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STEWARDSHIP  
REPORT 2025

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RAILPEN



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# CONTENTS

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|  |    |
|--|----|
| Foreword .....   | 3  |
| Our philosophy and approach .....  | 5  |
| Stewardship in the interests of members .....                            | 10 |
| How our structures enable effective stewardship .....                    | 14 |
| Systematic ESG integration .....   | 23 |
| Effective engagement .....   | 35 |
| Thoughtful voting .....  | 44 |
| Working to tackle market-wide risk .....                                 | 54 |
| Glossary .....   | 62 |
| Appendix 1: Alignment with the 2026 UK Stewardship Code Principles ..... | 64 |
| Appendix 2: Internal assurance .....                                     | 65 |



# FOREWORD

Both the Railways Pension Trustee Company Limited (the Trustee) and Railway Pension Investments Limited (Railpen) have long believed that stewardship on financially material issues is a core part of our fiduciary duties. The Trustee, which delegates investment powers to Railpen, was one of the first UK occupational pension schemes to publish a corporate governance and voting policy, and to introduce **voting** for all UK equities, in 1992.

The Trustee therefore fully supports the 2026 UK Stewardship Code – and similar initiatives around the world. We were one of the first signatories to the original Code and were delighted to retain our signatory status to it last year. We believe these initiatives support and encourage investors to create long-term value for beneficiaries.

This report provides a response both from the Trustee and Railpen. Railpen is responsible for implementing the Trustee’s mission to pay members’ pensions securely, affordably and sustainably, which is echoed in Railpen’s purpose to secure our members’ future. Both the Trustee and Railpen undertake responsibilities attributed to asset owners and asset managers, and we have prepared this report to reflect the breadth of our responsibilities.

The evidence shows that good governance is fundamental to creating sustainable financial value for companies and their shareholders<sup>1</sup>. 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. So this year, as in previous years, saw Railpen work with others to advocate for good governance that supports economic growth and resilience. This included setting up the now multi-trillion pound Governance for Growth Investor Campaign (GGIC) and updating the Global Voting Policy to make it clear that we’ll be more closely scrutinising and engaging with **portfolio** companies whose capital markets lobbying runs counter to the interests of shareholders, and risks undermining wider economic and market resilience.

The Trustee’s and Railpen’s approach will continue to be grounded in the evidence that integrating, and acting upon, material environmental, social and governance (ESG) issues is an important contributor to good financial outcomes for members. As long-term investors, we remain fully committed to using all the integration and stewardship tools at our disposal to help secure our members’ future.

<sup>1</sup> A selection of the available academic evidence on this can be found on our [Insights page](#).



**Christine Kernoghan**  
Chair of the Trustee



**Andy Bord**  
Chief Executive





### How we've structured this report

This report aligns with the UK Stewardship Code 2026, which requires signatories to publish both Policy and Context disclosures and an annual Activities and Outcomes report. Railpen has chosen a combined report format for 2025 to support a clear, coherent stewardship narrative.

### Our work to create a fair, balanced and understandable report

Multiple client-facing, member-facing and communications teams from across Railpen have reviewed this report. This report has also been assured by Railpen's in-house Internal Audit team, which is independent, objective and provides challenge and insight across the wider Railpen business, in conformance with the International Standards for the Professional Practice of Internal Auditing (the Standards) and the Chartered Institute of Internal Audit's guidance, 'Effective Internal Audit in Financial Services'.

This use of 'third line of defence' internal assurance supplements the review of the broader report that has been undertaken by multiple internal teams.

### How we've used artificial intelligence (AI) in this report

We've used Microsoft Copilot throughout the drafting process to help structure the report and articulate our case studies more efficiently. It supported us in talking about our engagement activities, clarifying actions and outcomes, and ensuring consistency in tone and style across the report. Copilot also accelerated the production of early drafts so that we could focus our time on verifying the underlying evidence, refining key messages, and strengthening the narrative around stewardship impact.

We did not use Copilot to generate any data or underlying evidence.

There has been oversight from the Sustainable Ownership (SO) team at key stages in the drafting process, and the report in its entirety has been signed off by senior stakeholders.

Further details of the assurance process for this year's report can be found in [Appendix 2](#).

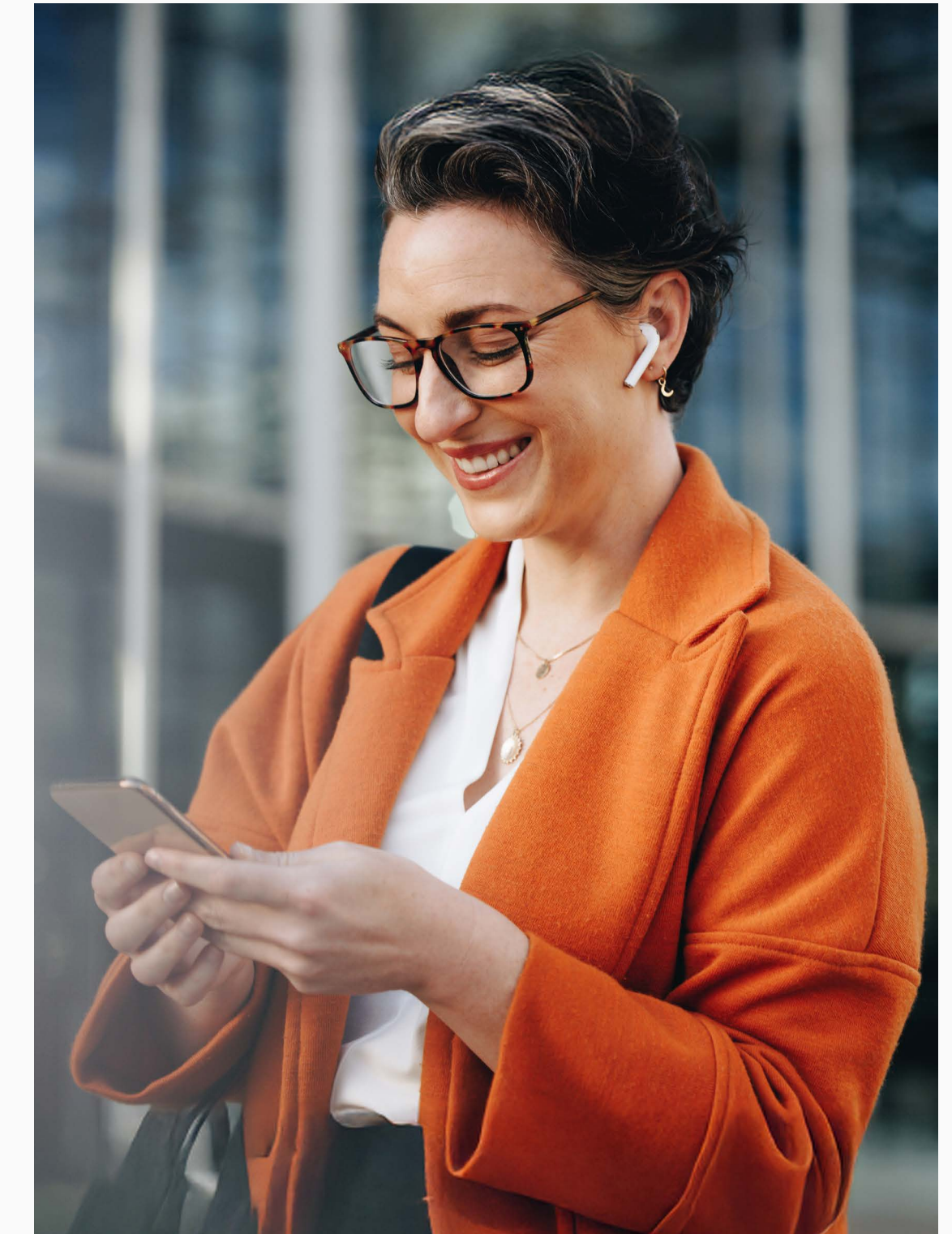
This gives us confidence that our reporting is fair, accurate and balanced – as well as of interest and use to members and employers.

### What we've done to help members navigate this report

This report details our activities in 2025 and references similar actions from earlier reports to provide context. Although this increases the length, it ensures clarity and enhances transparency.

As stewards of members' money, we prioritise clear communication and transparency. We avoid jargon where possible and explain all acronyms before use to support understanding. A glossary of key terms is provided on [pages 62-63](#). Key terms are highlighted throughout the report and link back to the glossary for easy reference.

As we do every year, we will be condensing the key findings of this report into a short member-focused SO Review, which we will publish later in 2026.



### We want to hear from our members

Members, please tell us what you think of our sustainable ownership approach and how we report on it. You can provide feedback by email at [SO@railpen.com](mailto:SO@railpen.com) or keep an eye out for our next annual member survey on sustainable ownership.





# OUR PHILOSOPHY AND APPROACH

## About the Railways Pension Trustee Company Limited (The Trustee)

The Trustee is responsible for managing four railways pension schemes:

- BR (1974) Fund
- British Transport Police Force Superannuation Fund
- British Railways Superannuation Fund
- Railways Pension Scheme (RPS)

The RPS is the largest scheme, established in 1994 following rail privatisation, and provides pensions for employees across more than 150 companies in the rail industry. The Trustee has delegated pension administration and investment management to Railpen, the trading name of Railway Pension Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FCA).

Many sections of the schemes remain open to future accrual, giving the Trustee and Railpen a very long investment time horizon. Managing long-term risks and opportunities is therefore central to our investment approach, including our longstanding focus on sustainable ownership through ESG integration, active ownership (stewardship) and climate activity.

### The role of stewardship in achieving our purpose

The Trustee's mission is 'to pay members' pensions securely, affordably and sustainably', supported by Railpen's purpose to 'secure our members' future'.

We recognise that members and employers trust us with a significant responsibility, and that the decisions and actions we take affect members' lives and wellbeing. We are proud of this responsibility and are committed to improving the lives of members.

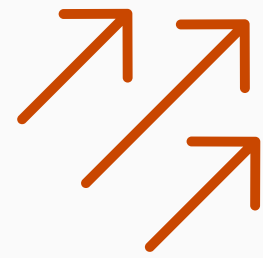
Generating the required returns to achieve this mission is challenging. To succeed, we need to use all the levers available to us – including **stewardship** – to support improvements at company and market level. We think innovatively and act boldly, standing our ground when we believe the latest industry or market developments are unlikely to deliver good financial outcomes for members.

We use our assets under management to invest effectively based on our Investment Beliefs. Railpen's expert in-house SO team collaborates with the Pensions Investment Management (PIM) team, the Trustee, and other experts to integrate financially material ESG considerations into investment analysis, assess systemic risks, engage with portfolio companies, participate in industry collaborations, and exercise our voting rights, all to support members' futures.



## How Railpen's values and culture drive our approach to stewardship

Our purpose and strong sense of duty to members underpins our broader culture, values and behaviours. We have previously reported on updating our Values, which since 2023 have been:



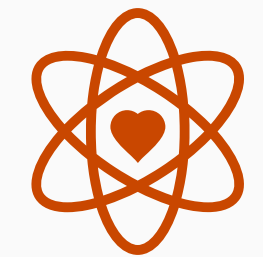
### ALIGNMENT

**Challenge the thinking, support the decision:** our passion for our core purpose gives us the permission to speak up to achieve the best outcomes for members.



### COMMUNITY

**Community first, ego last:** we recognise the strength in moving as a collective. We therefore operate on a basis of 'One Railpen', succeeding and learning as a team. We expect our colleagues to be active creators of a positive and inclusive culture by understanding and embracing each other's differences.



### INTEGRITY

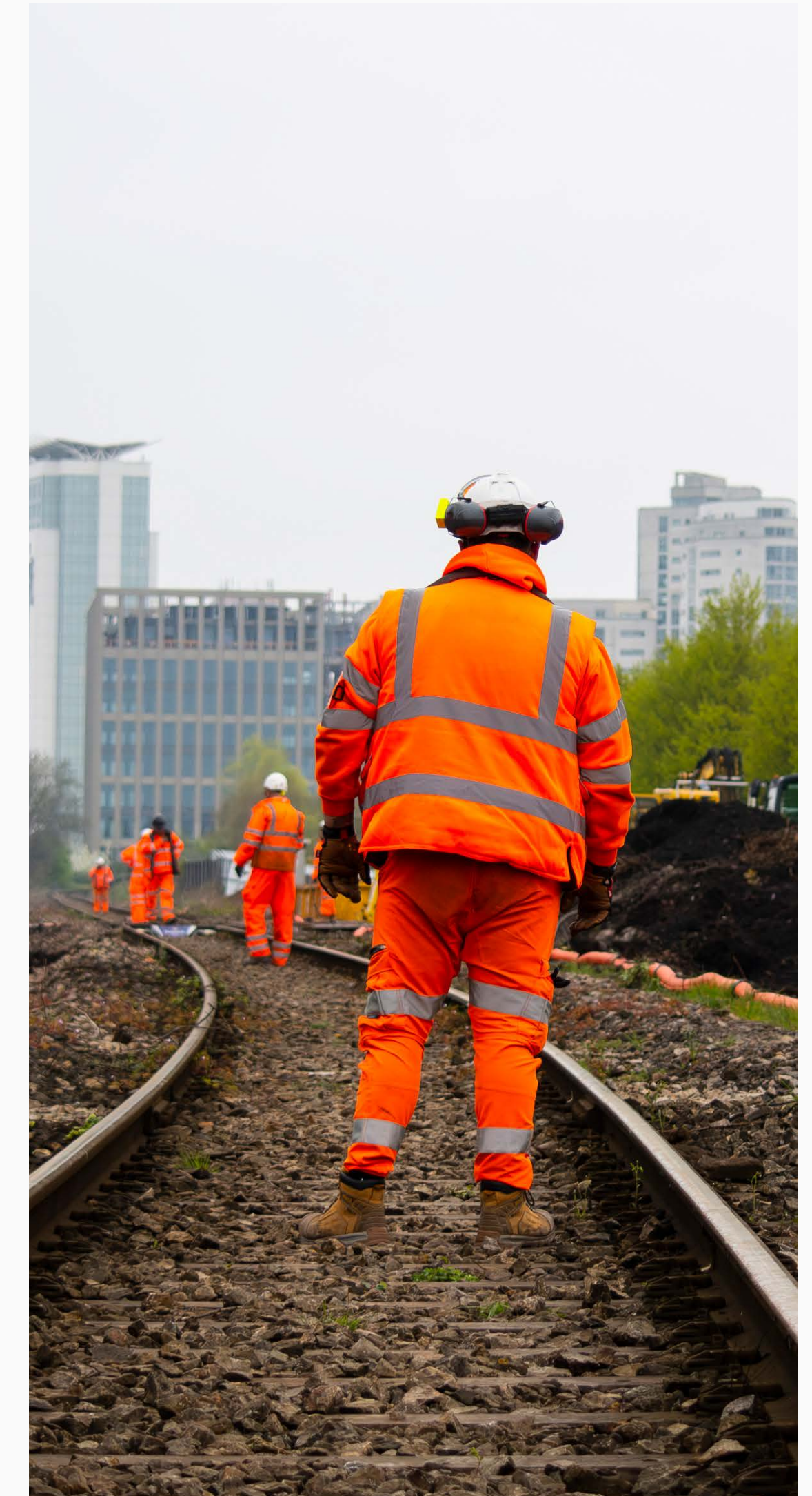
**Integrity leads to safety:** perform with integrity at all times. Doing so creates a safe environment where people are honest, transparent and committed to doing what is best for our members and Railpen. We expect colleagues to be accountable and to honour our obligations to regulatory conduct and governance frameworks.

The importance of alignment to our collective purpose, succeeding and learning as a team and performing with integrity at all times are also reflected in the shared Trustee and Railpen Investment Beliefs, and accompanying narrative. This includes the following:

"Railpen's mandate is to advise on and manage this investment risk [asset-liability risk] on behalf of the Trustee to deliver sufficient long-term returns from the assets to meet the schemes' liabilities over a range of environments.

"On behalf of the Trustee, Railpen acts like the long-term asset owner we truly are, not afraid to be patient where decisions may result in pay-offs that are far into the future. We lean into periods of volatility and illiquidity, where others might shy away. Taking the time to position ourselves as an attractive long-term counterparty helps us access the right investment opportunities. Strategic partnerships in innovative areas take time to build but can offer significant reward.

