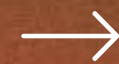


# NATURE ENGAGEMENT PLAN

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

RAILPEN



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# EXECUTIVE SUMMARY

Railpen’s commitment to acting on the risks and opportunities of the climate transition is set out in our Net Zero Plan 2025<sup>1</sup>, where we identify nature as a critical topic.

**Nature-related risks are financially material** for many global companies, with nearly half of the world’s largest firms having assets in Key Biodiversity Areas and **85%** having a significant dependency on nature for their operations<sup>2</sup>. Those dependencies have already resulted in significant financial losses through litigation, operational disruptions, and increased costs, with examples ranging from a USD 10 million algal bloom impact on Chilean salmon farming to multi-billion-dollar liabilities for water pollution.

Climate change and nature loss are **interconnected systemic risks**, and further integrating nature considerations into our existing and long-standing climate stewardship strategy offers the potential for mutually re-enforcing solutions.

Informed by materiality assessments specific to Railpen exposures, our priority sectors for nature are as follows:

- Chemicals
- Construction
- Energy / electricity
- Healthcare / pharmaceuticals

Across all sectors, **water will be a thematic focus due to its systemic importance** and because water-related risks are among the most pervasive and financially significant across our holdings.

## The shifting policy and market landscape

The policy environment is evolving. EU initiatives such as the Chemicals Strategy for Sustainability and various water-related Directives are reshaping financial and corporate practices, increasing compliance costs, and raising scrutiny from financial institutions. These developments create both risks and opportunities – and reinforce the need for companies to strengthen their governance and management of nature-related issues.



## Our approach

Our engagement will combine company-level dialogue with targeted policy advocacy to address both corporate practices and wider market standards. This includes the following:

- Setting clear expectations on nature-related **governance, disclosure and risk management**
- Working collaboratively through initiatives such as **Nature Action 100**, the **Valuing Water Finance Initiative**, and the **Investor Initiative on Hazardous Chemicals** to strengthen investor voices
- Advocating for policy aligned with the **Global Biodiversity Framework** that integrates nature into regulatory and market frameworks



## What success looks like

We will measure progress through the following:

- Corporate **responsiveness** to engagement actions
- Stronger **company management** of nature-related risks
- Enhanced **quality and transparency** of nature-related disclosures
- Alignment with the **Railpen Nature Expectations Framework**
- **Stronger regulatory** standards for nature

<sup>1</sup> Railpen (2025) [Net Zero Plan 2025](#)

<sup>2</sup> S&P Global (2023) [How the world’s largest companies depend on nature and biodiversity](#)

# BACKGROUND



## The twin challenges of nature loss and climate change

Climate change and nature loss are deeply entwined: climate change is a primary driver of nature loss and nature loss contributes to climate change. For example, land use change – including agriculture, forestry, and other land-use activities – accounts for approximately a fifth of global greenhouse gas (GHG) emissions<sup>3</sup> and is also the largest driver of biodiversity loss, responsible for placing 86% of species at risk of extinction<sup>4</sup>. Over half of human-induced carbon dioxide emissions are absorbed by land (including forests) and oceans every year<sup>5</sup>.

In line with Railpen’s purpose, and the shared investment beliefs of Railpen and the Trustee, we recognise the critical importance of tackling climate change, alongside other systemic sustainability challenges such as nature loss. While presenting some opportunities, these challenges pose major financial risks to our investments. They also present systemic risks to the effective functioning of the economic and social systems that we all rely on. Put simply, we must confront – and help change course on – climate change and nature loss, to secure our members’ future.

### Railpen’s previous work on nature

- Portfolio-wide screening of nature-related risks and dependencies using ENCORE data
- Development of a Nature Blueprint, including best practice identification and benchmarking
- Integration of nature into investment due diligence and voting policy
- Participation in the TNFD Forum and relevant collaborative initiatives

**Given the significant interdependencies between nature and climate, it makes both scientific and business sense for companies to take an integrated approach to transition planning<sup>6</sup>.** While Railpen’s work on climate change is long-established, engagement on nature loss has so far been more opportunistic and asset-specific rather than systematically addressed within our engagement strategy. Integrating nature into our climate transition efforts presents a key opportunity to realise joint solutions to these twin systemic challenges. This paper focuses on our engagement strategy on nature, with our broader climate transition programme laid out in Railpen’s Net Zero Plan 2025.

