
GLOBAL VOTING POLICY 2026

This document describes Railpen's perspectives on sustainable ownership issues and our global voting approach for the 2026 AGM season

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INTRODUCTION

About us

The Railways Pension Trustee Company Limited is the Trustee for the railways pension schemes, who are UK-based asset owners with a global, long-term perspective and approximately GBP **34 billion** in assets as at 31 October 2025. The Trustee's subsidiary, Railpen, manages the assets and employs an in-house Sustainable Ownership team that undertakes engagement and voting activities on behalf of the Trustee. This document outlines the voting positions that will be applied to the schemes' equity holdings, whether UK or international, for the 2026 AGM season. We undertake our engagement and voting activity in line with the regulatory and legal framework of the jurisdiction where the company is domiciled.

We believe that thoughtful voting alongside constructive engagement with portfolio companies supports our objective of enhancing long-term investment returns for beneficiaries. Our global voting policy allows us to exercise our voting rights systematically, consistently, and in a way which is in the best interests of the pension scheme members we serve.

Our global voting policy reflects Railpen's four corporate governance themes of **corporate culture and purpose, board composition and effectiveness, remuneration and alignment of incentives, and shareholder rights, risk and disclosure** in a way that is accessible to our portfolio companies, our external managers and our beneficiaries. We also outline our perspective on those **emerging governance and sustainability risks** which we consider to be most material to our portfolio. Our policy sets out our expectations for companies, building on positions held in previous versions and on some of the themes outlined in the ICGN Global Governance Principles^{1 2}.

Our 2026 priorities

The evidence shows that good governance is fundamental to creating sustainable financial value for companies and their shareholders³. 2025 saw further moves in various jurisdictions to roll back corporate governance standards and dilute the sensible shareholder engagement mechanisms that allow a company and its shareholders to work in true partnership to achieve long-term financial success.

How companies seek to influence policymaking matters and is a material consideration for investors. Shareholders have, for instance, long recognised that portfolio companies lobbying against policy and regulatory measures to achieve climate resilience can lead to worse long-term financial and economic outcomes.

Therefore in 2026, and given the financial materiality of effective policymaking on shareholder rights and good governance to outcomes for members, **Railpen will be more closely scrutinising and engaging with portfolio companies whose capital markets policy advocacy runs counter to the interests of its shareholders, and risks undermining its prospects of creating sustainable financial value in the best interests of everyday savers.**

Alongside effective shareholder rights mechanisms and sensible corporate governance measures, investors also need financial reporting to reflect a company's most material financial risks accurately. This is why in 2020, Railpen was one of the first investors worldwide to include expectations in our Voting Policy on how companies incorporate material information on climate-related issues into their financial statements. This

¹ Further information on our engagement and voting approach can be found on our [website](#).

² We strongly support the work of the International Corporate Governance Network (ICGN) including the Global Governance Principles, which can be found [here](#).

³ A selection of the available academic evidence on this can be found [here](#).

year, we have further clarified what we consider to be **good practice on climate accounting, including the disclosure of quantitative climate-related assumptions and assessments, and how critical accounting assumptions have been adjusted for material climate risks.**

Good governance is just as important for emerging risks and opportunities as it is for longer-standing issues. Railpen recently published with Chronos Sustainability our *Achieving Effective AI Governance* report, which provided an Artificial Intelligence (AI) Governance Framework for investors to use when assessing how well-placed companies are to harness rapidly developing AI opportunities and manage any risks⁴.

This year, our Global Voting Policy builds on this work **to clarify how we expect companies to manage and disclose how they are effectively governing AI.** Our deepening commitment to a proactive approach to responsible technology is also evidenced by additional detail this year on **how we expect companies to manage cybersecurity issues across key areas, as well as how and how promptly they report material cyber breaches**⁵.

Our approach

We look to exercise our votes on those issues which we think are of most economic and financial relevance to the portfolio company, taking into account the evolving operating and regulatory environments. Where we identify poor practice on the issues highlighted here, we are always open to listening to the company perspective and expressing our preferences, but will also consider a negative vote. We will also consider the use of abstentions, as we believe this provides a nuanced mechanism for expressing our views. Where companies choose to deviate from accepted market practice, we will consider their explanation and apply professional judgement in recognition that local circumstances at a given company can call for nuance and pragmatism. Companies can expect us to take local market and sector norms into account where reasonable. However, we recognise that ‘what good looks like’ on many corporate governance issues – including shareholder rights, board composition and oversight, and executive remuneration – remains largely similar across jurisdictions, so we look to apply our voting decisions as consistently as possible.

We also believe in using our full ownership rights to engage for positive corporate behaviour. In 2026, we will continue to ask questions at portfolio company AGMs⁶ where we feel it is necessary to raise a concern with board directors in an open forum, as well as boost awareness more generally. We will also continue to consider public signals, including joint statements with other investors and the pre-declaration of our voting intentions on specific resolutions where we believe that doing so will send an important signal to the company and the market, including in support of management⁷. We will continue to notify priority companies of our voting intentions in advance.

Our preference is to engage with companies including, where necessary, exercising our voting rights. However, where there appears to be a significant risk to the long-term value of the investment, we may consider selling our shares in the company. Any such decision will take into account how responsive the company is to the preferences expressed by minority shareholders, including its willingness to engage.

