:



Phase 1: assess materiality

The evidence base on financial materiality, and the impact on members' financial outcomes, guides everything we do on investment stewardship at Railpen.

Early in 2025, we refined our proprietary 'materiality matrix' and used it to assess possible sustainability and governance themes for materiality to our portfolio (now and in the future), the importance to our Trustee and members, and our ability to shape the system and have an impact on members' behalf. We concluded that our four existing 'headline' stewardship priorities remain the most materially significant:

1. Sustainable financial markets
2. Responsible technology
3. Worth of the workforce
4. Climate and nature

The evidence on their financial importance to our portfolio has been consistently strong. Policy and political developments have, however, led to changes in our sub-thematic work, which we outline in greater detail in our engagement plans for each priority.



Phase 2: train and upskill

Systems stewardship uses many of the same tools as traditional bottom-up approaches. However, recognising the potential levers for system-wide change – and the flows and interconnections between issues and systems – requires a mindset shift.

In H2 2025, we arranged systems change training³ for colleagues across pension investment management, to help us undertake systemic diagnoses and identify where we can intervene most effectively. In Q1 2026, bespoke training on public policy advocacy for the Sustainable Ownership team ensured the whole team could refresh their knowledge of a rapidly changing policy framework – and how to influence for change within it.

² As well as our own 2025 contribution to the debate, alongside Sinclair Capital and The Investment Integration Project (TIIP) at [Systemic Stewardship: The Financially Material Imperative | Railpen](#), we also note the following reports: UKSIF (2025) Systemic risks: a framework for portfolio resilience and Church of England Pensions Board and Wespeth (2025) What does it look like for asset owners to lead right now.

³ Our bespoke training was provided by [School of System Change](#).

⁴ Railpen, TIIP and Sinclair Capital (2025) [systemic-stewardship-the-financially-material-imperative.pdf](#)



Phase 3: research the 'art of the possible'

An independent perspective from world-leading experts is always invaluable. So, Railpen commissioned and collaborated with The Investment Integration Project (TIIP) and Jon Lukomnik's Sinclair Capital across 2025 to understand the evolving market for systems stewardship, how to navigate divergent regulatory regimes, and how to further embed a systems stewardship approach across our entire organisation⁴. This work helped us evaluate our approach within this wider context and confirmed to us that we are well placed to lead both in the UK and beyond:

"The divergence in regulatory regimes creates compliance complexity, reputational risk, and tactical constraints, but also an opening for UK-based asset owners in particular to lead globally. The UK's flexible, narrative-driven approach provides an opportunity to build upon previous [Stewardship Code] reporting in a way that helps shape global norms and collaborative frameworks."

Source: [Railpen, TIIP and Sinclair Capital \(2025\)](#)

The internal report was highly tailored to our investment structures, organisational approach and cultural specificities – and incorporated learnings from conversations with key individuals across our pensions investment management. However, **our stewardship philosophy is always to try to use our scale to support others where we can**, so we published a high-level version of this research externally to contribute to the wider debate on systems stewardship⁵.



Phase 4: draft and publish engagement plans

Railpen has long had engagement objectives for portfolio company engagements to help benchmark our progress. **Our engagement plans map out a more structured, outcomes-focused and comprehensive path for each our priority themes**, outlining:

- the financial materiality evidence base
- our chosen priority jurisdictions, sectors, company and policy engagements
- our short-, medium-, and long-term objectives and success measures

Over the next few months, we'll publish high-level versions of each of these engagement plans, to be transparent to the market about our intentions and to support others who are working on their own approaches, given the difficulty of prioritisation in a noisy world and of measuring the impact of individual activities upon system-wide issues.

The results of our extensive research, including our materiality matrix analysis and our collaboration with TIIP and Sinclair Capital indicated that the foundations of our previous work remained solid. However, we needed to achieve the following:

- Create priority sub-themes⁶
- Identify which stewardship tools we use
- Embed a systems change approach across Railpen

Embedding systems thinking across Railpen is an ongoing journey. Our engagement plans set out the tools we will use to address different issues, while In the following section, we outline how our systems stewardship 2.0 approach will evolve over 2026-2030.

⁵ Ibid.

⁶ That is, narrower issues where our systems change analysis indicated that positive change would have a disproportionately beneficial impact on the top-level priority theme.

⁷ For instance, the growing use of AI – and whether it is governed effectively – will have an impact of water usage, as well as on worker treatment and voice, while what happens on shareholder rights globally affects our ability to influence on every other thematic priority.

SYSTEMS STEWARDSHIP 2.0

Over the next five years, we will continue to focus on our four priority stewardship themes; however, underlying policy, political and industry developments have led us to reconsider how we can best achieve systems impact, including through a shift on our sub-thematic priorities – which we have prioritised in terms of what our systems change analysis indicated would most effectively support positive change on the top-level theme.