"Railpen cannot deliver the best outcome for members on our own... Our sophisticated and collaborative investing culture fosters innovation. Our sense of purpose and investment approach allows us to attract and retain the high-quality talent needed to execute on our investment philosophy."





| Value   | How we incorporated the value into Railpen's 2025 sustainable ownership work   |
|---|--|
| <p><b>ALIGNMENT</b></p> <p>Challenge the thinking, support the decision</p> | <ul style="list-style-type: none"> <li>• Every year, we set the strategy, goals, and accountabilities for our Sustainable Ownership strategy and workstreams. This process includes input from other Railpen teams, insights from member surveys, and discussions with the Trustee and Pensions Committees.</li> <li>• Major projects, like our annual <b>exclusions</b> process and each year's <b>annual general meeting</b> (AGM) season, are also the focus of dedicated 'lessons learned' sessions, where all team members involved in each project are encouraged to share both what went well and what didn't, to support continuous improvement. We document and share feedback provided and steps taken.</li> </ul>   |
| <p><b>COMMUNITY</b></p> <p>Community first, ego last</p>                    | <ul style="list-style-type: none"> <li>• We collaborate with the PIM team, as well as with the Trustee. The relevant expert from the SO team jointly engages with key holdings in partnership with Railpen portfolio managers and liaises on key <b>voting</b> decisions.</li> <li>• We continue to focus on building a shared understanding of the importance of stewardship, ESG integration and the roadmap to <b>net zero</b> across the broader organisation. This includes our quarterly meetings with client-facing teams.</li> <li>• We collaborate extensively with others across the sustainable investment industry to help drive long-term improvements in corporate behaviour and shape a policy and market environment that supports sustainable ownership.</li> </ul> |
| <p><b>INTEGRITY</b></p> <p>Integrity leads to safety</p>                    | <ul style="list-style-type: none"> <li>• Railpen and the Trustee were early pioneers of corporate governance. As a large asset owner, we continue to lead by example and work with others to raise standards in the industry overall.</li> <li>• We provide industry leadership on ESG issues where we consider them to be material to our <b>portfolio</b> and underexplored by other investors. In 2025, we established GGIC – a new collaborative campaign focused on striving for market growth through governance. Please see <b>case study 20</b> (page 56) for more information.</li> </ul>   |



We use our scale and expertise to drive sustainable ownership and support higher standards in the pensions sector. Last year, we collaborated with pension schemes and investors to address material issues, reflecting Railpen's corporate values of 'Community' and 'Integrity' and advancing the Trustee's strategic goal to shape UK pensions.

The Trustee has worked on the five strategic goals that support its mission to pay members' pensions securely, affordably and sustainably:

- Operating schemes effectively
- Good member outcomes
- Clear plan, right responsibilities
- Thinking ahead for rail
- Influencing the shape of UK pensions

In 2024, Railpen worked on our Operating Strategy, in response to the Trustee's strategic goals. Launched in January 2025, the Strategy sets out Railpen's ambitions for 2025 and beyond to deliver on the Trustee's goals. It ensures high levels of service delivery to all stakeholders while helping us identify and prioritise key new initiatives that will respond to the changing external environment.

## Stewardship in line with the Trustee's and Railpen's shared Investment Beliefs

Each of the Trustee's and Railpen's shared Investment Beliefs provides the parameter and framework for all parts of the investment process used across the organisation and our **stewardship** activities more specifically<sup>2</sup>. A coherent, up to date set of Beliefs helps Railpen to ensure alignment between our investment decisions and the interests of all our scheme members.

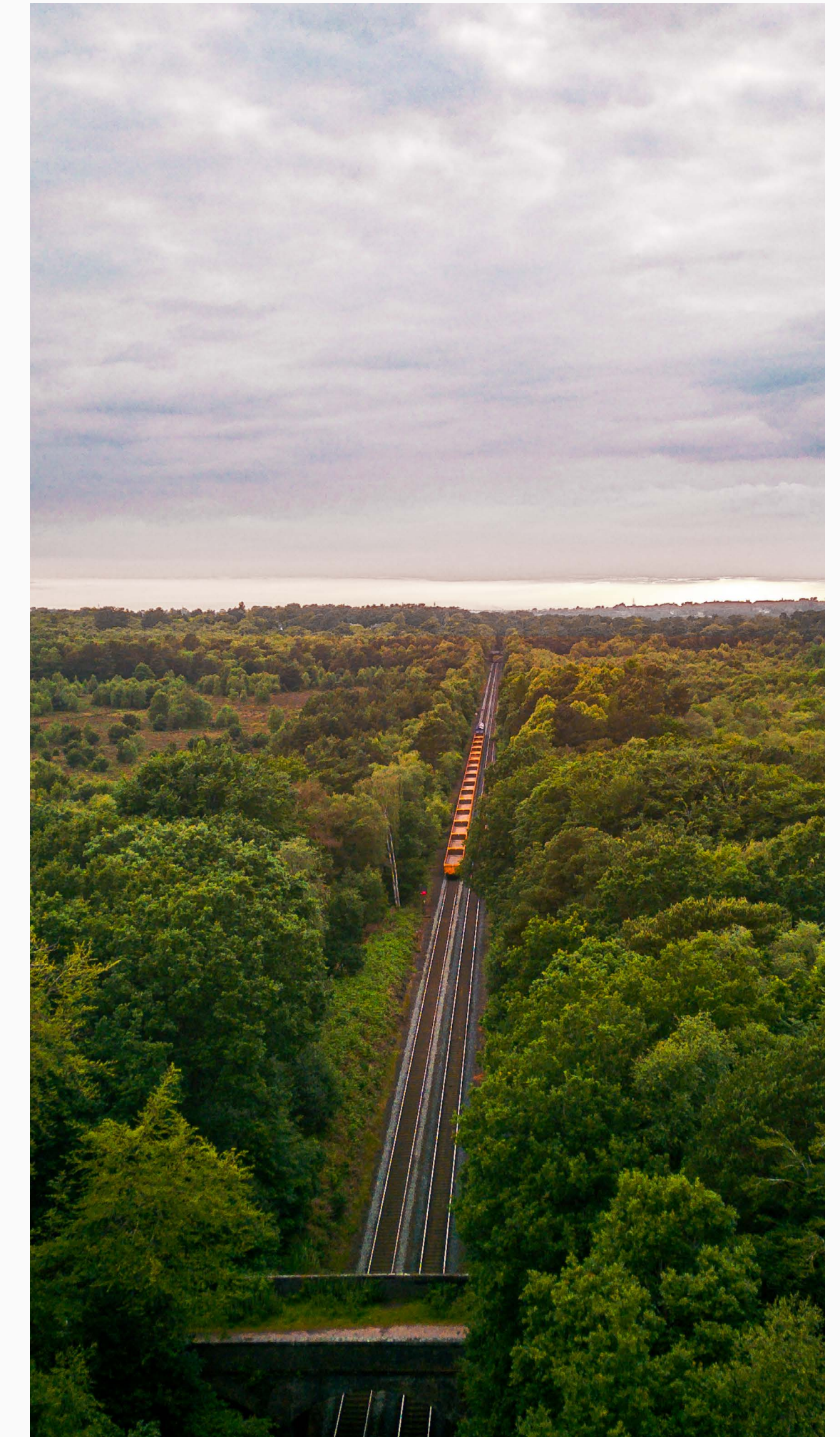
While all of the Investment Beliefs are relevant to our sustainable ownership work, our fourth belief is the most pertinent:



**"Incorporating and acting upon climate risk and other environmental, social and governance factors is a significant driver of investment outcomes and part of our fiduciary duty."**

"**ESG** factors affect corporate financial performance, asset values and asset-liability risk. Well-informed and financially material ESG analysis, as part of a holistic investment process, supports the identification and ultimately the pricing of ESG risk and opportunity. Constructive **engagement** combined with thoughtful **voting** can protect and enhance investment value.

"A long investment horizon exposes a pension scheme to societal and systemic risks, such as climate change. These risks are growing and need to be managed. Capital allocation by investors and corporates makes a difference in how these risks play out. Railpen has a responsibility to make a scheme's assets resilient to systemic threats and position **portfolios** for long-term opportunities. We believe it is possible and necessary to deliver the returns the schemes need, while positively contributing to the world our members retire into."



<sup>2</sup> You can find our shared Trustee and Railpen Investment Beliefs in full at: [Railpen - Investment Beliefs](#).



The table below takes each of the most relevant Beliefs and considers the impact on our 2025 sustainable ownership work.”

| Investment Belief   | 2025 impact and progress   |
|---|--|
| “Well-informed and financially material ESG analysis”   | <ul style="list-style-type: none"> <li>Onboarded new AI tools to support more rapid, live and wider-ranging analysis of ESG issues at portfolio companies</li> </ul>   |
| “Societal and systemic risks, such as climate change”   | <ul style="list-style-type: none"> <li>Undertook our 2025 review of our <b>thematic</b> stewardship priorities (<a href="#">case study 21</a> (page 57))</li> <li>Published new research and guidance on systems stewardship (<a href="#">case study 21</a> (page 57))</li> <li>New thematic voting lines in our 2026 Voting Policy update (<a href="#">case study 16</a> (page 44))</li> <li>Launched our <b>Net Zero</b> Engagement Plan (<a href="#">case study 9</a> (page 33))</li> </ul> |
| “Capital allocation by investors and corporates makes a difference”                                 | <ul style="list-style-type: none"> <li>Undertook a round of <b>engagements</b> for our governance and conduct exclusions process (<a href="#">case study 7</a> (page 30))</li> </ul>   |
| “Incorporating and acting upon climate risk and other environmental, social and governance factors” | <ul style="list-style-type: none"> <li>Onboarded a new stewardship engagement database to help with tracking our engagement progress (<a href="#">case study 10</a> (page 34))</li> </ul>  |

### Railpen’s approach to stewardship

‘Sustainable ownership’ is the term we give to Railpen’s approach to incorporating financially material governance and sustainability considerations into the investments we manage on behalf of members. Our work, which is enabled by and delivers against our fourth Investment Belief (left), aligns with our fiduciary duties and our commitment to responsible investment.

The sustainable ownership work we undertake to protect the value of members’ savings is provided through our role within the PIM function.

Railpen’s investment process considers **ESG** factors through the following four lenses:

1. Improving investment returns
2. Reducing investment risk
3. Impacting Railpen’s reputation as a responsible investor, and
4. Impacting the future world members retire into

Railpen believes that incorporating these lenses into the investment process increases the likelihood of achieving the Trustee’s mission. The lenses are then used to inform the two priority workstreams within Sustainable Ownership, which are as follows:

- **Active ownership:** Railpen’s approach to **engagement, voting** and public policy/systems engagement
- **ESG integration:** Incorporation of material sustainability considerations into the investment process and our work to integrate climate considerations into our approach to investments and funding

We believe companies with good corporate governance practices and engaged **shareholders** are more likely to achieve the superior long-term financial performance that members need. Strong governance in portfolio companies tends to ensure their effective management of all relevant risks and opportunities, including those related to environmental and social factors.

By actively engaging with **portfolio** companies and exercising our voting rights, it is possible for company behaviour on material ESG issues to improve. This helps Railpen, on the Trustee’s behalf, to enhance long-term investment returns for members.



# STEWARDSHIP IN THE INTERESTS OF MEMBERS

The RPS, which is the largest of the four schemes, comprises six parts: the 1994 Pensioners Section, the Shared Cost Arrangement, the **Defined Contribution** (DC) Arrangement, the **Defined Benefit** (DB) Arrangement, the Omnibus Section and the Industry-Wide Defined Contribution (IWDC) Section. Employers may participate in more than one arrangement and in more than one section of the Shared Cost Arrangement. There are 107 sections across the six parts of the RPS:

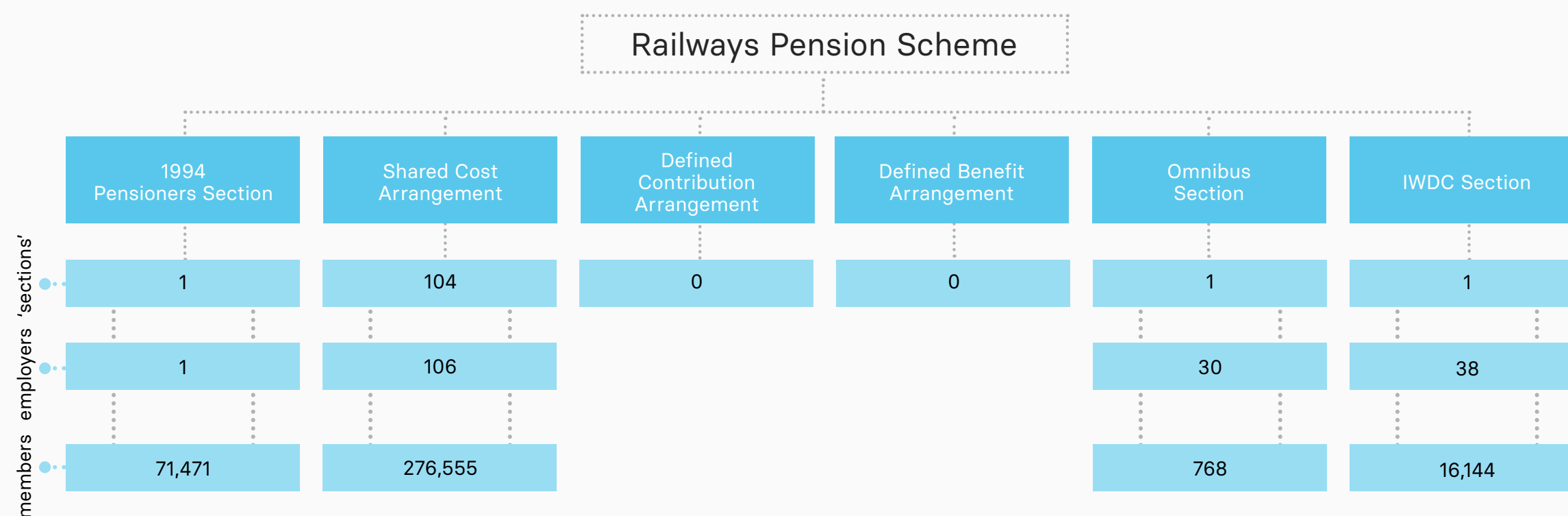


Figure 1: Railways Pensions Scheme (RPS)

Given that many of the DB sections are open to new members and future accrual, as well as having open DC sections, our investment time-horizon is extremely long. This means we have a significant allocation to growth assets such as listed **equity**, so an extensive proportion of our sustainable ownership resource is dedicated to the thoughtful exercise of our (substantial) **voting** rights alongside constructive **engagement**.