Although much of our portfolio is managed internally, we usually retain the ability to direct any voting rights across our externally managed assets and will continue to press to do so in future mandates. In the rare

⁴ Refer to our AI Governance Framework (AIGF) from our 2025 report with Chronos Sustainability [Achieving effective AI governance](#) for more details on our expectations.

⁵ This builds on our work with RLAM to publish joint guidance for investors on engagement on cybersecurity, which can be found [here](#).

⁶ We publish all the questions we ask at company AGMs on the Railpen website. The full list can be found at: www.railpen.com/knowledge-hub/engagement/agm-statements/

⁷ 2024 saw us undertake our first supportive pre-declaration at Mears Group, to emphasise our support for their approach to workforce directors, which we consider to be an under-utilised framework by many companies in the US and UK.

instance that we do not, we expect our external managers to consider our views and priority issues in their own voting policies and activities.

Our approach to US portfolio companies⁸

Our stewardship work is always undertaken within the regulatory and legislative framework of the country in which portfolio companies are listed. Our engagement and voting activities are undertaken solely to protect and promote long-term economic value for our members and are not intended to influence control of any issuer.

We are always keen to listen to the company perspective and, while we may discuss with company management or board members our preferences regarding material issues, we do not look to exert pressure through either our engagement or our voting activity as regards specific measures or changes, nor do we seek to change or influence control of our portfolio companies⁹.

We consider collaborative engagement to be an important tool for discussion, and will continue to monitor the engagement policies and behaviour of others alongside whom we collaborate, as such engagements often take place over multiple years with varying levels of share ownership.

Railpen welcomes enquiries from our external managers and portfolio companies on any aspect of our voting and engagement approach via SO@railpen.com.

Caroline Escott, Head of Investment Stewardship, Co-Head of Sustainable Ownership, Railpen

Michael Marshall, Director of Investment Risk and Sustainable Ownership, Railpen

4th December 2025

⁸ Although we clarify any differences in market approach throughout this document, we will indicate with ** where our articulation of a voting approach related to directors or board-level committees applies to non-US companies only.

⁹ Our approach to engagement and voting with US listed companies (the “US companies” or a “US company”) is shaped by U.S. securities law, particularly the requirements under Sections 13(d) and 13(g) of the Exchange Act. These rules govern beneficial ownership reporting and the circumstances under which an investor may be deemed to influence control. Where Railpen holds less than five percent of a US company’s shares, there is no regulatory obligation to file a Schedule 13D or Schedule 13G. In these circumstances, we may engage in activities that are more explicit in expressing preferences on financially material issues, provided these activities do not seek to influence control. However, when Railpen holds five percent or more of a US company’s shares, there is a heightened risk that engagement or voting activity could be construed as influencing control, which may require filing a full Schedule 13D instead of the short-form Schedule 13G.

2026 VOTING POLICY

Corporate culture and purpose

Setting the right “Tone from the Top” is a critical skill in leading and growing successful organisations.¹⁰ The board should adopt high standards of business ethics, ensuring that its vision, mission and objectives are sound and demonstrative of its values.

Railpen expects its portfolio companies to operate within the parameters of widely accepted business practices, such as the Ten Principles of the UN Global Compact¹¹ (UNGC). Where a company has undergone a severe controversy, which need not be limited to the areas covered by the UNGC, we expect the company to be sufficiently responsive to shareholder concerns. Railpen may choose to vote against the re-election of the relevant committee chair**, or other directors**, depending on the nature of the issue.

Workforce treatment

Railpen believes that how well a company ensures its workforce is engaged, motivated and supported offers an important insight into its corporate culture, as well as being a vital ingredient for sustainable financial performance. We expect boards to be able to communicate the importance of the workforce in the context of the company’s business model and strategy, as well as how they engage with their employees – including details of activities undertaken and any material outcomes.

We also encourage companies to ensure fair treatment of their indirectly employed workers (this includes those who are employed through agencies or other third parties, self-employed, casual and seasonal workers) including undertaking the necessary due diligence of any third parties to verify that this is the case.

We believe that a thoughtful approach to diversity and inclusion is important for value creation beyond the boardroom. We expect our portfolio companies to take proactive measures to recruit and retain diverse talent, and to provide an inclusive culture that supports individuals to develop and excel in their roles.

Labour rights and freedom of association

Freedom of association is a fundamental human right¹² and Railpen believes that the right for workers to form and join organisations of their own choosing is key to ensuring a company operates in the interest of all its stakeholders, and is therefore well-positioned for long-term financial success. Railpen will continue to raise our preferences with portfolio companies, including where we believe that they have not respected their employees’ right to form and join a union, and to bargain collectively, as enshrined by the International Labour Organisation’s Conventions.

Where we have concerns that employee relationships are being neglected, where the right to freedom of association appears to be curtailed or where disclosure on workforce treatment, diversity and labour rights is deemed inadequate, Railpen may choose to vote against the adoption of the Report and Accounts or the director** we deem responsible.

Mental health

We expect portfolio companies to focus not just on the physical health of their workers, but on their overall wellbeing including mental health, and to disclose their approach and activities in this regard. Despite the clear

¹⁰ https://www.ibe.org.uk/userimages/pwc_tone_from_the_top_2013.pdf

¹¹ <https://www.unglobalcompact.org/what-is-gc/mission/principles>

¹² As proclaimed in the Universal Declaration of Human Rights.

materiality of mental health to a company's ability to attract and retain talent, our 2022 research with the CIPD and Pensions UK (then the PLSA) found that only 13% of annual reports of the UK's largest companies discussed mental wellbeing in relation to health and safety or risk assessment.