Although there are interconnections between our four themes⁷, **each engagement plan takes a bespoke approach to influencing for change**, based on the opportunities available, the tools at our disposal and what mechanisms and levers research indicates will be most impactful in the next 3-5 years. However, there are commonalities across these plans which speak to the wider evolution of our systems stewardship philosophy:



Focusing on the financials



Powering up on public policy



Purposeful prioritisation



Signposts and signals



Companies that shape the system



Engagement grounded in operational expertise

Our new thematic engagement plans, 2026 - 2030			
Nature (and climate)	Responsible technology	Sustainable financial markets	Worth of the workforce
Water	Governance of AI	Board effectiveness	Fair pay and benefits
Biodiversity	Cybersecurity	High-quality audit	Worker relations & voice
For our climate priorities, please see our Net Zero Plan 2025	-	Shareholder rights	Modern slavery



Focusing on the financials

Global political developments have led to what some have called a ‘backlash’ against sustainable ownership, reinforcing the need to focus more clearly on financial materiality. Fundamental rollbacks on voting and other shareholder rights in many jurisdictions in the last few years have made investment stewardship more challenging. Our commitment to focusing our resources only on the most financially material issues is the same today as in 2021, when we first set our thematic priorities, and as far back as in 1992 – when we became one of the first asset owners to publish our Global Voting Policy⁸.

We regularly review the academic and industry evidence base to help us refine the work we do to secure our members’ future. We often turn this research into public reports and guidance each year, because we believe that doing so will help our peers and help raise standards in the industry overall – and we are avid readers of others’ research reports in relevant areas⁹. It also reflects our commitment to supporting portfolio companies in understanding the institutional investor perspective.

This is why each of our engagement plans starts by summarising the financial materiality evidence base for each theme, sub-theme, and potential lever for change. By focusing on what is financially material, we can help achieve good financial outcomes for members.



Purposeful prioritisation

The increasing focus on sustainable ownership among investors over the last decade has led to literally hundreds of initiatives on a seemingly never-ending set of sustainability and governance issues. We think carefully about how we use our finite resources, alongside sustained and dedicated effort, to achieve long-term security for our members.

Each engagement plan sets out our priority jurisdictions, sectors and engagements with both companies and policymakers. As a UK asset owner, and with 44% of our total AUM invested in the UK across both public and private assets, we have a particular interest in UK companies and policy debates – and recognise that our access to the senior decision-makers that can effect change is likely to be enhanced. The US is another major market for us, with an outsized influence on global policy and company law developments.

We often collaborate with other asset owners, particularly those who are based in the market in which we are engaging, and recognising that asset owners have a ‘purity of purpose’ as financial actors whose interests are purely aligned with those of their beneficiaries. However, we often choose to collaborate with our portfolio companies, investment managers, consultants and others in the ecosystem – recognising the power that comes when you can bring the whole investment chain together on a particular issue.

We only participate in collaborations that are genuinely aligned to our own objectives, are not duplicative of existing efforts, and where we have the necessary resources to be able to proactively contribute. Where gaps exist, and where we think doing so is important for financial outcomes for members, Railpen will take the lead in setting up our own work. We regularly review the usefulness of both our own and others’ collaborations.



Companies that shape the system

There remains a clear, and indeed central, role for traditional stewardship tools – including corporate engagement and voting – in driving system wide change. However, a systems approach means we are more targeted in determining which companies we engage, and how. For instance, we consider certain companies to be ‘systemically important’ – that is, they are leaders, well-regarded or otherwise influential in their field or jurisdiction and, where such companies go, others follow¹⁰.

In each of our thematic engagement plans, we outline how we will approach company-level stewardship, as well as which kinds of companies we will be engaging with; the driver for this work is that positive developments at one company can have both disproportionate and beneficial ripple effects on other companies in the same market or sector. Where relevant, we will engage with sector or jurisdictional laggards (to try to raise the baseline standard) or leaders (to demonstrate what good practice looks like).

As with all our company engagements, we prefer constructive and private conversations and as a proactive owner of assets, we look to work in genuine partnership with companies to achieve long-term value creation. This includes providing practical guidance and acting as an informal sounding board and source of governance expertise on material issues.

⁸ Railpen, (2025) [voting-policy-2025.pdf](#)

⁹ There is a strong culture of learning and development both in the Sustainable Ownership team and at Railpen more widely. Team members regularly share research, as well as conducting their own, attend (or speak at) industry conferences and webinars. Further details can be found in our Stewardship Reports at www.railpen.com.

¹⁰ As an example, our Investor Coalition for Equal Votes (ICEV) engages with companies that are likely to be ‘blockbuster’ Initial Public Offerings (IPOs), such as Instacart, Klarna and SpaceX.



Powering up on public policy

System-wide issues need system-wide change. We believe that you can't change systems without being proactive on public policy advocacy¹¹, as government-level action to address structural market issues is often required. Public policy is therefore a critical lever for diversified investors like Railpen seeking to protect long term, portfolio wide value.

We have always dedicated a small proportion of our overall stewardship resource to policy work – working closely with our Railpen external relations and policy colleagues – but we will be dedicating further resource to this, as well as shifting from a mostly reactive to a much more proactive approach: both through and alongside¹² our membership associations, as well as through continued leadership of campaigns like the Governance for Growth Investor Campaign (GGIC)¹³, the Investor Coalition for Equal Votes (ICEV)¹⁴ and the Workforce Directors Coalition (WDC)¹⁵. We outline how we will do so, and where we will focus our policy advocacy efforts, in each engagement plan.