Asset by region

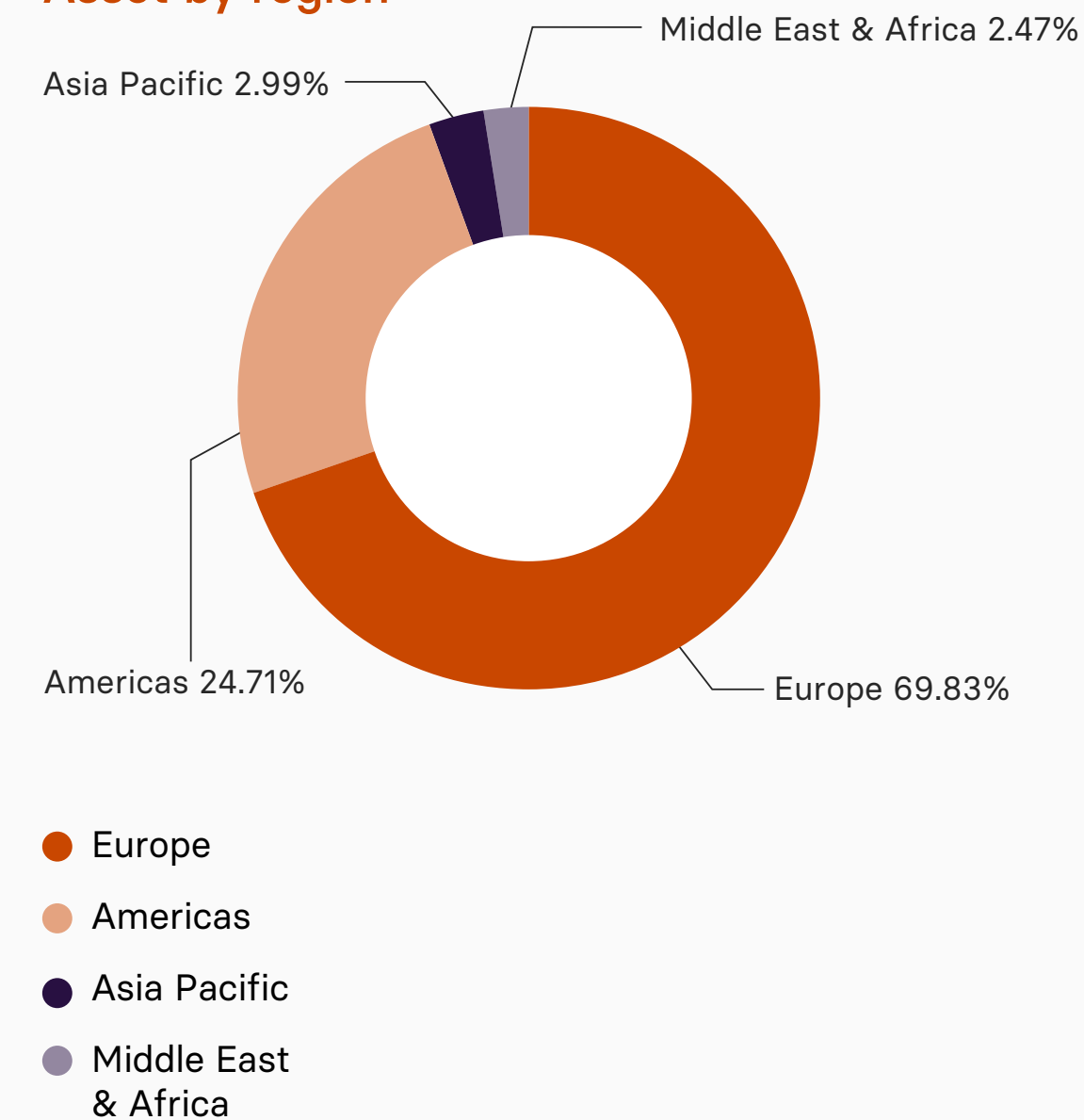
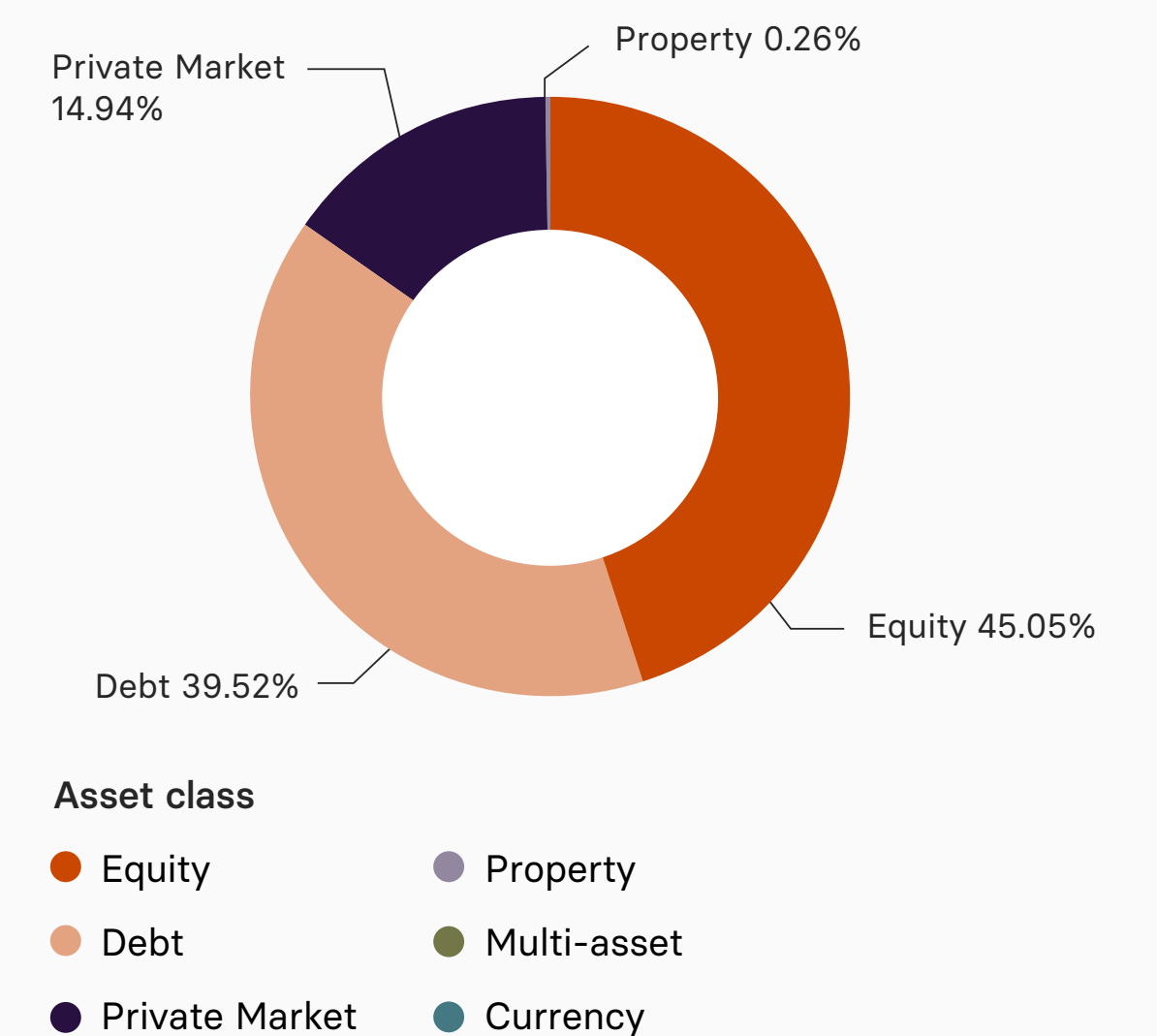


Figure 2: Railpen's assets by region and asset class as at 31 December 2025

AUM (£) by asset class



Our **portfolio** continues to be mostly concentrated in developed markets and, in particular, the United Kingdom (our biggest allocation, at 44% of assets under management) and the United States. This influences the level of resource we dedicate to **stewardship** activities in these jurisdictions, including our **engagement** and **voting** activities, as well as participation in relevant industry initiatives and policy debates.

For instance, the work of the Investor Coalition for Equal Votes (ICEV) is focused on engagements with policymakers in the US and UK and companies before they are publicly listed. Prioritisation is vital to ensure that we focus resource on where we can achieve the greatest impact on members' behalf. The geographical split also reflects the nature of some of our private markets and real estate holdings, where we believe we can achieve greater oversight of holdings in our home UK market.

As a UK asset owner, we also focus on UK policy and company issues through – for instance – our new Governance for Growth Investor Campaign (GGIC), which was set up in July 2025, as well as by sending our 2026 Global Voting Policy update to the 350 largest UK companies.

## How we understand the views of members

Railpen continues to survey RPS members annually on their views on sustainable ownership. This work complements other mechanisms we have in place to understand and incorporate member perspectives:

- **The Trustee:** All 16 members are nominated by the members or employers of the Scheme and bring a valuable understanding of member views to their trusteeship.
- **The Pensions and Management Committees (Pensions Committees):** These have been implemented by around a quarter of sponsoring employers – covering around 85% of the membership – to provide additional governance oversight. They are key forums for understanding the member perspective.
- **The Railpen Investment Oversight Committee (RIOCI):** This is newly established and responsible for approving key investment policies and overseeing the performance and risk of Railpen's pooled funds.

The Railpen team has several opportunities to interact with these groups, including regular virtual and in-person meetings between the SO team and the Trustee throughout the year. Sustainable ownership is an agenda item at Trustee meetings at least once per quarter.

We also have a Trustee Sustainable Ownership Working Group (SOWG), set up in 2024 to enable more in-depth discussion of our sustainable ownership regulatory obligations and thereby increase efficiency of the full Trustee Board. A second aim was to enhance two-way engagement between the Trustee and Railpen on sustainable ownership matters. The SOWG is chaired by Peter Holden – one of our Trustee Directors – and in 2025 it discussed issues including: Trustee training needs on sustainable ownership, our approach to sustainable ownership in the new political era, and our refined systems stewardship approach.



“Due to ongoing global and geopolitical challenges, the future remains unpredictable. This makes it crucial that the Trustee and Railpen continue to collaborate effectively to provide members with the returns required for a secure retirement income.

“Ongoing investment in businesses positioned for long-term success is essential. As a universal owner, Railpen faces risks and opportunities at both company and system levels, with system-wide issues affecting portfolio returns. To ensure effective stewardship, we have refined our approach to systems stewardship for the next five years, deepening our focus on evidence-based market-wide issues that impact financial outcomes.

“As Chair of the Trustee Board SO Working Group, I am committed to ensuring that the Trustee's Investment Beliefs regarding material sustainability and governance issues are thoroughly incorporated into investment decision-making. This remains a vital aspect in fulfilling the Trustee's mission to pay members' pensions securely, affordably and sustainably, seeking to protect the long-term financial interests of members which is central to everything we do.”



**Peter Holden,**  
Chair of the SO  
Working Group

## How we talk to members about stewardship

Our members are at the heart of what we do. That's why since 2017, in addition to the longer-form Stewardship Report, we have also published an annual, standalone, member-focused Sustainable Ownership report (the SO Member Review). This is complemented by a series of videos to further enhance understanding and support with accessibility<sup>3</sup>.

Previous Stewardship Reports outlined the steps we took to improve the accessibility of the SO Member Review<sup>4</sup>.



Figure 3: Excerpt from our 2024 SO Review (published in 2025)

We are transparent about our **engagement** and **voting** activities on an ongoing basis. Our **Driving sustainable investment** page and **Insights** section on the Railpen website gives access to our:

- Latest Global Voting Policy
- Questions asked at AGMs and pre-declaration of voting intentions
- Thought leadership publications and consultation responses
- Sustainable ownership disclosures and reports
- Voting activity<sup>5</sup>

We also seek dialogue on sustainable investment issues with members through our social media channels and a dedicated Member Advisory Group. Sustainable ownership content forms a significant proportion of our content on Railpen's LinkedIn account.

Members are encouraged to provide their views and questions via email, with contact details flagged on every sustainable ownership publication. This includes during AGM season, where the SO team responds to member queries on how Railpen intends to vote at any contentious meetings.

Our sustainable ownership work regularly features in member newsletters and our annual survey helps us reach even more members, particularly those members who are not already engaged with our sustainable ownership work. We also continue to hold dedicated focus groups on sustainable ownership every two years with members.

<sup>3</sup> You can watch the [Sustainable Ownership Member Review 2024 videos](#) on [Railpen's YouTube channel](#).

<sup>4</sup> Please see [case study 5](#) in our [2021 Stewardship Report](#) for more details.

<sup>5</sup> Please see: [VDS Dashboard](#).

## Case study 1: Understanding and reflecting members' views on sustainable ownership

### Background

Railpen's approach to sustainable ownership is grounded in acting in the long-term financial interests of our members. We also seek to reflect members' views and priorities in our stewardship activities and communications. Since 2021, we have engaged members through surveys and focus groups to understand what matters most to them and how they expect Railpen to act.

### Member engagement in 2025

Our 2025 outreach aimed to capture views from a broad cross-section of the membership. We promoted the survey through regular member communications and the Member Advisory Group and contacted 50,000 active members – more than double the number reached in 2024.

The survey and focus groups explored:

- Priority sustainability and governance issues
- Support for engagement with companies and policymakers
- Awareness of pensions and Railpen's sustainable ownership activities

### Key themes

Social and governance issues remain top priorities for members, with fair treatment of workers scoring highest. AI entered the top five concerns, reflecting increased awareness of its opportunities and risks. Both focus groups and surveys show a slight decline in environmental sustainability as a priority.

Members strongly supported Railpen's engagement with companies and policymakers – 84% believe it is important for Railpen to influence the behaviour of companies to improve governance and sustainability, while 85% feel the same about shaping laws and regulations.

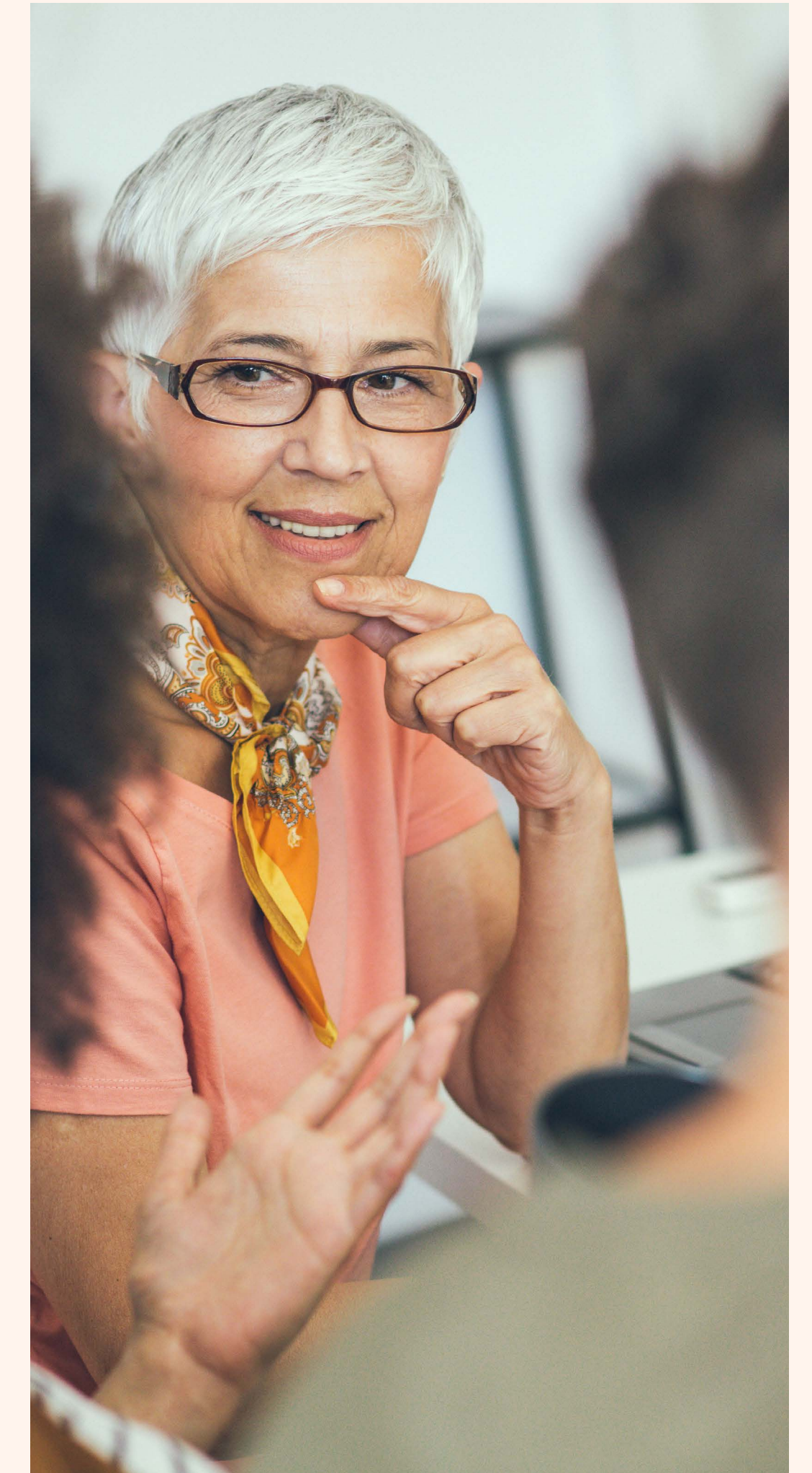
At the same time, some members continue to express concern about the link between sustainable ownership and investment returns, especially given cost-of-living pressures. This reinforces the importance of clearly explaining how Railpen's sustainable ownership work focuses on financially material issues and supports long-term performance.

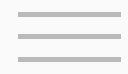
There was appreciation of the diverse communication formats we have implemented to present our work, including our blogs. Despite our outreach, awareness of our sustainable ownership activities remains low, and there is a clear demand for simpler language.

We will address this by doing shorter and more accessible updates, featuring more case studies of our engagements on issues we know our members care about.

### Next steps

Member feedback will continue to shape our approach. We will simplify our communications and strengthen our focus on financial relevance. We will also continue to address emerging financial issues where they are material to long-term outcomes for members, including responsible AI.





# HOW OUR STRUCTURES ENABLE EFFECTIVE STEWARDSHIP

## Our in-house investment management approach

Unlike most UK pension schemes, the Trustee manages many assets internally through its Investment Management team, a shift that began with the 2013 Investment Transformation Programme. This approach gives Railpen greater control over sustainable investment, enhances **stewardship** and **ESG** integration, and aligns more closely with our **thematic** priorities and shared Investment Beliefs.

## Governance and oversight of sustainable ownership

Acting as a long-term, responsible investor is fundamental to the Trustee's investment purpose, beliefs and objectives as well as its mission of paying members' pensions securely, affordably and sustainably and our purpose to secure our members' future. As a result, oversight of our sustainable ownership activities takes place from the top of our organisation.

In 2025, it was decided that 'Fiduciary and Investment Management (FIM) would become 'Pensions Investment Management' (PIM) to better articulate and enable our integrated approach, and that the PIM team's purpose is to deliver good pensions outcomes.





## Case study 2: From FIM to PIM

### Issue

As reported in previous Stewardship Reports, in 2023 the Investment Management and Fiduciary units were merged to help deliver the best outcomes for members, becoming Fiduciary Investment Management (FIM).

Due to changes in regulation as well as an increasingly widening range in the maturity of the different Sections, it was important we reflected on our investment offering, to ensure it was appropriate and could be tailored to meet client needs.

### Approach

In 2025, it was therefore decided that FIM would become Pensions Investment Management (PIM) to better articulate our integrated approach, and that the PIM team's purpose is to deliver good pension outcomes, to all our Sections.