Where we deem such discussions to be insufficient, we will signal our expectation of higher quality disclosures by voting against the Report and Accounts of the UK FTSE 100¹³. We will also continue to engage with our portfolio companies in other jurisdictions on disclosures around and activities on mental health, with the expectation that we may vote against the director** we deem responsible where there has been insufficient progress.

Human rights and modern slavery

Railpen encourages portfolio companies to proactively undertake human rights due diligence across their operations in line with emerging regulation. In the UK market, Railpen expects portfolio companies to fulfil annual reporting requirements under Section 54 of the 2015 Modern Slavery Act. Where FTSE 350 companies fail to address the legal minimum requirements of the Act, we will vote against the approval of the Report and Accounts¹⁴.

We continue to strengthen our engagement with companies we identify as highly exposed to the risk of modern slavery, or where there have been confirmed incidents of modern slavery in the supply chain. Where companies we engage with do not demonstrate adequate risk management and a willingness to strengthen their approach, we may consider a vote against the director** we deem responsible for oversight failures.

We expect our portfolio companies to engage meaningfully with indigenous communities, and to respect the outcomes of consultation in their business activities. If a company does not adopt sufficient measures to prevent, mitigate or remediate negative human rights impacts within its operations, Railpen may consider voting against the director** deemed to be responsible for oversight failures.

Late or outstanding payments to suppliers

There is a growing body of evidence demonstrating the financial materiality of a company's treatment of its key stakeholders – this includes its suppliers, many of which rely upon stable, predictable payment streams for their ongoing financial viability. A record of late or outstanding payments to suppliers can increase a company's operating costs over the medium-term, as well as damaging goodwill amongst both suppliers and customers.

Where a UK company has since 2018 been consistently and each year paying its suppliers late, or has a record of outstanding payments, Railpen may consider a vote against the Report and Accounts and/or any relevant executive directors^{**15}.

Board composition and effectiveness

Railpen recognises that each company is unique, and needs to consider the governance arrangement that best suits its circumstances, including: whether it is high-growth or well-established; the jurisdiction(s) within which it operates and is incorporated; and its sector. We therefore seek to exercise our judgement when voting on the suitability of corporate governance arrangements at a given firm.

However, we believe that it is possible to engage with portfolio companies on a broader set of principles and standards that support high-quality governance practices and structures. In light of the materiality of good corporate governance to sustainable financial performance over the long-term, we will engage and use our

¹³ As indicated by companies in the lowest tier of the [CCLA Corporate Mental Health Benchmark](#).

¹⁴ In alignment with, and as members of, the Rathbone Investment Management's [Votes Against Slavery](#) initiative.

¹⁵ [Good business is getting paid today, not tomorrow - Good Business Pays](#)

voting rights where companies do not meet these standards. This will continue to be the case even where certain jurisdictions seek to roll back their corporate governance regulatory standards.

Roles and responsibilities

Railpen does not believe that directors will be able to pursue the objective of increasing long-term shareholder value without developing and sustaining broader stakeholder relationships, to oversee the effective management of long-term risks and opportunities.

Given the important role a company's workforce plays in the creation of long-term value, this should include robust, effective and regularly reviewed mechanisms for engagement with its employees. We welcome clear disclosure of these mechanisms, how effective they are, and particularly how they have influenced board decision-making during the year.

Leadership and independence

Non-executive directors (NEDs), or independent / outside directors as they are known in certain markets, are a vital safeguard of the interests of shareholders. NEDs should work cooperatively with their executive colleagues and demonstrate objective and independent judgement.

We recognise that different markets set different norms for the definition of independence. Nonetheless, we have certain minimum expectations and expect that factors that affect a director's independence, including their length of tenure, should be disclosed. Excessive tenure may also be a cause for investor concern, and boards must make a persuasive case in the annual report for a NED's continuing independence and continued presence on the board in such cases.

A chair should be independent on appointment. We expect all our established portfolio companies to appoint a senior independent non-executive director (SID), or lead director, in light of the important role they play in engaging with shareholders. This is particularly the case where the chair is not independent.

The combination of the chair and chief executive roles is discouraged. The elevation of a company's chief executive to chair will generally be discouraged, unless it is part of a transitional period at the company, or if the company can present a compelling justification for the move. The retirement of an existing chair/chief executive is often a good moment to separate the roles and we expect intelligent explanations where such an opportunity is not taken.

Composition and appointment

The proportion of independent directors on the board should be in line with local best practice. However, at larger companies we generally expect that one-half of the board at least should be comprised of fully independent, non-executive directors – not including the chair. At smaller companies with smaller boards, we look for a minimum of at least three such directors, and welcome an aspiration for more.

In markets where a three-committee structure is local best practice, audit, nomination and remuneration committees should be established. The board should establish a majority independent nomination committee. The audit and remuneration committees should be fully independent. Members of all the committees must be identified in the annual report. We may consider making an exception to our committee independence thresholds where the member is a workforce (or employee) director and a clear rationale has been provided for their committee appointment.