### Railpen’s ongoing approach to climate

Our climate strategy focuses on managing risks and identifying opportunities through engagement-led stewardship, policy advocacy, and a systems perspective as a universal owner. We aim to channel significant capital flows into high-quality climate solutions, recognising that primary capital allocation is critical to achieving a net zero and resilient future.

Key thematic priorities underpinning this approach include integrating nature considerations, advancing climate policy advocacy, and promoting responsible lobbying by investee companies. We will also prioritise physical risk, adaptation and resilience, and embed just transition principles across our engagement.

<sup>3</sup> IPCC (2019) [IPCC special report: Climate Change and Land | UNEP - UN Environment Programme](#)

<sup>4</sup> Chatham House (2012) [Food system impacts on biodiversity loss](#)

<sup>5</sup> IPCC (2022) [Climate Change 2022: Mitigation of Climate Change](#)

<sup>6</sup> WWF (2022) [Nature in Transition Plans, Why and How](#)

## A focus on nature

Nature refers to the variety of living organisms (also known as biodiversity), including people, and the interactions between them and with their physical environment (encompassing land, ocean, freshwater systems, and the atmosphere). Nature provides a range of ecosystem services, such as pollination, water purification, and carbon cycling, that sustain life. As such, nature also underpins our society, economy and financial system<sup>7</sup>.

**The current rate of species extinction is tens to hundreds – or even thousands – of times higher than the average rate over the past 10 million years.** This rate is also accelerating, leading to nature degradation and loss of ecosystem services.

This threatens the stability of global resources and supply chains and gives rise to operational and financial risks for all organisations. In contrast, protecting and restoring nature creates opportunities for innovation, resilience, and growth.

**Nearly half of the world's largest companies have assets in Key Biodiversity Areas and 85% depend significantly on nature, exposing them to regulatory, operational and reputational risks.**

Evidence shows these risks are financially material, with examples including litigation halving a mining company's share value, algal blooms causing multimillion-dollar losses, and **invasive species costing USD 1.7 trillion globally**<sup>8,9</sup>.