This requires us to have in place the right range of growth and matching pooled funds to meet the varied return and hedging investment needs, as well as strategically manage allocations to illiquidity (private markets and real assets). These changes were approved by the Trustee, and a number of activities are now underway to have this in place ready for the 2025 RPS valuation (early/mid 2026).

Within the new PIM structure, the names of some departments were also tweaked to clarify their role in delivering PIM's mission and purpose in line with the shared Railpen and Trustee Investment Beliefs.

### Outcome and next steps

The change in name was well-received by colleagues but is just one aspect of Railpen's work to achieve true integration and collaboration. In Q1 2026, the first ever PIM offsite was held for approximately 150 colleagues, to help build relationships and gather feedback on how to create closer collaboration across PIM and achieve a high-performing and innovative culture. It ensures that stewardship can be more seamlessly integrated into the new client portfolio approach.

In Q1 and Q2 2026, there will also be a series of 'PIM-to-PIM' lunch and learns. Each team will present their work, starting with the articulation of client requirements, then detailing the process for strategic investment allocations, moving through the investment management teams, and concluding with the oversight and guardrail teams. Each presentation will demonstrate how their respective roles contribute to securing our members' future.

The PIM business unit unites teams that support the Trustee and the Pensions and Management Committees in their investment responsibilities. The SO team connects the needs of the Trustee and members to the sustainable investment decisions we make on their behalf, helping safeguard members' savings.

The SO team is part of the Investment Risk, Oversight and Sustainable Ownership (IROS) department, which creates synergies between the risk and performance analytics from the Investment Risk Management (IRM) team with sustainability and governance expertise from the SO team. The Director of IROS reports to the Chief Officer, PIM (COPI), who then reports to Railpen's Chief Executive.

The SO team continues to be one of Railpen's investment 'guardrails'. It has top-down responsibility for delivering the Trustee's commitment to sustainable investment, while also working closely with colleagues across PIM to ensure that financial materiality-focused sustainable investment is considered and applied from the bottom up.



The SO and Investment Management teams work closely and collaboratively across all parts of the lifecycle of an investment, as illustrated below.

- **Before a decision to invest:** The SO team undertakes analysis and works with the Investment Management team to probe any areas of interest or concern. The SO team will assess and quantify the level of financially material **ESG** risk and make a recommendation on possible mitigating activities.

- **After a decision to invest:** The SO and Investment Management teams co-engage with key **portfolio** companies on stock-specific issues, as well as discussing Railpen's overall thematic sustainability and governance priorities.

- **Voting recommendations:** These are made and implemented by the SO team. If the **equity** is in our fundamental equities **portfolio**, decisions to **abstain** or vote against go to the relevant Investment Management team portfolio manager for discussion. If the two teams cannot reach a consensus, there is a process for escalation to the Director of IROSO.

- **Class Action:** The Legal team follow a triage process to help assess whether to recommend participation for an Opt-in Class Action. The SO team feeds in views regarding any potential reasons not to proceed, including on the grounds of conflict of interest or impact on our existing **engagements**. The COPIM provides final sign-off, on behalf of the Investment and Risk Committee, on the decision as to whether to participate.

- **Exclusion analysis and decisions:** These are led by the SO team and discussed with others across Railpen at regular meetings before going to the Investment and Risk Committee for approval and RIOC for noting. This is then implemented across the internally-managed portfolio and sent to our external managers, where relevant.

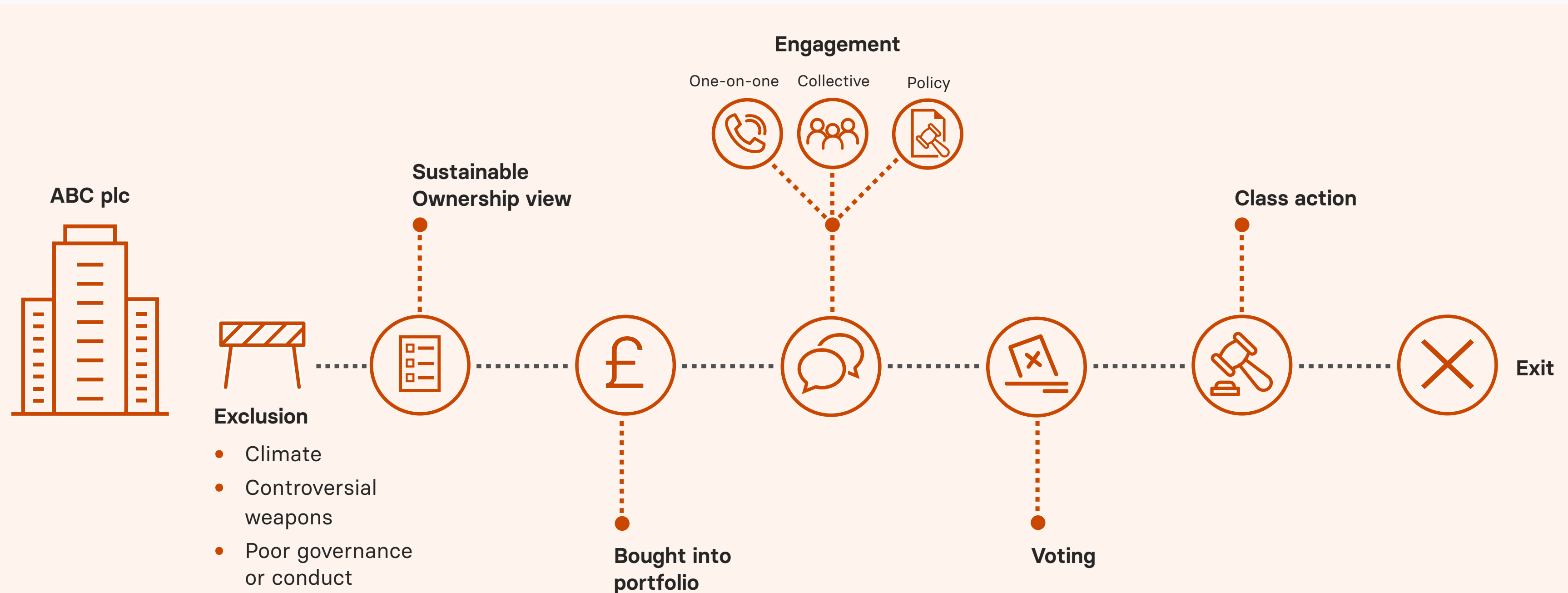


Figure 4: The potential lifecycle of an investment at Railpen



## How our policies and processes are regularly reviewed

Railpen acknowledges that sustainable investment and **stewardship** expectations are evolving quickly. We regularly review and update our **engagement** and **voting** policies to stay aligned with our governance practices, especially after changes to our Risk function<sup>6</sup>.

Centralised, up-to-date policies and procedures are vital for guiding daily operations, maintaining compliance, supporting decision-making, and streamlining processes.

| Review activity (annual)  | 2025 updates  |
|---|---|
| <b>Global Voting Policy</b>   | <ul style="list-style-type: none"> <li>New lines on our approach to assessing companies whose capital markets <b>advocacy</b> runs counter to the interests of its shareholders and risks undermining our shared goal of creating sustainable financial value</li> <li>Clarifying our expectations of good practice on climate accounting to improve financial reporting by companies on material financial risks</li> <li>Updated lines and a refined approach on the management and disclosure of AI-related risks and opportunities</li> </ul> |
| <b>Exclusions policies</b> <ul style="list-style-type: none"> <li>Climate</li> <li>Controversial weapons</li> <li>Poor governance or conduct</li> </ul> | <ul style="list-style-type: none"> <li>We ran a streamlined version of our Governance and Conduct Zero Weight exclusions process in 2025, and will review the methodology again in 2026 in line with our usual biennial cycle (see <b>case study 7</b> (page 30))</li> </ul>  |
| <b>Engagement targets and objectives</b>  | <ul style="list-style-type: none"> <li>Reviewed our engagement objectives for bottom-up engagements</li> <li>Set up our new stewardship platform to support tracking and reporting of our stewardship progress (see <b>case study 10</b> (page 34))</li> <li>Created new thematic engagement plans and objectives for our systems stewardship priorities (see <b>case study 21</b> (page 57))</li> </ul>  |
| <b>Due diligence processes (external managers)</b>  | <ul style="list-style-type: none"> <li>Creation of one lead individual across all external managers, to ensure our standards and approach are consistently applied</li> <li>Planning for our 2026 mapping and review of our private markets stewardship approach, including external managers</li> </ul>  |

<sup>6</sup> Please see pp.21-22 in our [2021 Stewardship Report](#) for further details of our restructure and implications for risk management.



### How we approach conflicts of interest

Railpen expects all directors, employees and secondees who provide services to the Company to comply with the content and spirit of the rules set out in its Conflicts of Interest Policy.

The business environment and investment operations must be regularly monitored to identify, manage, and report conflicts of interest. The Compliance team maintains a conflicts of interest register, and employees are responsible for reporting relevant items for inclusion.

Based on the nature of Railpen's business, the types of conflicts that may exist include those between:

- Railpen (including any person directly or indirectly linked to them) and its client, Railways Pension Trustee Company Limited (RPTCL)
- Railpen and its employees
- Two or more Railpen employees
- Railpen and its suppliers
- Railpen entities

Management and oversight of conflicts are carried out throughout the year and form part of the Compliance Monitoring Programme. On an annual basis, the following takes place:

- Conflicts of Interest policies are reviewed
- The conflicts contained within the Conflicts of Interest Register are reviewed to ensure that the detail of each potential conflict remains accurate and the mitigating controls remain operational and effective, and
- The Conflicts of Interest Register is presented to the Railpen Board

It is the employee's responsibility to ensure potential conflicts remain accurate on an ongoing basis.

Throughout the year, the Compliance team reviews connected conflict management policies concerning inducements, personal securities and investments dealing, and entertainment and gifts and carries out the relevant monitoring tests.

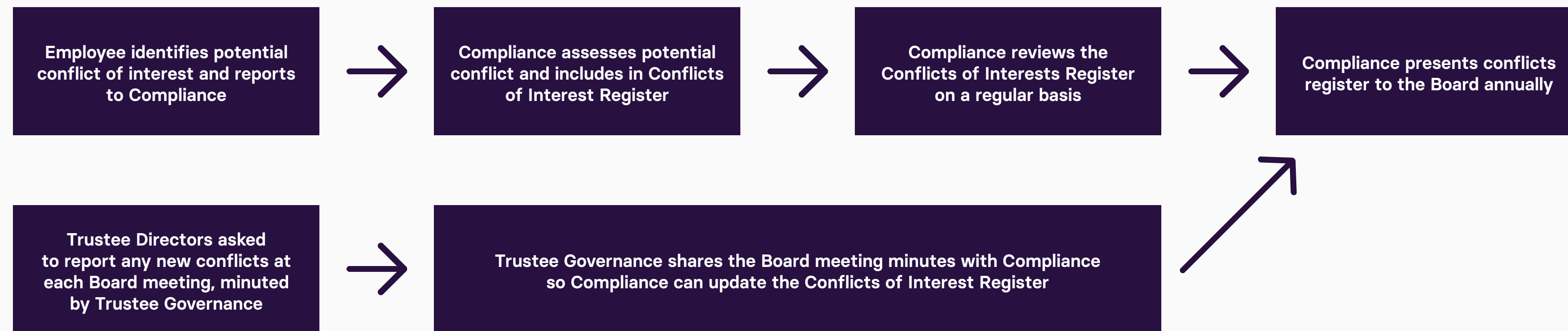
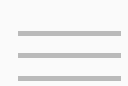


Figure 5: Conflict of interests reporting process



## Managing potential stewardship conflicts

Railpen recognises the serious risk that poorly managed conflicts can pose to our external fund managers' abilities to act in the best interest of their clients, and to the SO team's ability to act as stewards on members' behalf.

Potential **stewardship** conflicts are incorporated into Railpen's overall conflicts of interest register. This means there is greater visibility for all colleagues beyond those just in the SO team, when it comes to managing stewardship conflicts.

| Most likely potential conflict                          | Summary   | Control                              | Description   | Control owner   |
|---|---|--------------------------------------|---|---|
| <b>External interests</b>                               | May arise where an individual at Railpen with operational influence on stewardship activity, holds a role at, or is connected to an individual who holds a role at, an investee company that influences Railpen's stewardship <b>engagement</b> in conflict with the interests of Railpen and its members.  | Watch list                           | Individuals must identify and declare their conflicts on a rolling basis, or at least annually, to the Head of Investment Stewardship and Co-Head of Sustainable Ownership and Compliance. The company is placed on a watchlist and the individual is barred from participating in engagement and <b>voting</b> decisions pertaining to that company.   | Head of Investment Stewardship and Co-Head of Sustainable Ownership |
| <b>Commercial relationships with investee companies</b> | May arise due to a commercial relationship with an investee company, e.g. one which is also a sponsoring employer of one or more Sections of the railways pensions schemes, or a tenant of our internally-managed property <b>portfolio</b> , putting pressure on Railpen to vote or engage in a way which conflicts with the interests of Railpen and its members. | Restricted list                      | All Railway securities are on the Compliance Restricted List so cannot be purchased on internally-managed funds.  | Head of Investment Stewardship and Co-Head of Sustainable Ownership |
|   |   | Voting policy                        | Our voting policies apply to all listed companies, including without exception, those that participate as employers in railway industry pension schemes or tenants in buildings of our property portfolio. If we vote against management at an <b>AGM</b> of a company which is a sponsoring employer, we will notify our Chief Officer, PIM and the Director of the Fiduciary Services team, but only after the vote has been implemented. | Head of Investment Stewardship and Co-Head of Sustainable Ownership |
| <b>External manager stewardship</b>                     | External managers, who may undertake stewardship activity on our behalf, may be conflicted when doing so and therefore may not do so effectively or in the interests of Railpen and its members.  | External manager conflict disclosure | External managers are expected to report to us at least annually on instances of stewardship conflicts, using the Pension UK's Vote Reporting Template. Where we believe that a manager's activities or policy on conflicts presents an unmanageable risk to how effectively they undertake stewardship on our behalf, it will be escalated to the Public Markets manager monitoring team and considered how best to take forward.          | Head of Investment Stewardship and Co-Head of Sustainable Ownership |



### Internal sustainable ownership resources

The majority of Railpen's assets are managed by an experienced in-house investment team with expertise across public and private markets, including equities, fixed income, real assets and **infrastructure**. Railpen is supported by a dedicated SO team, which collectively provides the skills and expertise required to deliver the Trustee's commitment to sustainable investment and strong member outcomes.

The Investment Management and SO teams bring a wide range of professional backgrounds, spanning ESG analysis, public policy, thematic **engagement**, investment management and pension trusteeship, with experience drawn from asset management, consultancy, academia, policy and regulatory bodies, and DB and DC pension schemes. In 2025, we strengthened this capability further through targeted recruitment, including a new Investment Manager specialising in systems stewardship and public policy, and a Shareholder Voting Associate with proxy adviser experience. This model of internal expertise means that colleagues have access to wider skills across the Railpen businesses to provide strength and depth when needed.

### The importance of training and development

Railpen fosters a culture of continual learning and growth for everyone, supporting its core values as a leading UK asset owner and meeting regulatory standards through ongoing employee training.

The PIM team works to keep all relevant colleagues informed in a fast-changing market, while the SO team emphasises analytical rigour in performance reviews, backed by consistent support and training.

PIM colleagues benefit from a structured yet easily tailored Career Planning, Learning and Development (CPLD) framework that supports an individual's personal development in line with business needs. This is supplemented by activities to create a learning culture across the teams, including through regular forums, focused discussions, senior-led training participation, and dedicated away days. **Case study 3** (page 21) also demonstrates our PIM work to pilot an Early Careers Framework that offers clearer progression and development opportunities for early-stage talent.



### Case study 3: Our Early Careers Framework work in 2025

#### Issue

Railpen recognises the significant benefits of retaining engaged, high-performing early careers talent. These include effective succession planning and retaining institutional knowledge, mitigating key person risk and shaping the workforce of tomorrow in terms of skillsets and diversity.

Although the PIM business, as well as Railpen more broadly, has a well-established Learning and Development (L&D) programme, feedback indicated the desire from early careers colleagues for a more structured approach to building knowledge and experience that could lead to career progression.

#### Approach

In February 2025, the Railpen People and Culture Committee (PCC) approved the pilot of a new approach to early careers progression within PIM, and a set of principles by which any new framework needed to abide.

An Early Careers Taskforce (ECT) was pulled together, led by a member of the PIM Senior Leadership Team (SLT) and supported by the People team, composed of individuals from across different PIM departments, involving line managers, senior leaders and early careers talent themselves. We thought that it was particularly important to incorporate perspectives from early careers colleagues directly into any new approach.

The ECT, working with Railpen colleagues and a specialist external early careers consultant, pulled together an early careers framework which would support smoother and more tangible career progression. Tailored competencies for each role were also defined by each PIM team, under the guidance of ECT and People colleagues.

#### Outcome and next steps

In September 2025, the new Early Careers Framework was announced, accompanied by guidance for managers and a series of town hall meetings with members of the ECT to answer any questions.