Full biographical details, including other directorships, should be disclosed for candidates for the board; this should include their prior education and training, professional qualifications and work experience including any assignments in a relevant sector, functional specialism or region given the company's operations and

strategic priorities. This should include their awareness and understanding of the long-term implications of climate risks and opportunities for the business.

Detailed information should be provided on the recruitment process, and as evidence of consideration for board effectiveness and succession planning, an explanation of how the nominated candidates complement the existing board of directors.

All directors should be able to allocate sufficient time to the company to discharge their duties alongside their other commitments. Railpen may vote against the election or re-election of over-committed directors**. Railpen may also vote against directors** with poor attendance records where no satisfactory explanation is provided. We expect companies to disclose records of individual attendance at meetings.

When analysing a contested election of directors, Railpen will generally focus on two central questions: whether the dissidents have proved that change is warranted, and if yes, whether the dissident board nominees seem likely to drive change to maximise long-term value.

Workforce voice and engagement

Railpen believes that the inclusion of workforce perspectives at board-level can align the interests of shareholders, management and workers over the long term, as well as providing valuable insight into company operations and strengthening communication with stakeholders. We recognise that there are multiple mechanisms through which this can be achieved, including the appointment of a workforce director. We may consider a vote in support of the appointment of workforce directors at portfolio companies, where a thoughtful approach to recruiting and retaining a workforce director with the appropriate skills and experience can be evidenced.

In 2026, Railpen will continue to raise awareness as to what a meaningful approach to workforce directors looks like in the UK (and US) markets, building on our guidance and the work of our launch of our £2tn assets under advice (AUA) Workforce Directors Coalition (WDC)¹⁶. This includes: under which circumstances this approach works best; views on independence and directors' fiduciary duty; and what other steps need to be taken to maximise the positive impact of workforce directors.

Where there are ongoing workforce issues and companies have continually been unresponsive to our efforts to engage on workforce engagement and worker voice, we may consider voting against the Chair of the Nominations Committee** (or other Committee** we deem responsible) at those companies.

Diversity, equity and inclusion (DEI)

The evidence shows that diversity is a key component of successful and high performing boards. It enables members to constructively challenge management decisions and to be more open to innovative ideas, reducing the risk of 'group-think'. The nominations committee, or the board where no such committee exists, is encouraged to widen the pool of talent taking into account aspects such as the age, gender, and ethnicity of candidates as well as their educational, professional and geographical experience.

Our preference is for clear, consistent and comparable disclosure of DEI targets to be met, and/or diversity and inclusion in all material aspects to be sufficiently addressed. Where companies diverge from this preferred approach, we will query their rationale.

While we have generally consistent gender diversity board thresholds for markets with established governance practices, in line with FCA listing rules, we have enhanced our expectations on gender and diversity for UK-listed companies: our preference is for at least 40% female board representation and as a

¹⁶ The full investor guidance document can be found at [Workforce Directors: Inclusion and Voice \(railpen.com\)](https://www.railpen.com/workforce-directors-inclusion-and-voice).

minimum one of the senior board positions¹⁷ to be occupied by a woman. In addition, we have extended our gender diversity expectations to FTSE 100 company executive management teams, which we believe should also consist of 40% female members. Where companies do not meet the standards, and have not explained why, Railpen may withhold support for the chair of the nomination committee**, or relevant directors**.

In the UK and elsewhere, Railpen may also vote against the chair of the nomination committee**, or relevant directors**, at the largest and most well-established companies where boards, and executive management at FTSE 100 companies specifically, do not have at least one ethnically diverse representative. As reporting on ethnic diversity evolves, we will look to extend this voting approach** to all markets with established governance practices – while bearing in mind the local regulatory and jurisdictional framework.

Given the importance of diversity measures for shareholders when making an assessment of a company's overall human capital management, we believe companies should also provide adequate evidence of senior management and wider workforce diversity targets and the steps being taken to achieve them.

Remuneration and alignment of incentives

Executive remuneration

Railpen expects a company to operate an independent and effective remuneration committee, which exercises its discretion downwards as well as upwards. We believe that remuneration committees should abide by the following principles when thinking through, devising and implementing their remuneration policies.

- Pay should be genuinely aligned to long-term strategy and the desired corporate culture throughout the organisation
 - For those companies that are part of our Net Zero Engagement Plan, we will focus on alignment of pay to climate metrics, targets and performance
- Remuneration committees should use the discretion afforded them by shareholders to ensure that awards properly reflect business performance, and have a clear business rationale
- Remuneration committees should expect executive management to make a material long-term investment in shares of the businesses they manage
- Pay schemes should be clear, understandable for both investors and executives, and ensure that executive rewards reflect returns to long-term shareholders
- Companies and shareholders should have appropriately regular discussions on strategy and long-term performance

While mindful of specific local market practices around executive remuneration, Railpen looks to apply these principles in a consistent manner across geographies when considering executive remuneration at the companies in which it invests. A company should work within its remuneration policy, and only seek approval to go outside the policy in genuinely exceptional circumstances.

Remuneration practices that are likely to attract support include:

- Reasonable quantum when compared to peers, with any increase in the level of certainty of reward accompanied by a material reduction in the size of awards
- Annual pay increases and pension benefits are in line with those awarded to the rest of the workforce
- Performance conditions for all elements of variable pay are clearly aligned with the company's strategic objectives, including material governance and sustainability factors, and which are as objective and outcomes-focused as possible

¹⁷ These are defined as the chair, the chief executive officer (CEO), the senior independent or lead independent director (SID or LID) or chief financial officer (CFO).