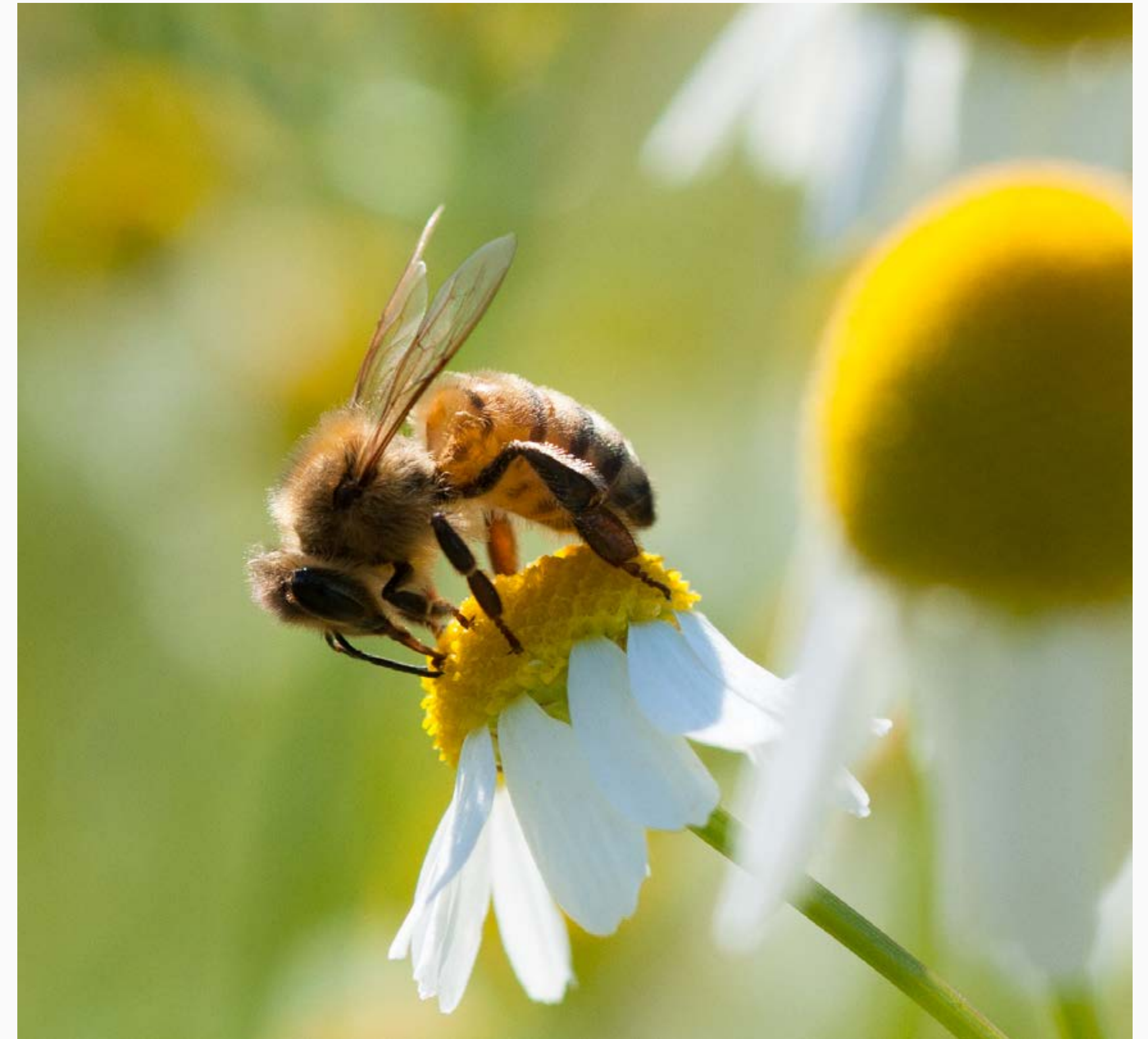
Water-related risks amplify these challenges, with **declining water storage threatening 55% of global food production and companies reporting USD 225 billion in potential exposure**<sup>10</sup>. Financial impacts include stranded assets worth billions, operational disruptions causing revenue losses, and rising costs from water stress driving negative credit impacts. Litigation over water pollution has also resulted in settlements exceeding USD 1 billion, underscoring the growing materiality of nature and water risks for investors and the need for robust governance and disclosure.

<sup>7</sup> Dasgupta, P. (2021) [The Economics of Biodiversity: The Dasgupta](#)

<sup>8</sup> IPBES (2023) [Thematic Assessment Report on Invasive Alien Species and their Control of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem](#)

<sup>9</sup> Bloomberg NEF (2023) [When the Bee Stings: Counting the Cost of Nature-Related Risks](#)

<sup>10</sup> CDP (2024) [Global Water Report 2023](#)





# OUR ENGAGEMENT PLAN



## Our priority jurisdictions, sectors and engagements

Our engagement priorities focus on areas where Railpen can deliver the greatest value for members, based on material financial exposures, systemic importance, and opportunities for meaningful change. We are prioritising collaborative initiatives that align with our sectoral and thematic focus, complementing bilateral engagement to maximise influence where risks are most acute and opportunities are greatest.

We will actively participate in initiatives such as the Investor Initiative on Hazardous Chemicals and Nature Action 100, contributing to priority company engagements, sector benchmarks, and advocacy for stronger disclosure and regulatory standards. Internally, we will deepen expertise on nature-related risks in the chemicals sector and share insights across investment teams, while externally using our engagement outcomes to shape investor expectations and influence industry norms.



## Jurisdictions

Our priority jurisdictions for nature align with our overall portfolio exposure, as well as where nature-related regulations and policymakers are most impactful. This means key markets, in order of priority, are the **UK, EU and US**.