Between September and December 2025, managers worked with selected individuals – deemed ready for progression – to assess them against the relevant competencies framework. In January 2026, several individuals were announced as part of the first cohort to progress through the new framework.

In 2026 and beyond, work will continue on key enablers for early careers colleagues, while also broadening focus to career progression for a wider range of colleagues across PIM.





## How and why Railpen teams are incentivised

Railpen takes a holistic approach to reward and development, aiming to recruit, retain and support expert talent, consistent with the Trustee and Railpen's Investment Belief narrative that:



"...[we] cannot deliver the best outcome for members on our own. Our hybrid internal/external model ensures investment decisions are aligned to schemes' needs and that costs are managed, while maintaining sufficient coverage of the investment universe by well-resourced internal investing specialists. Our sophisticated and collaborative investing culture fosters innovation. Our sense of purpose and investment approach allows us to attract and retain the high-quality talent needed to execute on our investment philosophy."

Individual performance is assessed through a clear and succinct set of objectives that directly align to the core purpose and accountabilities of a role which link directly to PIM deliverables and Railpen-wide goals, with outcomes feeding into the annual bonus programme. SO team members, like all colleagues, are evaluated against accountabilities, behaviours and agreed priorities, with bonuses also influenced by Railpen's overall performance.

Incentives for the PIM team are aligned to long-term fund outcomes rather than short-term performance, reinforcing Railpen's role as a long-term investor. As sustainable investment becomes more embedded across the organisation, an increasing number of colleagues have sustainability responsibilities formally reflected in their roles and variable pay.

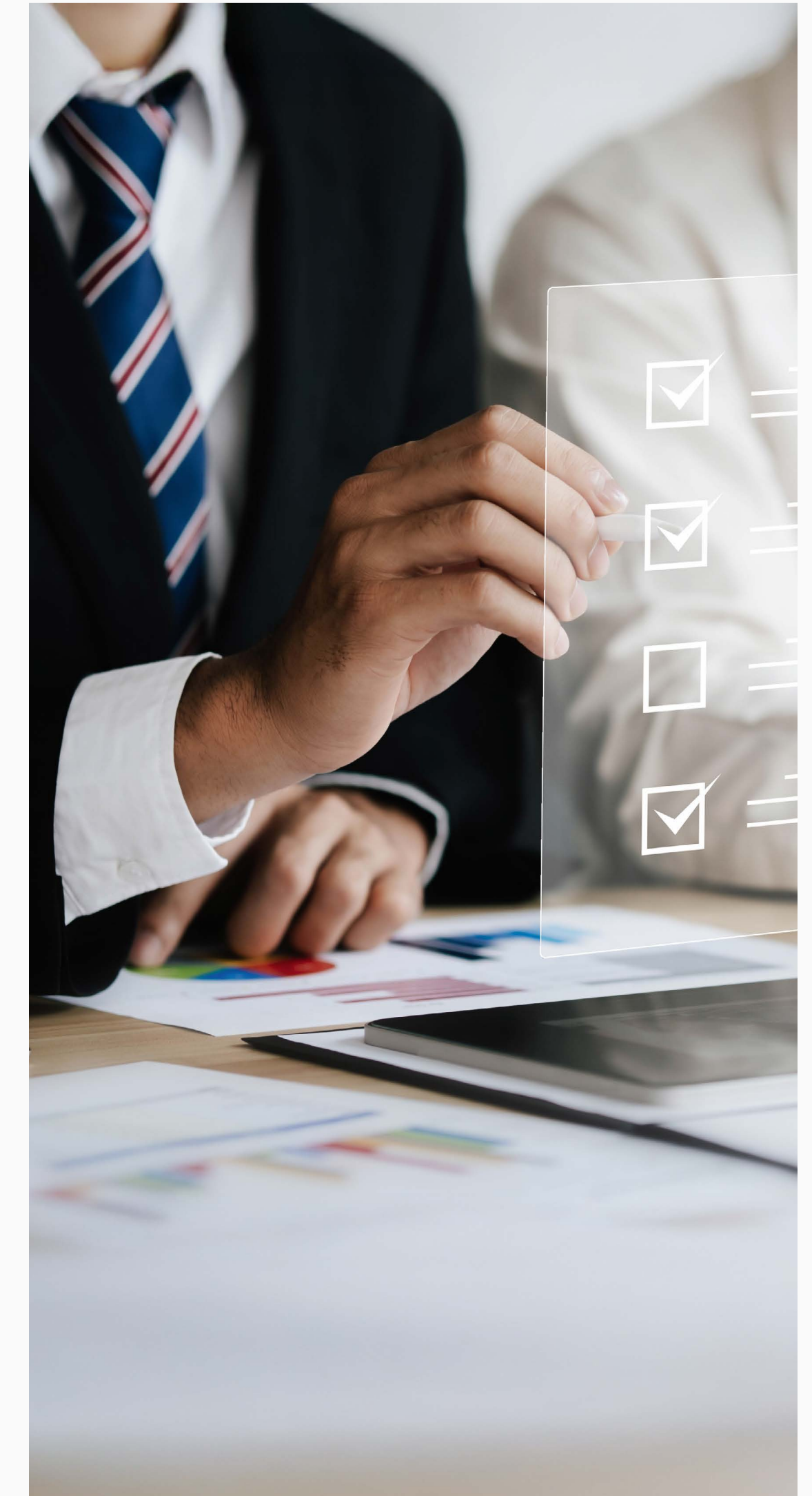
Finally, Railpen supports ongoing development through structured conversations about training and progression needs, including growing access to sustainable investment training and education.

## How effectively the Railpen structure supports stewardship

In light of the rapid development of the sustainable investment landscape, the SO team needs clear lines of accountability and a framework that supports effective decision-making, aids collaboration across the organisation and helps us identify and manage financially material ESG risks across the portfolio.

The earlier restructure, rebrand and associated changes – designed to establish clear accountability at Railpen – are now firmly in place. While their full impact will emerge over time, we believe these frameworks have already supported effective **engagement**, thoughtful voting, and thorough scrutiny of third-party service providers as described in this report.

We are also confident that the move to PIM, as part of a wider shift to a client-to-portfolio approach, will help us better tailor our stewardship work to client needs.





# SYSTEMATIC ESG INTEGRATION



As stated within our shared Investment Beliefs:

“ESG factors affect corporate financial performance, asset values and asset-liability risk. Well-informed and financially material ESG analysis, as part of a holistic investment process, supports the identification and ultimately the pricing of ESG risk and opportunity.”

We define ESG risk as the potential for financial loss resulting from ESG-related factors. ESG risk can affect business fundamentals and impact the wider market. The magnitude, nature, timing and likelihood of the ESG risk associated with an asset or portfolio of assets can be approximated by assessing gross risk and the quality of mitigants in place now or in the future.

Working together with the PIM team, the SO team’s analysis of a particular company can result in one of the following three decisions:

- To invest (or not) in the company
- To hold and engage to improve performance on financially material ESG issues
- To sell a security where the ESG risk proves to be unmanageable or unrewarded

Sustainable ownership assessments focus on the evaluation of material ESG risks, which are identified using the **SASB Materiality Map** as a starting point, analysis from our research providers and company reports, alongside our own professional judgement. Assessments take into account evolving drivers of ESG risk, including regulatory action, policy shifts, changing consumer preferences, and supply chain dynamics. This includes close collaboration with the PIM team across all asset classes, not just listed **equity**.

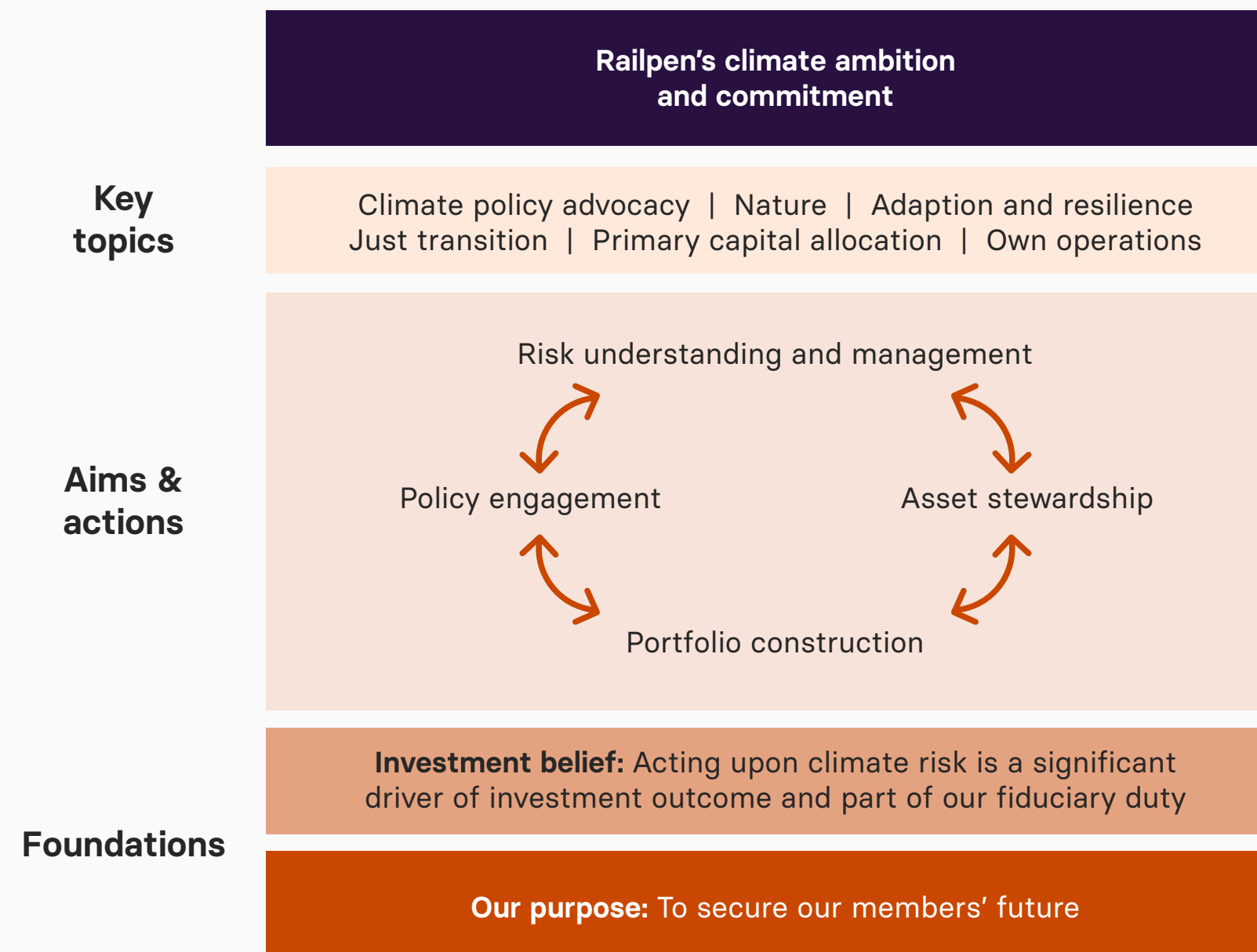


## Our roadmap to a net-zero portfolio

A long investment horizon exposes a pension scheme to societal and systemic risks, such as climate change. These risks are growing and need to be managed. Therefore, in 2021, Railpen published a detailed roadmap as part of announcing our commitment to be net zero by 2050 or sooner. The roadmap, which focuses on real-world **decarbonisation** and drew on the Paris Aligned Investment Initiative's (PAII) Net Zero Investment Framework (NZIF) covered both the investment portfolio and the emissions associated with our corporate footprint.

In 2025, Railpen updated our Net Zero Plan, and re-affirmed our commitment to managing our investment portfolio in line with achieving net-zero emissions by 2050 or sooner. We also re-affirmed our commitment to Paris Aligned Asset Owners. The Net Zero Plan 2025 prioritises effective risk management, policy engagement and asset stewardship. The Plan also highlights how we must make and enable allocations to the high-quality climate solutions required in the transition.

Figure 6: Railpen's Net Zero plan 2025



### Risk understanding and management

**Embedding climate risk insights into investment decisions**

An accurate understanding of risk is critical to effective capital allocation



### Policy engagement

**Using our voice to accelerate credible transition pathways**

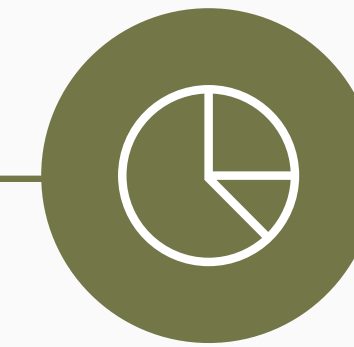
An enabling policy environment will help deliver the goals of the Paris Agreement



### Asset stewardship

**Engaging priority assets to accelerate net-zero alignment**

Stewardship on climate risks and opportunities can be a powerful lever for investors



### Portfolio construction

**Constructing portfolios that support transition and resilience**

Significant capital flows to climate solutions will enable the transition to a net-zero future



Since publishing our first Net Zero Plan in 2021, and as documented in our updated Net Zero Plan 2025, we have made progress against all our stated objectives, covering climate solutions, engagement, alignment, and financed emissions.

While we have met our 2025 interim target and are currently on track to meet our 2030 interim target, this is only an early assessment of what is a much longer-term plan. Critically, however, systemic climate risk has continued to rise significantly since publishing our first Net Zero Plan, and global emissions also continue to rise. While we may be able to meet our own portfolio objectives in this context, we must tackle systemic climate risk to truly deliver for our members over the long term.

Therefore, in our 2025 Net Zero Plan, we've deepened our focus on achieving real-world emissions reduction, and on how Railpen can best play its role in driving this change.

The Plan will be reviewed periodically and updated no less frequently than every five years. The Plan is overseen by the Investment and Risk Committee and approved by the RIOC, independently chaired by an external investment expert.

Railpen reports regularly on our climate and broader sustainable ownership activities, including via this annual Stewardship Report. In addition, Railpen reports in line with the Paris Aligned Asset Owners commitment each year, and the Trustee produces an annual Taskforce on Climate-related Financial Disclosures (TCFD) Report in line with applicable pensions regulations.

## Case study 4: Physical risk assessments and climate adaptation planning for infrastructure

### Issue

Physical climate risks such as extreme heat, flooding, and storms are increasing in frequency and severity. These hazards can disrupt asset operations, increase maintenance costs and affect long-term investment value. Recent regulatory requirements in England also mean that in-scope environmental permit holders must produce formal climate adaptation plans. Together, these factors make the management of physical climate risk financially material to long-term performance.

### Objective

We sought to build a clearer understanding of the most material physical climate risks across Railpen's infrastructure investments and establish a foundation for effective adaptation planning. Our aim was to support our investment team with regulatory compliance where required, improve resilience over the long term, and ensure that climate-related risks are appropriately incorporated into ongoing oversight and future transaction readiness.

### Approach

Our work combined regulatory analysis, targeted asset-level review and broader portfolio-wide insights:

- **Regulatory scoping:** We assessed which holdings fall within climate adaptation requirements and considered where future regulatory changes may broaden the scope
- **Asset-level climate risk review:** For selected assets, we reviewed structured assessments of acute and chronic climate hazards across different time horizons. These reviews explored the likelihood and potential severity of impacts and identified practical mitigation measures aligned with recognised adaptation frameworks
- **Value-chain analysis:** To complement this work, we assessed how broader risks such as disruption to supply chains, transport routes or energy networks could affect asset operations, even where the physical asset site itself may face limited direct physical risk

We considered how the findings aligned with recognised adaptation planning standards to inform decisions on next steps.

### Outcome and next steps

Our review found that while most assets assessed currently face limited direct physical risk, indirect risks linked to wider infrastructure networks and supply chains are often more material. These include potential disruption to energy supplies, reduced availability of key inputs, and constraints on transport and logistics during extreme weather events.

Where deeper assessments had been undertaken, several medium to long-term risks were identified, including heat-related impacts on equipment and people, increased fire risk, and storm-related disruption. Recommended mitigations included strengthening emergency procedures, improving ventilation and storage, reinforcing structures, and enhancing business continuity planning.

Based on these findings, Railpen will prioritise further integrating physical risk and adaptation planning for assets within regulatory scope.