- Details of the performance targets met during the year, and proposed for the forthcoming year are disclosed to shareholders
- Long-term incentive plans with a performance period of at least three years
- A vesting period of at least three years, including the use of additional holding periods, for the majority of long-term equity awards
- Appropriate shareholding guidelines for executives and directors and post-employment shareholding requirements for UK companies that are in line with the UK Investment Association's Principles of Remuneration
- Disclosure that is sufficient to understand the approach to incentive arrangements and how pay outcomes have been achieved, in line with local market practice

Railpen expects long-term incentive plan (LTIP) arrangements to be subject to shareholder approval when there is a new plan and where there is a material change to an existing scheme.

Performance metrics should be relevant and clearly aligned with business strategy, objectives and key performance indicators (KPIs) which link to long-term value creation. Railpen supports the inclusion of relevant non-financial performance criteria and at the appropriate level, including on material environmental, social and governance issues, in short- and long-term incentives.

Retention payments will attract significant scrutiny, and are unlikely to be supported. Excessive pay may be seen as motivating for the executive, but it risks demotivating the broader workforce. When so much value created is intangible, decreasing employee engagement is not in the interest of either management or shareholders.

Non-standard approaches may be supported, taking into account the situation of the company and the explanation provided. Restricted share schemes will be reviewed on a case-by-case basis, provided that an appropriate discount is applied relative to an equivalent performance-based award. We believe that there is merit in terms of greater alignment with shareholder interests where shareholding guidelines are strengthened and vesting periods are suitably long-term.

Change of control, good leaver and malus/clawback provisions should be in line with good practice. Change-of-control payments should be double-triggered and pro-rated. Good leaver arrangements should reflect time served and performance achieved, with continued alignment through post-employment shareholding requirements.

We expect all variable remuneration to be subject to robust malus and clawback provisions, not restricted solely to material misstatements of the financial statements. We may consider a vote against if there is no disclosure of malus and clawback in variable pay schemes.

Where a company provides inadequate disclosure on remuneration, or adopts remuneration policies and practices that are not aligned with shareholder interests, Railpen will withhold support for the remuneration policy or report, other remuneration-related resolutions as appropriate and/or the re-election of Remuneration committee members**. This includes excessive executive or non-executive perquisites or benefits not aligned with shareholder value creation. Where perquisites exist, we expect a clear and compelling rationale to be provided.

Remuneration of independent / non-executive directors

Railpen encourages independent directors to own shares in the company to ensure the alignment of their interests with those of their long-term shareholders. Chairs and non-executives may receive part of their fees in shares bought at the market price. However, Railpen consider it inappropriate for chairs and independent directors to receive incentive awards based on performance.

Fair pay

Fair pay is a key element in ensuring a motivated and engaged workforce. However, a truly holistic approach also considers the broader package of workforce benefits, such as healthcare, paid leave, and retirement provision support. Railpen continues to expect boards to balance the need to appropriately compensate leaders who successfully and safely steer companies through recent and ongoing economic challenges with an awareness of the experiences of the wider workforce at this time. We also expect firms to disclose to shareholders and others the pay distribution and scales across their wider workforce, both directly- and indirectly-employed, as well as details of the benefits and support provided to employees.

We will look favourably upon companies that have taken the pay and conditions of the wider workforce into account during the pay setting process. This may involve directly asking workers their views, engaging with a workforce director or providing appropriate dedicated forums for workers to offer feedback about a company's approach to executive (and broader) remuneration.

We will also be inclined to support company approaches to remuneration which seek to support those workers on lower incomes and/or who are most likely to be impacted by increased cost of living. This includes payment of a local "living wage" i.e. the pay which is required for all workers and their families to meet their living costs and support a decent standard of living, and we encourage companies to consider Living Wage accreditation, where relevant. In the UK market, where the largest companies are not Living Wage accredited we would expect them to be able to provide justification for this. We may consider votes against companies where we identify risks relating to workforce pay levels or other work practices.

It remains unlikely that we will support executive remuneration packages – including the structure of LTIPs and any awards under them – that are not aligned with the approach taken to employee remuneration more broadly.

Where there is a significant gender pay gap we would expect to see clear disclosures and rationales in addition to a robust and detailed plan for closing this gap. In the UK market, we expect to see companies continuing to disclose their gender pay gap and taking steps to measure and publish their ethnicity and disability pay gaps in line with anticipated UK government requirements.

Shareholder rights, risk oversight and disclosure

Shareholder rights

We will vote against any move by a company to re-incorporate in a domicile which we consider to have significantly fewer protections for shareholders, unless a compelling rationale is provided. Where there is no such formal opportunity for shareholders to express their preference through a specific vote on the change of domicile, we may vote against the Chair of the Board**. In egregious cases, we may consider a vote against the entire Board**.

There is a wealth of evidence demonstrating the financial materiality of an effective shareholder rights policy framework and approach to both firm-level and market-level financial performance. Where we consider a company to have played a material role in efforts to weaken shareholder rights at a system-wide level - such as through advocacy for policies that reduce investor protections - or has taken actions designed to diminish the voice of its shareholder base (e.g. through mechanisms that dilute voting or other important shareholder rights), we may consider voting against the director deemed accountable** or the relevant item itself.