However, nature-related risks and dependencies are global, and will often be material in companies' complex global supply chains. Moreover, many of the most critical areas for nature, including Key Biodiversity Areas, are located outside of Europe and North America. Therefore we will maintain a **global awareness and sensitivity in our work**.



## Sectors

We'll refine company engagements in light of the materiality of the nature impacts and dependencies to Railpen's portfolio, our exposure, and where Railpen can have the most impact at systemically important firms.

We will prioritise the **chemicals sector** because it presents some of the most material nature-related risks in our portfolio, including soil and water pollution, hazardous substances, and high water usage. These risks create significant physical and transition challenges for companies, from water scarcity and pollution liabilities to tightening regulations and reputational scrutiny.

Given our investments in major chemical companies, we have both the opportunity and responsibility to influence practices in a sector key to the global economy and the transition to a nature-positive future. Our engagement will focus on improving disclosure and risk management, reducing pollution, promoting water stewardship, advancing circularity, and integrating biodiversity into strategic planning.

Other important sectors that we have identified are: **healthcare and pharmaceuticals, energy and electricity, and construction**.





## Companies

For our initial engagement focus, we'll prioritise companies that:

- Are in the **chemicals** sector (as above)
- Have a **high weighting, conviction or stickiness within the portfolio**, and where nature has been identified as a material risk (based on the Railpen Nature Expectations Framework)
- Have the ability to **exert broader systemic influence** on other companies, for example through being a sector leader, influential in nature policy advocacy, or have significant reputational capital

For each selected company and priority sector, we will focus on the most material nature-related issues, together with a strategic thematic emphasis on **water**. Water-related risks – including pollution, scarcity, and regulatory non-compliance – are among the most pervasive and financially significant across our holdings.



## Investor initiatives

We plan to work with **Nature Action 100 and the Investor Initiative on Hazardous Chemicals** to advance engagement objectives in sectors central to our portfolio, such as chemicals and pharmaceuticals.

We'll also engage with the **Valuing Water Finance Initiative** to address our thematic priority on water risk mitigation. These initiatives provide the best alignment with our strategic priorities and offer opportunities to shape corporate practices and disclosures at scale, complementing our own bilateral engagement and policy advocacy.



## Policymakers and standard setters

Financial policies for nature are relatively new, but there have been a range of notable developments recently that are influencing the evolution of policy and which signal greater alignment of financial flows with global biodiversity goals. Financial regulators and supervisors are also starting to integrate biodiversity risks into financial regulation and supervision, promote nature in sustainable finance frameworks, develop sustainable finance taxonomies focused on nature, and de-risk biodiversity investments.

Regulation is tightening across water, chemicals, plastics, and deforestation, with strong emphasis on pollution reduction, circularity, and climate-aligned industrial policy. However, implementation flexibility, negotiation delays, and trade-offs with infrastructure growth remain key challenges.

Key regulatory developments that we will continue to monitor include the **UK Planning and Infrastructure Act**, the **EU Clean Industrial Deal**, and the **EU Chemicals Strategy for Sustainability**.



## Objectives and milestones

Through both collaborative and bilateral engagement, we aim to improve companies' management of nature-related risks and their transparency, encouraging companies to recognise the need for stronger practices and make measurable progress over time.

Our structured approach – spanning short, medium, and long-term milestones – includes assessing and triaging investments, setting clear expectations, engaging priority companies, and reviewing progress to drive sustained improvement. Success will be reflected in companies' responsiveness, enhanced disclosure, and alignment with Railpen's Nature Expectations Framework.

In parallel, we will:

- Work collectively to raise standards across priority sectors by joining initiatives such as **Nature Action 100** and the **Investor Initiative on Hazardous Chemicals**
- Advocate for policy change aligned with the **Global Biodiversity Framework**, engaging with regulators and industry groups to integrate nature considerations into disclosure and governance frameworks

Progress will be measured by improved corporate practices, stronger regulatory standards, and greater transparency across markets.



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