## ESG integration by asset class

Our ESG integration methods differ by asset class. A key area of difference is in the disclosure and availability of company ESG data, which limits the extent to which in-depth and accurate ESG analysis can take place in some asset classes. The structure of the investment arrangements also shapes how, and the extent to which, we can undertake ESG integration.

| Asset class            | How we integrate material governance and sustainability factors   |
|------------------------|---|
| <b>Listed equities</b> | <ul style="list-style-type: none"> <li>• Sustainable ownership assessment – including intelligence from engagements – carried out for all companies in our Fundamental Growth Portfolio (FGP), with any concerns reflected in our voting and engagement approach</li> <li>• Stock-specific engagement focused on FGP holdings, and thematic engagement focused on holdings in our Quantitative Strategies (QS) portfolio</li> <li>• Exclusion of some companies on the grounds of climate, controversial weapons, and governance and conduct</li> <li>• External manager monitoring, incorporating assessment of ESG integration, active ownership and climate change capabilities</li> <li>• Engagement, either bilateral or through Climate Action 100+ with key climate risk holdings</li> </ul> |
| <b>Fixed income</b>    | <ul style="list-style-type: none"> <li>• Exclusion of some companies on the grounds of climate, controversial weapons, and governance and conduct</li> <li>• External manager monitoring, incorporating the assessment of ESG integration, climate change and active ownership</li> <li>• Engagement with our fixed income managers regarding material ESG risks in our portfolios</li> </ul>   |
| <b>Private markets</b> | <ul style="list-style-type: none"> <li>• Sustainable ownership assessment carried out for all transactions</li> <li>• External manager monitoring</li> <li>• Engagement and relationship building with our managers regarding co-investments, particularly where we have equity ownership</li> </ul>  |
| <b>Property</b>        | <ul style="list-style-type: none"> <li>• The Property sustainability strategy integrates ESG into ongoing asset management, including tenant engagement</li> <li>• External manager monitoring</li> </ul>   |
| <b>Infrastructure</b>  | <ul style="list-style-type: none"> <li>• Sustainable ownership assessment carried out for all transactions, including site visits, where feasible</li> <li>• External manager monitoring</li> <li>• Exclusion of some projects on the grounds of climate and controversial weapons</li> </ul>   |



Although we use how well a company manages its material sustainability and governance risks and opportunities to help decide whether to invest, we also consider whether poor performance and management of material ESG issues strengthens a case for us to divest from a company. An example of this in 2025 is highlighted in case study 5 (right).

Good quality data and information on material issues at portfolio companies and assets is fundamental to our ability to accurately integrate ESG issues into our investment decision-making. Our own regulatory reporting requirements can also prompt us to ask for consistent and comparable data from our portfolio companies. [Case study 6](#) (page 28) discusses our 2025 work to improve the climate data we got from some of our private markets asset classes.

## Case study 5: Divestment from Nestlé in 2025

### Issue

Nestlé, a global food and beverage company, was held in our listed equities portfolio. Over time, we identified concerns relating to governance stability, management of material ESG issues, and the long-term strategic trajectory. These included recurring controversies linked to human rights and nutrition, limited transparency around climate transition planning, and several senior leadership changes that indicated ongoing instability at board and executive level.

The Nestlé share price had shown limited growth over a multi-year period, with valuation multiples reaching their lowest levels in more than a decade. Total shareholder returns lagged several peer companies during the same period.

### Objective

Our objective was to evaluate whether Nestlé's governance and sustainability practices aligned with our stewardship expectations and whether continued engagement could reasonably be expected to deliver improvement. We sought clearer articulation of long-term value creation, enhanced oversight of climate and human rights risks, and greater stability in board-level leadership.

### Approach

We engaged with Nestlé both bilaterally and through collaborative investor initiatives, including Climate Action 100+. Our engagement focused on climate disclosures, supply-chain-related human rights risks, and product health considerations.

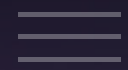
Furthermore, we monitored and engaged on governance developments closely over several years, including on the multiple Chief Executive Officer (CEO) transitions within a short timeframe and the early resignation of the Chair. We also assessed the company's decision to withdraw from the Dairy Methane Action Alliance in 2025, which raised further questions about the robustness of its climate strategy.

Across these interactions, we observed limited responsiveness to investor feedback and limited progress against the areas we had highlighted.

### Outcome and next steps

In late 2025, we divested our entire holding in Nestlé. This decision reflected the combination of ongoing governance instability, insufficient progress on key ESG issues, and persistent relative share-price underperformance.

The divestment demonstrates our commitment to integrating stewardship insights into investment decisions and acting where we judge that engagement is unlikely to deliver the necessary change. We will continue to monitor the company's disclosures and actions externally and may re-engage should material improvements be evidenced on material issues in the future.



## Case study 6: Collection of private markets emissions data in 2025

### Issue

The Trustee is required to report in line with the recommendations of the TCFD as part of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

For the Metrics & Targets section of the TCFD Report, Railpen gathers data across a range of climate metrics, including financed emissions, for a number of asset classes.

Up until 2025, while Railpen, on behalf of the Trustee, had begun to gather **Greenhouse Gas** (GHG) data for property and private markets, we believed that the quality and availability of GHG data in these asset classes was, unfortunately, not sufficiently mature for the production of useful metrics at that time. Unlike public markets, gathering GHG data for other asset classes can be time-consuming and costly and was therefore deemed not a good use of scheme members' money.

### Objective

In 2025, Railpen reviewed this decision and resolved to gather climate data to the extent possible for certain private **equity**, infrastructure and property investments, mindful to do so at reasonable time and cost.

This involved engaging with internal teams, external asset managers and data providers, with the end goal of producing a series of asset class 'one-pagers' to include in the Trustee TCFD Report.

### Approach

For private markets and infrastructure, Railpen designed a data gathering tool that was tailored to the different sub-asset classes and ownership structures. We sent this to in-scope external managers and related parties, requesting climate data across financed emissions, alignment and climate solutions. Where needed, we had follow-up exchanges and calls with managers and were also able to use this as an opportunity to share our expectations and deepen our understanding of data challenges specific to each investment or strategy.

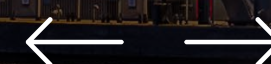
Data on emissions for our property assets was provided by Evora, a sustainability consultancy focused on the property sector. Property presents practical challenges in assessing and managing emissions. One of the main challenges is the division of responsibility for, and control of, emissions between the landlord and the tenant. Within the tenant occupied space, Railpen can engage, using Smarter Technology to install meters that allow us to derive accurate, real-time emissions data. This is then showcased through the Evora platform alongside our Landlord emissions data. We are continuing to work with Evora to improve the accuracy of our reporting of emissions across our property portfolio.

### Outcome and next steps

In the **2024 TCFD Report** (published in July 2025), we disclosed the data we had gathered in a series of 'one-pagers' focused on private equity, infrastructure and property. Sections 6.2.1, 6.2.2 and 6.2.3 of the TCFD Report outline the process we undertook, the challenges we faced when collecting this data in each asset class, and how we will look to improve coverage and data quality going forward. This data was reported and tracked separately to public markets data due to methodological differences and difficulties with aggregating data across different asset classes.

We will continue to gather climate data across private markets, infrastructure and property, in 2026 and beyond, and will continue to disclose that data in line with regulatory requirements.

We will also continue to engage with external managers and data providers as appropriate, with a view to enhancing the coverage, quality and insight of the data we collect. We will do so with a focus on our efforts and costs being proportionate to the benefits that such data gathering can deliver.





In addition to bottom-up analysis of specific companies and projects (both public and private), we also consider country-specific ESG risks to inform sovereign debt allocations and assess holdings in various jurisdictions. Our country-level gross-risk screen, introduced in 2021, is now part of our investment due diligence. Details about the screen's inputs and uses are available on page 39 of Railpen's [2021 Stewardship Report](#).

### Negative screening and exclusion

Where we believe there is a long-term risk to the value of an investment or, in extreme cases, a significant reputational risk to the schemes, we will consider selling our holding. We continue to regularly update our exclusion lists across the following three categories:

- Companies with exceptionally **poor governance and conduct**: For these exclusions, we seek to liaise with our fund managers on how these can be best applied. Railpen's Governance and Conduct Zero Weight (Gov Z-W) process aims to identify those companies whose governance and behaviour are of particular concern. The aim is to avoid or to mitigate severe financial risks. The process helps us identify those companies with governance 'red flags' and where we think governance risks may crystallise in the future.

- Companies that derive **over 30% of their revenues from thermal coal mining, thermal coal power generation or tar sands** (exploration, production and services): We seek to manage our climate risk exposure by excluding companies whose business models are heavily exposed to highly carbon-intensive fuels.
- Companies involved in manufacturing **controversial weapons** (including landmines, chemical and biological weapons and cluster munitions) in line with the Convention on Cluster Munitions.

When we have identified companies at risk of exclusion through quantitative screening and qualitative ESG analysis, we may seek to engage with the identified companies. We aim to hear their perspective and gauge their level of commitment to genuine improvement and positive change before deciding whether to proceed with the exclusion. [Case study 7](#) (page 30) outlines how our Gov Z-W process led to improvements at companies.



## Case study 7: Our governance and conduct exclusions process – removing companies from our watchlist

### Issue

Our Gov Z-W process seeks to identify companies that are governance laggards and either engage with them to support improved behaviour on material issues or – where progress does not meet our expectations – to exclude the companies from our portfolio (where relevant).

We view this process as an engagement tool. Case studies in previous Stewardship Reports have demonstrated that good outcomes can be achieved when Railpen undertake intense, tailored engagement with companies that are at risk of being excluded.

### Approach

Companies identified as underperforming, yet not demonstrating behaviour severe enough for exclusion, or those showing progress toward our engagement objectives on key material issues, are placed on a 'watchlist'.

This means that we do not exclude them, but they are prioritised for future engagement, and they are also flagged for particularly close consideration when making voting decisions that year.

In 2025, we engaged with five companies on our watchlist as part of our Gov Z-W process: two of which were a Brazilian mining firm and an Indonesian food company.

### Brazilian mining firm

This firm had previously been excluded from our portfolio owing to historic concerns about their approach to tailing dam safety, as well as to more recent concerns about their joint venture (JV) due diligence and board dynamics and independence. Previous engagements had found that while they had improved sufficiently in these core areas to be removed from the exclusion list, some improvement was still warranted in terms of board governance.

In 2025, we engaged with the board's Lead Independent Director (LID) to understand better the board dynamics, and how the board was withstanding political pressure.

### Indonesian food company

We had previously placed this company on a watchlist owing to concerns around deforestation, modern slavery and governance, having highlighted previous discrepancies in modern slavery reporting and raising concerns about the effectiveness of communication channels and auditing processes.

Having articulated our core asks to the company in 2024, in 2025 we engaged to understand what progress had been made in line with our engagement objectives.

### Outcome and next steps

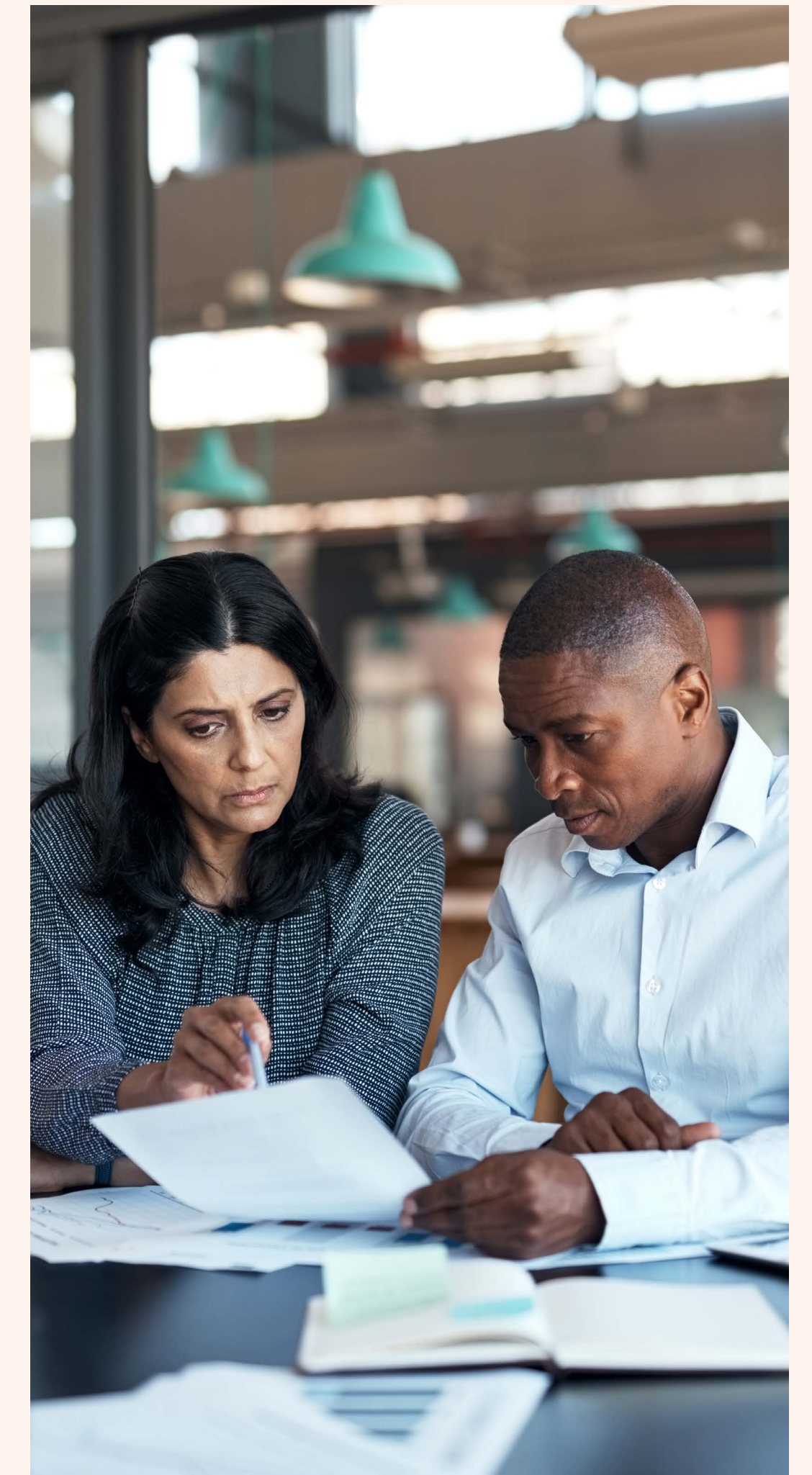
#### Brazilian mining firm

We were comforted by concrete examples of how the Board was working together positively, the changes the new CEO had already implemented on key governance priorities, and the honesty with which the LID articulated some of the previous issues – and how the root causes had been identified and remedied. Taken together with concrete improvements on relevant written disclosures, we decided to remove this company from the watchlist.

#### Indonesian food company

Our conversations with the company indicated that they were now meeting all of our key asks on deforestation and modern slavery, including more detail on the scope and effectiveness of their modern slavery audit programme, and proof of readiness for the EU Deforestation Regulation (EUDR) through digital traceability and smallholder integration.

Although some minor concerns remain about improved disclosure of the steps being taken to strengthen board independence, these issues were not considered, in isolation, to be sufficiently egregious or materially behind those of peers. We therefore removed the company from the watchlist.





### External manager selection and appointment

Railpen’s own equity managers are encouraged to adopt a long-term approach, minimising turnover and focusing on the long-term characteristics of holdings. We extend this approach to our externally managed portfolios, as appropriate.

We assess new external managers on their ESG and stewardship policies, integration into the investment process, resources, and outcomes. Managers must use ESG data in investment analysis and client reporting, align with our exclusion lists, and follow requirements set in our Investment Management Agreements (IMAs) and the Trustee’s Statement of Investment Principles (SIP). We support managers in better integrating ESG issues and enhancing client reporting when necessary.

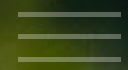
### How external managers are monitored

Railpen ensures external fund managers invest scheme assets according to the Trustee’s policies, including stewardship and sustainable investment. The selection and monitoring of fund managers takes into account their stewardship quality and ESG integration, including climate change.

We review the ESG practices of key external managers at least once each year, though we will meet more regularly if required. We also contact managers to establish their views on proxy voting, corporate actions and governance issues at portfolio companies as and when they arise.

In previous reports, we discussed how we had refreshed our approach to reviewing managers and created our Manager Assessment Framework (MAF). The framework was designed to better align our scoring process with that of the Manager Monitoring team. This year, we have refreshed our MAF for infrastructure managers, which you can read about in the [case study 8](#) (page 32).





## Case study 8: Update to the Infrastructure Manager Assessment Framework

### Issue

The assets in our Long-Term Income Fund (LTIF) include core infrastructure, renewable energy, and long-lease commercial real estate in the UK. Infrastructure assets can face long-dated, financially material ESG risks, including the climate transition and regulatory change. Given the illiquid nature of many infrastructure investments, it is important that ESG risks are identified early and that external managers' ability to manage those risks is assessed and monitored on an ongoing basis.

### Objective

Railpen sought to update its Infrastructure Manager Assessment Framework (MAF) to ensure it continues to support consistent assessment of managers' ESG risk management quality and to enable clearer monitoring and follow-up where gaps or misalignments are identified.

### Approach

Building on our established approach to manager assessment, we undertook a review of the Infrastructure MAF to improve clarity, consistency, and decision usefulness.

We reviewed how managers are assessed across key areas – including ESG integration, climate risk management and stewardship – and identified areas where the framework could be strengthened. In particular, we found that clearer articulation of gross ESG risk, more structured indicators and stronger links between assessment outcomes and monitoring would improve comparability across managers.