Both board directors and company officers owe fiduciary duties of loyalty and care to their shareholders. Although only to be used in extreme circumstances, the right to hold company executives to account for negligence and breaches of their fiduciary duty of care is an important shareholder right.

Differential voting rights dilute the ability of minority shareholders, like Railpen, to effectively hold companies to account. We believe that long-term corporate success requires the shareholder voting rights to be directly linked to the shareholder's economic stake. This is why we set up the Investor Coalition for Equal Votes (ICEV) in 2022¹⁸. We will also closely scrutinise loyalty shares (or equivalent) which grant increased voting rights to investors who hold shares over multiple years, as such structures tend to concentrate voting power in the hands of insiders.

We will support resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure. We will vote against requests for the creation or continuation of dual-class capital structures, or the creation of new or additional super voting shares, without the inclusion of a time-based sunset provision that is 7 years or less.

We may consider a vote against all members of the governance committee** (or other committee** we deem responsible) at companies that have a dual-class share structure without a sunset clause of seven years or less from the date of the IPO. Where a company's dual-class share structure has a sunset clause of more than 20 years from the date of the IPO, we may consider an additional vote against all board members, including the chair**.

For all new company IPOs with dual-class share structures and a sunset clause of more than 20 years from the date of the IPO, we may consider a vote against the election of all board members** both at that company and at any other company where they hold a board seat.

Related-party transactions (RPTs) will be assessed on a case-by-case basis. Concerns may arise if the transaction does not seem to be subject to proper oversight, is not undertaken on fully commercial terms in the normal course of business, or the company has not clearly explained how the transaction is in the interests of the company and all shareholders.

A shareholder vote in advance of any RPT is a vital protection for investors, providing an opportunity to make their views known and felt on transactions that are both fundamental to shareholder value and ripe for potential abuse. Where companies in any jurisdiction choose to go ahead with a significant RPT or with a significant transaction, without a shareholder vote, we may consider a vote against the Chair of the Board**.

Bundling of matters for consideration that should be put to separate shareholder votes is strongly discouraged.

Railpen will normally support share repurchases provided local market regulations and relevant shareholder guidance are met.

Companies should have clear dividend policies that set out the circumstances for distributing dividends and returning capital to shareholders.

Railpen will vote case-by-case on mergers and acquisitions, taking into account the merits of the proposed transaction.

Railpen is not supportive of 'virtual-only' Annual General Meetings (AGMs). AGMs provide an important mechanism for the board to be publicly accountable to their shareholders. Removing the in-person element of the meeting impairs the ability of investors to hold boards to account. Where Covid-19 has previously limited the scope for in-person meetings, we expect companies to have committed to, and be in the process of, returning to hybrid or physical meetings. We refer to best practice guidance from the International Corporate Governance Network (ICGN) when considering how to run a hybrid meeting that maximises genuine

¹⁸ This is a [collaborative engagement initiative](#), led by Railpen and the Council of Institutional Investors (CII) and with around \$4 trillion in US and UK pension fund assets under management. Its mission is to promote the adoption of capital structures which ensure equal voting rights, on a 'one-share, one-vote' basis.

shareholder participation¹⁹. Unless an overwhelmingly compelling and clear rationale can be provided, Railpen will be likely to vote against any management proposals which seek to set up or continue a 'virtual only' AGM approach and will also consider voting against the re-election of the chair of the governance committee** (or other director** we deem responsible).

Shareholder resolutions

Shareholder resolutions can encompass a wide range of issues and be requisitioned by parties with varying objectives. Railpen may consider supporting proposals that contribute to the long-term sustainable success of the company.

Where there is a resolution relating to environmental or social concerns, the item will be addressed on a case-by-case basis taking into account the company's own practices – both in isolation as well as in comparison to peers in its sector or jurisdiction – as well as the specific requirements of the resolution and intelligence from our engagements. Railpen typically votes for shareholder proposals requesting greater disclosure, particularly on governance and sustainability issues that we deem material to a company.

Risk oversight, internal controls and material risk disclosures

The board should adopt a comprehensive approach to the oversight of risk, which includes material financial, strategic, operational, environmental, social and reputational risks. For the disclosure of financially material sustainability-related and climate-related risks, we encourage the use of the IFRS' S1 and S2 disclosure requirements as we believe reporting under these standards would provide investors with timely, reliable, comparable, and decision-useful information. We support the use of the IFRS S1 and S2 standards as a minimum but not necessarily a maximum when it comes to company reporting on sustainability and climate-related matters.

Inadequate reporting on environmental, social and reputational risks may warrant a vote against the Report and Accounts, the director we deem responsible** or a vote in support of a relevant shareholder resolution.

Reporting and audit

A high-quality audit is vital for ensuring shareholders are able to obtain a fair and true assessment of a company's financial health and sustainability. Railpen will vote against the re-appointment of the auditors if the tenure of the audit firm is greater than fifteen years. We may consider a vote against the re-appointment of the audit committee chair** if the external audit firm tenure is greater than thirty years.

We are unlikely to support the appointment of an auditor if the previous auditor was replaced without clear rationale or explanation.

The non-audit fees paid to the company's statutory audit firm should not exceed good local market practice, in the absence of exceptional circumstances, which must be clearly explained.