While policy advocacy has been an important, if underused, stewardship tool, we think it has become increasingly relevant in an era where shareholder rights are being eroded worldwide, and traditional stewardship tools are potentially no longer as impactful. As the world changes, so must our approach if we are to achieve good outcomes for members.



Signposts and signals

We recognise that our scale, heritage, long-term time horizon and purpose to secure our members' future is both a privilege and a responsibility in the industry. This shapes our approach to systems stewardship and drives our commitment to using our influence to achieve change in a way that helps protect member outcomes over decades.

We recognise that our hybrid approach to management, where we manage the majority of our investments in-house, lends additional credibility to our engagements with companies, with the wider industry and with policymakers. We provide both the asset owner and the asset manager perspective, bringing insights from our work to partner with portfolio companies and a deep understanding of the governance context within which companies operate.

We are committed to standing up for our members. And while there's a role for private conversations, we are happy to lead and make our case publicly where we think this will help us do so. This includes through use of the more public traditional stewardship tools, such as pre-declarations and AGM statements¹⁶, as well as working closely with our dedicated, expert communications advice and support to incorporate external-facing angles into our stewardship thinking – helping us, where relevant, to send compelling signals to decision-makers and the market at the moments that matter in relevant debates.



Operational expertise for engagement excellence

Railpen's Sustainable Ownership team naturally leads the strategy and implementation of our systems (and other) stewardship work, and we draw upon the expertise of a wide pool of talented colleagues. This includes our long history of close collaboration with colleagues across our investment team, but increasingly we have drawn upon our operational experts to provide richer insights and deepen our company dialogue. Over the last few years, we have co-engaged with portfolio companies on cybersecurity and AI alongside senior colleagues from our Information Security and Technology teams¹⁷.

From 2026, we will collaborate more closely with a wider range of colleagues. For example, building upon our regular discussions with our colleagues in our People team about our workforce activity, we will begin to co-engage alongside them when discussing workforce issues at portfolio companies, to allow for a richer conversation. Meanwhile, our work on audit will be strengthened by more regular interactions both with our Internal Audit colleagues as well as the many qualified auditors working across the Railpen pensions investment management business.

Our ambition is that refining our systems stewardship approach will help achieve greater impact for our members on material issues – and will report back on our progress, or on further evolutions of our approach, through our future Stewardship Reports and our regular reporting and publications.

Further information on our system-wide engagement plans can be found at www.railpen.com/insights/reports.

We welcome feedback at SO@railpen.com.

¹¹ This is why Railpen held the pen on the International Corporate Governance Network's 2023 [Systemic Stewardship & Public Policy Advocacy Toolkit](#), which provides practical guidance for investment practitioners on how to use public policy tools effectively in their investment stewardship approaches.

¹² Relatively unusually, for investment practitioner-led initiatives, we formally collaborate with membership associations through our GGIC and ICEV work – and we have also had a long history of engagement with the Chartered Institute of Personnel and Development (CIPD) on our workforce work.

¹³ Railpen, (2025) [Governance for Growth Investor Campaign](#)

¹⁴ [Investor Coalition for Equal Votes \(ICEV\)](#)

¹⁵ Railpen, (2025) [Workforce Directors Coalition](#)

¹⁶ You can find our recent AGM statements and pre-declarations online at: [AGM Statements](#).

¹⁷ [Railpen and RLAM Publish Cybersecurity Risk & Resilience Guidance | Railpen](#); [Achieving Effective AI Governance | Railpen](#)

ABOUT RAILPEN

Railpen's purpose is simple – to secure our members' future. We are responsible for over £34bn in assets on behalf of more than 350,000 members, providing market-leading pension administration and investment services for defined benefit (DB), defined contribution (DC) and hybrid schemes, including the Railways Pension Scheme – one of the UK's largest, longest established, and intricate funds.

We are built on our heritage. Our history of helping everyday, hardworking people save for their retirement stretches back more than half a century. From our beginnings in 1965 as the pensions office for the British Rail Pension Scheme, we've innovated and evolved to serve the needs of the industry and the financial future of its workers.

We are committed to better member outcomes. Our role is delegated to us by our Trustee, whose unwavering passion to put members' interests first is integral to everything we do – from how we administer the schemes to how we select, structure and size investments to protect and grow the long-term value of members' savings.

We are agile and innovative. Guided by integrity, the importance we place on collaboration, and our member-first approach, we work with policymakers and industry leaders to advocate for a progressive and supportive policy environment that helps us to secure our members' future and shape a more sustainable pensions landscape.

We are different from the norm. We put every pound of profit towards paying members' pensions securely, affordably and sustainably. We make this our mission. Our long-term mindset opens up investment opportunities over multiple decades that enrich communities and the environment, set new standards for innovation and contribute to a resilient UK economy.