To address this, we:

- **Refined the treatment of gross ESG risk:** We clarified how inherent ESG risk is identified and described, considering both financing type and underlying sectoral exposures
- **Restructured scoring indicators:** We reorganised indicators to better capture managers' ESG capabilities, integration into the investment process and approach to stewardship, including climate and nature-related risks, where material
- **Strengthened Red/Amber/Green (RAG) outputs:** We introduced clearer RAG descriptions linked to monitoring frequency and escalation triggers, supporting more proportionate oversight
- **Developed scoring guidance:** We produced a guidance document setting out minimum and best practice indicators to support consistent scoring

### Outcome and next steps

The updated Infrastructure MAF provides clearer articulation of ESG risk, management quality and required follow-up actions. We will use the revised framework as the basis for engaging infrastructure managers on assessment outcomes and for structuring ongoing monitoring. Reassessment frequency and engagement intensity will be determined by RAG outcomes, with additional engagement triggered where ESG risks or management practices change.



In line with Railpen’s approach to sustainable ownership, the MAF centres around two core pillars: ESG Integration and Active Ownership:

- **ESG Integration** includes the manager’s ESG investment beliefs, responsibilities, integration processes, and ESG resources
- **Active Ownership** includes reporting, engagement and voting, and collaborative industry involvement and advocacy.

We use the MAF to customise Due Diligence Questionnaires (DDQs) for each asset class managed externally. Questionnaire responses are reviewed with public reports, like the Stewardship Code or net zero commitment documents, before meetings to clarify issues. The SO team discuss feedback and assign managers RAG and ESG risk ratings, then create follow-up actions.

During the year, the Net Zero Asset Managers (NZAM) initiative was paused while it underwent a significant review and consultation process. Railpen engaged in this process, as we believe that NZAM is an important industry initiative. You can read more about the initiative in case study 9 (right).

## Case study 9: Net Zero Asset Managers initiative engagement

### Issue

NZAM is a voluntary initiative for asset managers committed, in their individual contexts, to supporting investing in line with the global goal of net zero greenhouse gas emissions. It provides a platform for voluntary commitments and public disclosures of individual net-zero targets and implementation strategies.

At the start of 2025, NZAM announced that it was launching a review of the initiative to ensure it remained fit for purpose.

### Objective

A number of our external asset managers were signatories to the initiative prior to the review being announced, and we wanted to engage both with NZAM itself, and our asset managers, around the review and relaunch.

Railpen remains deeply concerned about the escalating and systemic risks posed by climate change to the global economy, the markets and our portfolios. Consistent with our fiduciary obligations to mitigate financial risk and to maximise the long-term value of assets, it’s critical that our asset managers are equipped for and committed to managing these risks responsibly and transparently, on our behalf.

Railpen believes that initiatives such as NZAM offer practical tools to further these aims, and we therefore wanted the review and relaunch of NZAM to be successful, and to command the support of a material number of asset managers, not least those with which we have significant mandates.

### Approach

Via our commitment to Paris Aligned Asset Owners, we remained appraised of key developments as NZAM undertook its review. As part of this review, NZAM launched a draft updated commitment statement and accompanying survey which we requested to complete.

At the same time, we reached out to our asset managers who were signatories of the initiative, to engage with them around our expectations, our view on the draft commitment statement, and their responses to the consultation.

In 2025, after the final commitment statement was agreed and signatories could join, we contacted those asset managers again, along with a manager who was not previously a signatory, encouraging them to consider joining. We set out our rationale in support of the new commitment statement, and had engagement calls with some managers in which we re-iterated our support for the initiative.

Further, we also signed the asset owner statement in support of NZAM which was led by Brunel Pension Partnership.

### Outcome and next steps

NZAM relaunched in early 2026, and we were happy to see that the asset managers we engaged with and were previously signatories, remained committed to the initiative.

We will continue to engage with external managers (both existing and prospective) around their net-zero commitments, climate risk management, and engagement with industry initiatives such as NZAM. We will continue to highlight the benefits of these initiatives, where we believe they materially contribute to the management of material financial risks and help us ultimately deliver on our purpose to secure our members’ future.



## Our external research providers

Railpen uses multiple external research providers for its ESG analysis, stewardship work, and decision-making, recognising their varying methodologies and biases. To ensure accuracy, Railpen verifies key information internally and incorporates input from the SO team's engagement with companies, stakeholders, and media sources.

Using several different service providers also boosts overall coverage of companies – as different providers will have expertise across different regions or sectors – and ensures Railpen has access to more frequently updated analysis, as update schedules will vary across organisations. We use a variety of service providers including:

- Absolute Strategy Research
- Barclays
- Aldersgate Group
- Bloomberg
- Canbury
- CDP
- Ceres
- Exane BNP

- Glass Lewis
- Goldman Sachs
- IFRS/ SASB
- ISS
- JP Morgan
- Kepler Cheuvreux
- Morgan Stanley
- Morningstar
- MSCI
- PitchBook
- RepRisk
- TPI
- William Blair
- WTW (transition risk)

In light of the growing interest in sustainable investment, the market for service providers is rapidly developing. The SO team therefore reviews the market landscape regularly to ensure that we receive the high-quality support necessary for undertaking effective stewardship and ESG integration<sup>7</sup>.

<sup>7</sup> To see this approach in practice, refer to [case study 14](#) in our [2021 Stewardship Report](#).

## Case study 10: Going live with a single stewardship monitoring and reporting platform

### Issue

Prior to 2024, Railpen used several databases and systems to assist us in our stewardship activities. These allowed us to:

- Store engagement and voting data
- Monitor stewardship progress
- Produce reports for audiences, including the Trustee and regulators

Over time, we had built on these systems to support new functionalities, both as the market has developed and the SO team has grown.

We previously reported on work we have done to assess whether a single solution exists that could make our stewardship work more efficiently and improve the quality of our reporting. In 2022 we conducted an initial review of the market, with a more in-depth review in 2023. In 2024 and 2025 we pushed forward with implementation.

### Objective

To implement a single platform that improves stewardship tracking and enhances reporting, thereby improving stewardship effectiveness and outcomes for our members.

### Approach

Following a competitive procurement process in 2024, we selected a preferred provider. This platform then went live for use by the SO team in 2025, where we made the following progress:

- Initial testing, followed by customisation of the platform to meet our needs
- Holding team training sessions on best practice and use
- Consolidating user feedback and producing initial guidance to ensure consistent and effective use across the team
- Establishing and then implementing a plan for migrating historical stewardship data into the new platform, which was completed in 2025.

### Outcome and next steps

The platform is now embedded into daily stewardship workflows, replacing legacy tools and improving data quality and efficiency.

Next steps include further refining our user guidance, expanding access to investment teams and exploring further integration with other systems to enhance automation and analytics.





# EFFECTIVE ENGAGEMENT

We engage with portfolio companies to improve long-term investment returns for members, acting when it benefits their interests and aiming to address issues early to reduce risks to shareholder value. This strategy is mainly used in our Fundamental Equities portfolio but also in our index-tracking and quantitative strategies when it adds significant value.

The in-house SO team works both independently and alongside internal portfolio managers and analysts, our external managers and other investors, including other major pension funds, to monitor investee companies and engage, where necessary. Whether we undertake direct or collaborative engagement will depend partly on whether the nature of the risk is company-specific or systemic.

## Direct engagement

We define engagement as entering into dialogue with our portfolio companies to achieve objectives that benefit long-term shareholders. We prioritise direct engagement with holdings that are most significant to our portfolio – where value is at risk and positive change is possible – reflecting our Trustee’s Investment Belief, which states:

“Railpen recognises the value to be received from concentrated positions in high-quality assets we thoroughly understand. Allocations should primarily

be made to assets with conviction and should be sized to have a noticeable impact on a scheme’s objectives.”

There are four priority engagement lists in the listed equities portfolio:

- 1. Fundamental Equities** – companies that are held in our fundamental growth strategy. We seek to engage regularly with all these companies, of which there were approximately 30 at December 31 2025
- 2. Thematic Priorities** – although Railpen may engage directly with key holdings on thematic issues, we often undertake thematic engagement in collaboration with others. We prioritise our resources across those coalitions we believe are the most impactful. We are a member of several coalitions and will typically lead on one or two companies within each while participating in some or all of the rest as a supporter
- 3. Quantitative Equities** – companies that are held in our quantitative strategy. We seek to engage with the largest holdings on an annual basis – often on thematic issues – covering a significant proportion of our assets under management in the portfolio

## 4. Governance and Conduct Laggards – problematic companies at risk of exclusion

Company dialogues and opt-ins to specific coalitions are regularly reviewed with the Director of Investment Risk, Oversight and Sustainable Ownership.

While the bulk of our engagement occurs with listed equities, we also interact with companies within other asset classes such as private and fixed income, as needed. Improving a private company’s ESG practices benefits us as long-term owners, whether we continue holding it post-flotation in our Public Markets portfolio or exit at Initial Public Offering (IPO), as effective engagement can boost exit value.

Typically, these engagements will form part of our pre-investment due diligence, but we are increasingly undertaking post-investment engagement as part of our ongoing MAF process. In 2025, examples included site visits to some of our main US private markets managers as well as engagement with some of our directly held companies in our pre-IPO portfolio around share structure and voting rights in any future listing<sup>8</sup>.

<sup>8</sup> Please see case study 13 in this report for details of our pre-IPO company engagement through the Investor Coalition for Equal Votes (ICEV).





## Direct engagement process

The SO team will write to the company seeking either an in-person meeting or a phone call with management or the Board. We use the annual update of our public-facing voting policy as an opportunity to continue our dialogues, outlining our expectations on key issues for the year ahead and our thematic engagement and voting priorities – and how we will vote where these expectations are not met.

In advance of the initial discussion, several meeting objectives are set, and material topics are prioritised. Most meetings are co-engagements alongside the PIM team, which enables access to a broader range of senior executives than if either team was engaging by itself. After the meeting, we consider post-engagement targets, with input from the relevant portfolio managers and analysts if the company is held in our Fundamental Equities strategy.

Short-term targets focus on simple changes, such as to disclosure, remuneration or governance that are centred on voting decisions. Medium and long-term targets aim for significant shifts in practice, usually over three to five years. Achieving meaningful change and building effective relationships takes time beyond immediate results.

Climate and multiple governance themes are part of voting and engagement activity across the portfolio. When we engage with a company in our Fundamental Equities portfolio, we always consider whether insights from our thematic engagements elsewhere can be brought to bear on any material stock-specific issues.

The following [case study 11](#) (page 37) provides further details of a direct engagement with a portfolio company on their most material sustainability and governance issues.



## Case study 11: Amazon – deepening our understanding of AI governance and robotics through engagement

### Issue

Amazon is held in Railpen's actively managed strategy, through our Fundamental Equity portfolio. Due to the size of our holding, and the complexity of ESG risks that Amazon faces, we have been in dialogue with the company over many years on how it manages and reports on financially material issues.

Amazon's increasing deployment of AI and robotics across fulfilment centres, logistics networks and consumer-facing products presents material opportunities to enhance efficiency and support growth. Equally, the scale and pace of adoption raises risks relating to governance, workforce impacts and resource intensity.

These themes were explored in our jointly published 2025 report with Chronos Sustainability: *Achieving effective AI governance*<sup>9</sup>, which sets out investor expectations for oversight, strategy, risk management and reporting for companies developing and deploying AI.

### Objective

In alignment with our Responsible Technology thematic engagement priority, our objective was to deepen our understanding of Amazon's governance arrangements and risk management practices relating to AI and robotics. As we continue to develop our expectations on responsible AI disclosure, we also sought the company's perspective on the practical challenges associated with reporting in this area and how these might be addressed.



### Approach

Our engagement focused on two interconnected areas:

- AI governance and board oversight**  
 We sought clarity on how AI-related risks are overseen at board and senior management level, including the role of the Nominating and Corporate Governance Committee, access to AI expertise, and the use of internal and external review processes. We explained our rationale for not supporting a shareholder proposal at the company's 2025 AGM requesting a third-party assessment of board oversight of AI, while signalling that clearer disclosure on board training, review processes and outcomes would help strengthen investor confidence
- Use of robotics in fulfilment operations**  
 We discussed Amazon's expanding use of robotics and AI-enabled systems in fulfilment centres, including the company's stated objectives of improving safety, reducing repetitive physical tasks and increasing operational efficiency. We explored how robotics is integrated into operational design, while emphasising the importance of good working conditions and sustainable performance expectations in increasingly automated environments.

### Outcome and next steps

The engagement was open and constructive, with Amazon sharing examples of AI use cases across logistics and consumer-facing products. The company highlighted the launch of a consolidated Responsible AI information webpage to improve external signposting, while acknowledging the challenges of providing consolidated disclosure given the breadth of AI applications across the business.

We will undertake a more detailed assessment of Amazon's disclosure against our AI Governance Framework, which will provide further opportunities for engagement on identified strengths and areas for improvement.

We have engaged with Amazon over many years. We have previously engaged on its approach to workforce treatment and voice as outlined in previous reports<sup>10</sup> and we will continue to engage with the company on its workforce practices as it continues to roll out its use of robotics.

<sup>9</sup> [Achieving effective AI governance report.](#)

<sup>10</sup> Please see [case study 16](#) in our [2021 Stewardship Report](#), and [case study 18](#) in our [2022 Stewardship Report](#).



## Collective engagement

Direct engagement can be a powerful tool for effecting change. However, combining Railpen’s voice, influence and expertise with other investors and stakeholders, whose interests and objectives align with our own, can make our engagement efforts more effective. This is particularly – though not exclusively – the case for thematic issues or system-wide risks.

We choose to participate in collective engagement activities, subject to applicable laws and regulations in the relevant jurisdictions, in the following circumstances:

- The issue aligns with our core thematic engagement priorities
- The objectives of the collective engagement participants align with our own
- There are clear targets, roles and responsibilities
- There is a clear and well-defined process for escalation
- We believe we will achieve more change as part of a bigger group

This is why Railpen is an active and often lead participant in several national, regional and global investor networks, alliances and trade bodies. We also participate in ad-hoc projects such as investor letters to specific companies or on particular incidents or themes.

**Case study 12** (page 39) provides insights into our work as part of core collaborative engagement partnerships on priority issues in 2025. Where we think more work is required on a financially material issue, we will set up and lead our own campaigns.

| Initiative  | Railpen role (2025)  | Alignment with core thematic priorities              |
|---|--|--|
| <b>Climate Action 100+</b>                            | Co-lead or contributing investors on several company engagements | Climate and Nature                                   |
| <b>Cybersecurity Coalition</b>                        | Lead on two company engagements                                  | Responsible Technology                               |
| <b>FAIRR (ESG risks in the global food sector)</b>    | Participant  | Climate and Nature                                   |
| <b>Find It, Fix It, Prevent It (modern slavery)</b>   | Lead on one company engagement                                   | Worth of the Workforce                               |
| <b>Governance for Growth Investor Campaign (GGIC)</b> | Chair and founder  | Sustainable Financial Markets                        |
| <b>IIGCC climate lobbying working group</b>           | Co-chair   | Climate and Nature                                   |
| <b>IIGCC adaptation and resilience working group</b>  | Co-chair   | Climate and Nature                                   |
| <b>Investor Coalition on Equal Votes (ICEV)</b>       | Chair and co-founder   | Responsible Technology/Sustainable Financial Markets |
| <b>Investor Forum</b>                                 | Participant  | Sustainable Financial Markets                        |
| <b>Investor and Issuer Forum</b>                      | Member, Cross-industry Working Group                             | Sustainable Financial Markets                        |
| <b>Net Zero Engagement Initiative</b>                 | Participant  | Climate and Nature                                   |
| <b>Votes Against Slavery (modern slavery)</b>         | Participant  | Worth of the Workforce                               |
| <b>Workforce Directors Coalition (WDC)</b>            | Chair and founder  | Worth of the Workforce                               |
| <b>30% Club Investor Group (gender diversity)</b>     | Lead on one company engagement                                   | Worth of the Workforce                               |

## Case study 12: Our 2025 work on workforce reporting

### Issue

A motivated, fulfilled and engaged workforce can support the long-term financial performance of a company. And meaningful disclosure by companies on the most material workforce metrics can help investors understand the effectiveness of a company's workforce strategy.

Railpen has previously worked with organisations including the Chartered Institute of Personnel and Development (CIPD) and the High Pay Centre to report on the state of workforce reporting and help support companies to report in a way that gives shareholders and others useful insights and supports efficient investment decision-making.

The last review of FTSE 100 disclosures took place in 2022, and we thought it was time, given the new UK government's focus on improving workforce practices through the Employment Rights Bill (now Act), to understand how reporting has changed.

### Approach

Railpen and the CIPD commissioned the High Pay Centre to review the FTSE 100 disclosures in 2025. We also refined the methodology

used in previous years and incorporated, for the first time, a review of disclosures on AI and how companies are supporting their workers by way of training and good governance.