We are concerned by fee reductions for the audit, particularly when they seem to be driven by cost-cutting endeavours by companies (this may be particularly visible after a change of auditor). Such reductions raise issues about potential reductions in audit quality. We will carefully scrutinise instances where there has been a significant reduction in audit fees, including in the wake of a tender process. Unless there is a clear rationale for the fee reduction, the appointment and remuneration resolutions are unlikely to receive our support.

Where a company provides inadequate disclosure on audit – including inadequate explanations as to how they have addressed previously identified material weaknesses – or adopts policies and practices that are not

¹⁹ [ICGN Statement on Post Covid AGM Practices and Shareholder Rights | ICGN](#)

aligned with shareholders' interests as outlined above, Railpen may consider withholding support for the reappointment and setting of fees of the external auditors and/or the re-election of audit committee members.

We are supportive of moves towards graduated findings from auditors, considering this to provide more nuanced and decision-useful information to a company's shareholders. We will encourage portfolio companies to consider requesting such an approach from their auditors.

We will generally vote against proposals to indemnify external auditors and are unlikely to support proposals to limit auditors' liability, given this could reduce our and other shareholders' ability to recover any losses incurred.

The Climate transition and biodiversity

Climate change is a key strategic theme affecting all our portfolio companies. Railpen recognises the impact of climate change on our long-term investments and on the quality of the world our beneficiaries retire into. In line with our recent Net Zero Plan²⁰, we will continue to evaluate and assess portfolio companies based on the quality and depth of their climate transition planning, including their impacts and dependencies on society and nature.

We use data from various sources including Climate Action 100+ (CA100+), the Transition Pathway Initiative (TPI), and the Net Zero Engagement Initiative (NZEI) to inform our analysis. Where there is insufficient evidence of a credible ambition, targets, transition planning and implementation, leading to concerns regarding the quality of oversight, then Railpen may consider voting against the re-election of the chair of the board**, and/or the chair of any appropriate committees**. In particular, we may consider a vote against the re-election of an appropriate responsible director** where the company fails to meet any criteria of indicator 7 of the CA100+ net zero company benchmark which relates to climate policy engagement, for companies within the CA100+ focus company list.

Climate disclosures

Railpen expects its portfolio companies – particularly those in material sectors – to appropriately disclose their exposure to the physical, transition and liability risks of climate change, explain the material impact on the company's business model and operations, and appropriately incorporate climate transition planning into their overall disclosures in a clear and consistent manner.

These include but are not limited to disclosures on: climate ambitions and targets; governance, including climate oversight; emissions data and performance; climate-related financial planning and capital allocation; value chain engagement with customers and suppliers for decarbonisation; impacts and dependencies on society and nature; and climate lobbying and policy engagement.

Railpen is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB) and the UK Transition Plan Taskforce (TPT). We encourage all our portfolio companies to provide enhanced corporate disclosure in line with the TCFD framework, comply with the ISSB standards for climate disclosure and best practice in transition planning as per the UK TPT guidance.

Railpen expects material climate change risks to be considered in the financial statements, and disclosed in a manner consistent with a company's other reporting matters. In particular, we will look for the disclosure of quantitative climate-related assumptions and estimates, and how critical accounting assumptions have been adjusted for material climate risks. In addition, we expect the auditor to disclose how they have considered material climate-related risks as part of the audit and for climate risks to be appropriately disclosed in Critical Audit Matters and/or Key Audit Matters as relevant.

²⁰ [Railpen Net Zero Plan 2025](#)

Railpen views these climate disclosures, alongside appropriate accounting and audit practices, as critical to decarbonisation, the climate transition and our own Net Zero Plan. Where we deem that companies fail to meet our expectations, we may vote against the chair**, the director we deem responsible** or the Report and Accounts.

Climate resolutions and transition plans

Railpen continues to proactively engage with industry and policymakers to create and strengthen opportunities for investors, including shareholders, to explicitly express support for, or concerns regarding, corporate behaviour on climate change issues. This includes climate transition planning, which focuses on credible ambitions, accountabilities and actions to decarbonise a company's business model and support the real economy transition. We believe that credible transition plans, and constructive ongoing engagement between companies and investors on their decarbonisation strategy and capital allocation factoring in impacts and dependencies on society and nature, will help turn net zero pledges into real action. Railpen will exercise rigour and caution when analysing and endorsing transition plans.

We believe that a good transition plan should: set out an entity's ambition, accountability and actions around decarbonisation and adaptation in a comparable way, with clear quantification of interim targets and milestones; incorporate material interdependencies and key externalities on biodiversity, natural capital and social impact; clearly link targets, strategy, financial planning and capital allocation; and, where offsets and/or credits are used, adhere to the mitigation hierarchy and best practice principles.

Railpen will assess the credibility of company transition plans using external sources, proprietary analysis and the UK Transition Plan Taskforce (TPT) best practice guidance. Where we do not consider a transition plan to be sufficiently robust and credible, or where it lacks adequate links between ambition, accountabilities and actions, we may consider voting against the chair of the committee** we deem to have oversight (this could include governance and/or sustainability committees). Where we have severe concerns about the credibility of a transition plan, including: lack of alignment between ambition, targets and capital allocation; undue prioritisation of the use of offsets over real world decarbonisation; or insufficient protection against the risk of biodiversity loss or climate injustice, we may additionally consider voting against the chair of the board**.

We will generally support resolutions that seek to maintain and enhance links between climate targets and financial planning.

Nature, biodiversity and deforestation

Although we recognise the difficulties for companies as well as investors in identifying and accessing relevant biodiversity data, we encourage portfolio companies to consider how they can better appraise and account for nature-related risk and redirect capital allocation decisions towards nature-positive outcomes. We would also encourage companies in at-risk sectors to engage with the Taskforce on Nature-related Financial Disclosures (TNFD)²¹, which is actively considering how to enable companies to integrate nature into decision-making.

As well as including biodiversity and natural capital impacts in our assessment of company's climate transition plans, we may consider voting in support of resolutions which seek to encourage companies to address drivers of nature and biodiversity loss, including deforestation, packaging and pollution, water usage and pesticides. We will also consider a vote against the director that we deem responsible** at companies whose efforts to mitigate agricultural commodity-driven deforestation we consider insufficient.

The just transition

²¹ Railpen has been a member of the TNFD Forum since 2022.

Climate justice is a critical component of the transition to a net zero and resilient future. As such, we will look for companies, particularly those in material sectors, to integrate just transition considerations into their overall climate change approach and disclosures.

Our expectations are shaped around the seven-point framework produced by the Grantham Research Institute on Climate Change and the Environment – strategy, workers, supply chain, communities, consumers, policy and partnerships, and transparency and disclosure.

As well as integrating just transition considerations into our assessment of climate transition plans and disclosures, we may consider supporting resolutions that encourage better disclosure of just transition considerations, and better management of the risks and opportunities surrounding the just transition.

Emerging sustainability and governance risks

Cybersecurity

We recognise the substantial and growing cybersecurity risk faced by companies across our portfolio. Cybersecurity incidents have the potential to result in significant financial impacts, including through ransom payments, business interruption, regulatory sanctions, and increased insurance premiums.

We expect companies to provide disclosures on the oversight, frameworks, and controls in place to identify and manage cybersecurity risks. This should include detail across key areas such as governance, supply chain and M&A due diligence, culture and training, and industry collaboration. In addition, companies should report material breaches in a timely manner, along with the remedial actions taken.

We continue to engage with at-risk companies across our portfolio, both directly and as part of the UK Cybersecurity Coalition²². Where we do not deem cybersecurity risks, or any breach response, to be sufficiently well managed, we may consider a vote against the chair of the audit committee^{**}, or other committee we deem responsible^{**}. We may also consider voting against the Report and Accounts where we deem disclosure on cybersecurity risk to be particularly poor²³.

Artificial Intelligence (AI)

AI has the potential to generate significant opportunities but also risks, including the infringement of intellectual property rights, litigation arising from adverse content, and liabilities associated with insufficient oversight of AI-driven decisions. Systemic risks, such as natural resource depletion and cyberattacks, may also be amplified by AI. Therefore, companies using or developing AI should ensure accountability for social and environmental impacts across the AI value chain by aligning with evolving industry good practice²⁴.

We expect companies to take action and provide disclosure on AI proportionate to risk exposure, determined by factors such as their role in the AI value chain, operational dependency on AI, and sector-specific use cases. Companies are encouraged to focus on the pillars of governance, strategy, risk management, and external reporting²⁵. Where these expectations are not met and there is evidence of egregious impact due to the development or deployment of AI, Railpen may consider a vote against the director^{**} deemed responsible for oversight.

²² For more information on the Cybersecurity coalition, please see Railpen's [2023 Stewardship Report](#).

²³ Our joint Investor Expectations on Cybersecurity document, created in collaboration with Royal London Asset Managers (RLAM) and other investors, can be found [here](#). In January 2025, Railpen and RLAM published joint guidance for investors on engagement on cybersecurity, which can be found [here](#).

²⁴ We consider www.whitehouse.gov/wp-content/uploads/2023/07/Ensuring-Safe-Secure-and-Trustworthy-AI.pdf to provide a sensible baseline.

²⁵ Please refer to our AI Governance Framework (AIGF) from our 2025 report with Chronos Sustainability [Achieving effective AI governance](#) for more details on our expectations.

Additionally, we may consider a vote for related shareholder resolutions, including on reporting around AI use and principles, board oversight, human rights risks, misinformation and disinformation risks and workforce implications, and environmental impacts. We will continue to review our expectations of portfolio companies as technological and regulatory landscapes rapidly develop.

Anti-microbial resistance

The systemic risk of anti-microbial resistance (AMR) not only jeopardises the health and wellbeing of millions but also poses a risk to investors' long-term returns. When infectious diseases lack a cure, they can significantly affect the economy by increasing morbidity and mortality rates, which in turn reduces workforce productivity and disrupts food supply chains. Railpen therefore encourages companies to align their business, including supply chains, with the World Health Organisation (WHO) guidance on antibiotic use and may consider a vote in favour of shareholder proposals that call for companies to do so.

Plastics

Companies along the plastics value chain are exposed to a number of risks, including regulatory, climate-related, environmental, human health and reputational. Therefore, we expect companies to ensure accountability by developing a strategy and appropriate governance structures to manage risks and opportunities relating to plastics, setting targets aligned with this strategy and lobbying in support for plastics regulation that focuses on prevention and reuse.

We may consider a vote for shareholder resolutions on this issue, including reporting on financial impacts of reduced virgin plastics demand, assessing options for reducing single use plastics, and looking at opportunities to support a circular economy.