Building on our 2024 letters to companies with our previous 2023 guidance: [Worthwhile Workforce Reporting<sup>11</sup>](#) – which provides practical tips and concrete examples for companies as to what good reporting looks like – we decided we would follow up with a similar letter in Q3 2025, summarising the findings of our new research and attaching our previous guidance.

Given UK policymaker interest in workforce issues, we decided that this year, we would provide some recommendations to policymakers as well as to investors and companies, to contribute to the policy debate.

### Outcome and next steps

We found that while there had been slight improvements on some aspects of workforce reporting by large UK companies, such as on mental health, much of the reporting remained unchanged both in quality and number of core workforce metrics covered. We found that 13% of FTSE 100 companies referenced AI-related skills or training for employees, with 14% reporting an AI governance policy or strategy.

Our recommendations to policymakers included:

- The introduction of minimum standards for workforce reporting
- Guidance to make clear that companies' strategic reports should include a dedicated workforce section
- For the Financial Reporting Council (FRC) to consider providing additional guidance on workforce reporting
- To encourage greater investor engagement and transparency
- To recognise the limits of reporting and the role of governance and standards in supporting good practice

We will continue to advocate for these issues in 2026 and beyond, as part of our new [Worth of the Workforce engagement plan](#).

However, more generally – and as articulated in our engagement plan – we will now wind down our work on workforce disclosure. Initiatives like the ISSB, which will soon be publishing its next steps on a global human capital reporting standard, mean we believe the need for our work is now less pressing.

## Collective engagement beyond listed equity

We recognise that collective engagement in asset classes beyond listed equity is still evolving. [Case study 13](#) (page 40) highlights Railpen's work in 2025 to fill what we perceive as a gap in the market for clear, consistent engagement with the private company ecosystem on unequal voting rights.

While most case studies in this report focus on mainstream collaborative engagement with other investors, the following example highlights our belief that partnering with industry bodies and policy organisations can be an effective stewardship strategy. This approach is especially valuable for producing research and guidance to help other investors in their own engagements on specific themes and less explored asset classes.

<sup>11</sup> Please see our [2022 Stewardship Report](#).

## Case study 13: Investor Coalition for Equal Votes (ICEV) – progress in 2025

### Issue

Our work in pushing back against dual-class share structures (DCSS) at portfolio companies is key to improving corporate governance standards and ensuring there's a safety net allowing investors to use their voting power, where necessary, to hold company management to account.

We've previously reported on our work to launch ICEV together with the Council of Institutional Investors (CII) and several US pension funds, to share perspectives on unequal voting rights at companies primarily in the US and UK (reflecting our portfolio allocation).

ICEV has made progress since it was founded in 2022. However, the complexity of the issue and the entrenched nature of some of the interests of financial market participants, means ICEV will be a multi-year and multi-phase engagement.

### Objective

ICEV seeks to share the evidence, and investor perspectives, on the benefits of proportionate shareholder voting rights for companies, investors and the overall functioning of markets. We seek to ensure key market participants understand mainstream institutional investor expectations on voting rights before listing decisions are finalised.

ICEV considers unequal voting rights to be a system-wide topic. Because of that, we also aim to shape the 'mood-music' and engage with regulators whose actions can either help or hinder progress on this issue.

### Approach

We made the following progress in 2025:

- **We used AGM season to secure dialogue with key engagement targets.** Where previous repeated outreach by ICEV to listed investment banks hadn't secured dialogue, we notified them of our intention to submit a question at their AGM, with the question outlining ICEV's request for a meeting and reinforcing the potential financial materiality of the issue. In many cases the communicated intention was sufficient to secure a commitment to a meeting, although we went on to submit AGM statements at both Citigroup and Wells Fargo

- We subsequently had **productive engagements with investment banks** that will help inform ICEV's strategy going forward and which gives us confidence that these investment banks will emphasise ICEV's perspectives on unequal voting rights to their clients
- We began a dedicated workstream to **engage venture capital and private equity firms** on the governance implications of unequal voting rights at IPO. We focused on those firms that have been the most significant investors in companies that IPO
- **We continued to grow the ICEV membership base, as well as seeking to shape the mood music** by presenting ICEV's approach and the evidence base at various industry conferences in key jurisdictions (e.g. US, Japan) and webinars with venture capital and private company attendees
- We obtained **ICEV-specific legal advice** from external US and UK counsel to ensure that ICEV's governance remains appropriate

### Outcome and next steps

We continued to deliver meaningful progress in 2025, particularly through our engagements with investment banks, who play a pivotal advisory role in decisions on listing with unequal voting rights. Regulators and academics in key jurisdictions are now proactively getting in touch to hear our concerns.

In 2026, we will focus on the following:

- Deepen engagement across the pre-IPO ecosystem of companies, advisors and investors, using evidence-led dialogue and a proportionate escalation approach, where appropriate
- Build on existing thought-leadership reports to support our key messages
- Continue to grow ICEV's membership and maintain momentum

We will also consider actions we could take to engage with listed companies who previously had unequal voting rights and have successfully transitioned to a 'one share, one vote' structure to understand this key transition better and inform our work.

## How we escalate action if necessary

We engage with companies in a confidential and constructive manner without publicity as we expect good management to reassure investors when faced with shareholders' concerns on financially material issues. However, we reserve the right to make our concerns public if the company fails to adequately address the issues that have been raised and escalate as appropriate.

Railpen's approach to escalation may be defined by the following actions:

- Writing to the company to highlight our concerns
- Meeting with management specifically to discuss concerns
- Meeting with the Chair, senior independent director, and/or independent directors
- Expressing concern through the company's advisers
- Collaborating with other investors regarding our concerns
- Making a public statement at the company's annual general (or shareholder) meeting<sup>12</sup>
- Pre-declaring our voting intentions on relevant resolutions
- Releasing a press statement, either singly or jointly with other investors
- Co-filing a shareholder resolution at a company
- In extremis, advising our internal or external managers to consider selling our shares in the company<sup>13</sup>

These options are available to us across our public markets portfolios, covering all geographies. We may also vote against a relevant resolution at the company's AGM. We believe in the power of the vote to effectively and publicly express our dissatisfaction with the company's approach to key issues.

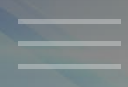
Within other asset classes, we will approach escalation on a case-by-case basis alongside portfolio managers. The exercising of our vote is an escalation opportunity that comes up more rarely beyond listed equity so our preference is instead to focus on meetings with company management, co-engagement with the Railpen portfolio managers and engaging alongside other investors, where relevant.

**Case studies 14** (page 42) and **15** (page 43) outline examples of escalation across our listed equities portfolio in 2025.

<sup>12</sup> You can find the list of public statements on the Railpen website on our [AGM Statements and correspondence](#) page.

<sup>13</sup> For further details on our exclusions processes, please see [case study 7](#).





## Case study 14: Using AGM escalation to defend shareholder access at Meta

### Issue

Corporate engagement is a valuable tool in building mutual understanding with shareholders, especially where a dual-class share structure limits our ability to communicate views through voting.

In early 2025, Meta announced significant changes to its board oversight arrangements and strategic approach. In particular, this included the addition of three new directors to Meta's Board, the rolling back of Diversity Equity and Inclusion programs, and the departure of a key Oversight Board sponsor amidst broader changes to content moderation.

Despite the company engaging with us constructively in previous years, our repeated attempts to re open dialogue on these changes were unsuccessful.

### Objective

Our objective was to re-establish meaningful dialogue with the company and to clearly signal the importance we place on shareholder access as a protection for long-term value.

### Approach

We chose to use the company's 2025 AGM as a public escalation point, in line with our escalation framework. We submitted the following statement and question, having shared them with the company prior to the AGM<sup>14</sup>.

"As longstanding shareholders, we are committed to working with you to achieve long-term value creation. We have therefore appreciated Meta's openness to dialogue over the past five years.

"However, we have been unable to speak to company representatives since changes to board oversight and strategy were made in early 2025. The significance of these changes on issues that are material to value creation makes it more important than ever that Meta continues to engage with the full breadth of its engaged shareholder base.

"How does Meta plan to facilitate ongoing engagement with the full breadth of its minority shareholders, including Railpen, on material company issues?"

This approach reflects our belief that public escalation can be an effective stewardship tool when private engagement has failed, both to encourage renewed engagement and to reinforce market-wide expectations around good governance.

### Outcome and next steps

Our question was not addressed at the 2025 AGM, nor have Meta responded to our request for dialogue. We will continue to consider alternative forms of escalation that may be more effective in achieving our objective and will incorporate learnings from our engagement with companies, including Meta, into our approach as part of collective initiatives such as ICEV and GGIC.

<sup>14</sup> [meta-platforms-agm-question-2025-sustainable-financial-markets.pdf](#).





## Case study 15: Escalating engagement with Equinor

### Issue

Equinor is an international energy company, headquartered in Norway, whose business encompasses oil and gas, renewables, and low-carbon solutions.

We have previously engaged with Equinor as part of Climate Action 100+<sup>15</sup> noting that the climate transition is a material risk and opportunity for the company. In last year's Stewardship Report, we included a case study in which we outlined our concerns around Equinor's strategy and capital allocation, which led us to pre-declare our support for a shareholder resolution calling for the company to align its strategy and capital expenditure with its commitment to the Paris goals, and specify how any plans for new oil and gas reserve development are consistent with the goals.

While the resolution received significant support, we believed that significant risks remained for investors.

### Objective

In response to our engagements and the shareholder resolution, Equinor continued to state that its strategy is supportive of the Paris Climate Agreement goals, and specifically a 1.5°C pathway. We – alongside several other investors – were concerned that these statements were potentially misleading. We wanted to raise these concerns with the

Financial Supervisory Authority (FSA) of Norway, noting the critical importance of investors having accurate information on material issues to inform their decision-making.

### Approach

As part of a group of global investors representing \$1.3 trillion in assets, we signed a letter to the FSA which was led by Sarasin & Partners. The letter outlined investor concerns and asked that the FSA consider whether Equinor is giving a fair and accurate impression about its current alignment with the Paris Agreement goals, and specifically a 1.5°C temperature pathway. The letter contends that the lack of precision in Equinor's statements undermines trust in the market and is potentially leading investors to take inappropriate voting and investment decisions. We believe it is important that Equinor ensures its public statements are clear and reflect its true position.

### Outcome and next steps

The letter was sent to the FSA and published online. We await a response from the FSA but remain committed to the importance of fair and accurate disclosures as a critical underpin to well-functioning markets and investment decision-making.

<sup>15</sup> For more information please see [case study 22](#) (page 56) in our [2024 Stewardship Report](#).





# THOUGHTFUL VOTING

We believe that thoughtful voting alongside constructive engagement with portfolio companies supports our objective of protecting and enhancing long-term investment returns for members. It aligns with Railpen and the Trustee's shared Investment Belief that undertaking these activities in a meaningful and considered way "can protect and enhance investment value". Our Global Voting Policy<sup>16</sup> allows us to exercise our voting rights systematically, consistently, and in a way that reflects our thematic and stock-specific engagement priorities – in members' best interests.

We may vote against companies with poor practices on key financial issues outlined in our Voting Policy. If companies deviate from market standards, we assess their reasoning and use professional judgement, considering the specific context, recognising that each situation requires nuance and pragmatism. Local market and sector norms are also considered where appropriate.

Our preference is to engage with companies including, where necessary, exercising our voting rights to either offer support or express concerns. However, where there appears to be a significant risk to the long-term value of our investment, we will consider selling our shares in the company.

## Our Voting Policy

Our public-facing Global Voting Policy reflects Railpen's key corporate governance and sustainability themes in a way that is accessible to our portfolio companies, our external managers and members. It builds on positions held in previous voting policies, setting out our expectations for companies and on some of the themes outlined in the International Corporate Governance Network (ICGN) Global Governance Principles.

Railpen retains control of our Voting Policy and decisions, including where possible, over its underlying beneficial interests in pooled funds, and has centralised vote execution. The SO team undertakes all voting and engagement activities, including monitoring of the activities in our portfolios. The Global Voting Policy is reviewed every year in a discussion between the SO team and key individuals in the PIM team.

<sup>16</sup> Please see our [Global Voting Policy](#) which sets out our global voting approach for the 2026 AGM season.

<sup>17</sup> Please see our report: [Achieving Effective AI Governance](#).

## Case study 16: 2026 Voting Policy update

Every year, Railpen updates its Global Voting Policy to reflect market developments and enhance our approach to stewardship. We incorporate lessons learnt from the previous year's voting season and discuss new developments and emerging topics that will be the focus for the coming year.

Updates to each year's voting policy are informed by the following:

- Issues and suggestions from the recent AGM season
- Changes in our thematic engagement priorities
- Updates to the benchmark positions of our proxy voting provider
- Market developments and trends

A developing challenge is effectively assessing the management and disclosure of AI-related risks and opportunities at our portfolio companies. Our 2026 policy update, published in December 2025, addressed this challenge, emphasising our refined approach on how they are exercising effective governance of AI, building on Railpen's joint report with Chronos Sustainability: Achieving Effective AI Governance<sup>17</sup>.

New lines on this issue included:

"We will consider a vote for related shareholder resolutions on reporting around AI use and principles. We will continue to review our expectations of portfolio companies as technological and regulatory landscapes rapidly develop."

The 2026 Voting Policy update continues our commitment to using our full ownership rights to ask for positive corporate governance practices and protect long-term shareholder value for the £34 billion railways pension schemes we manage.

Given the UK-focused nature of these policy updates, we distributed our 2026 Global Voting Policy to our priority holdings (as usual) and to FTSE 350 companies for the second year. Our covering email emphasised our new lines on capital markets **advocacy**, as Railpen will intensify its scrutiny of portfolio companies whose capital markets advocacy runs counter to the interests of its shareholders and risks undermining our shared goal of creating sustainable financial value.





### Voting beyond listed equity

As the RPS has many open defined benefit sections, a significant proportion of Railpen's portfolio is invested in listed equity. Railpen's SO team correspondingly dedicates significant resource to the stewardship of our listed equity portfolio.

However, we actively fulfil stewardship responsibilities across the full portfolio, including playing an active role in any voting decisions in our fixed income and private markets portfolio, whether internally or externally managed.

For private market co-investments, where we often have more insight, we directly engage to better understand issues and shape our response.

For bondholder resolutions in our externally-managed corporate bond portfolio, we consult with the external manager to inform our voting decisions. Since these resolutions are complex and have direct financial impacts, our proxy research providers typically lack relevant analysis. We therefore supplement our own assessment with the fixed income manager's input and cast the vote ourselves.

### External voting service providers

Managing assets in house gives Railpen strong control over stewardship and voting. We use a limited number of external managers for certain listed equity and fixed income mandates, and delegate voting only for one externally managed

passive equity mandate with Legal & General Asset Management. For this mandate, Railpen retains the right to direct UK votes, reflecting our significant UK exposure and role as a UK asset owner.

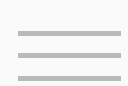
We seek to influence external managers' voting through regular engagement, including sharing our Global Voting Policy, discussing voting practices in ongoing manager and proxy adviser meetings, and using the Implementation Statement process to review alignment with our priorities. This allows us to assess how managers vote on key resolutions and their willingness to engage on future voting approaches. Responsibility for voting rights is also reviewed regularly through monitoring meetings and stock lending reports.

### Our voting processes and use of proxy advisers

Given the size of Railpen's portfolio, voting is conducted by proxy via the Institutional Shareholder Services (ISS) platform, Proxy Exchange. We consider ISS recommendations alongside research from other providers, including Glass Lewis, Eumedion and the Australian Council of Superannuation Investors (ACSI), but all voting decisions are made by Railpen.

The SO team applies professional judgement, informed by engagement insights, and agrees votes with relevant portfolio managers and analysts. Controversial or high-profile votes are discussed with the COPIM.





## 2025 voting statistics

### Meeting overview

| Category   | Number |
|--|--------|
| Number of votable meetings   | 1,374  |
| Number of meetings voted   | 1,372  |
| Number of meetings with at least 1 vote against, withhold or abstain | 794    |
| Meetings with against management votes                               | 767    |
| Meetings with against ISS votes                                      | 616    |

| Number of meetings voted   | 1,372 |
|--|-------|
| Percentage of meetings voted   | 99.9% |
| Percentage of meetings with at least one vote against, withheld or abstained | 57.8% |

Figure 7: Votable meetings (source: ISS 2025)

### Alignment with management

- Comparing vote cast alignment with management recommendations highlights similarities and differences between your governance philosophies and the investee's approach to key corporate governance issues
- The votes cast on Railway Pension Investments Ltd ballots during the reporting period are aligned with management recommendations in 88% of cases, while the ISS Benchmark Policy recommendations are at 96% alignment with management recommendations



Figure 8: Votes cast (source: ISS 2025)



### Votes cast on management proposal categories

- Comparing the votes cast in support of management proposals, ISS Benchmark Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by shareholders against the aforementioned benchmarks
- Votes cast during the reporting period were least in line with management on **compensation** matters, where only 72% of votes followed management recommendations
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines

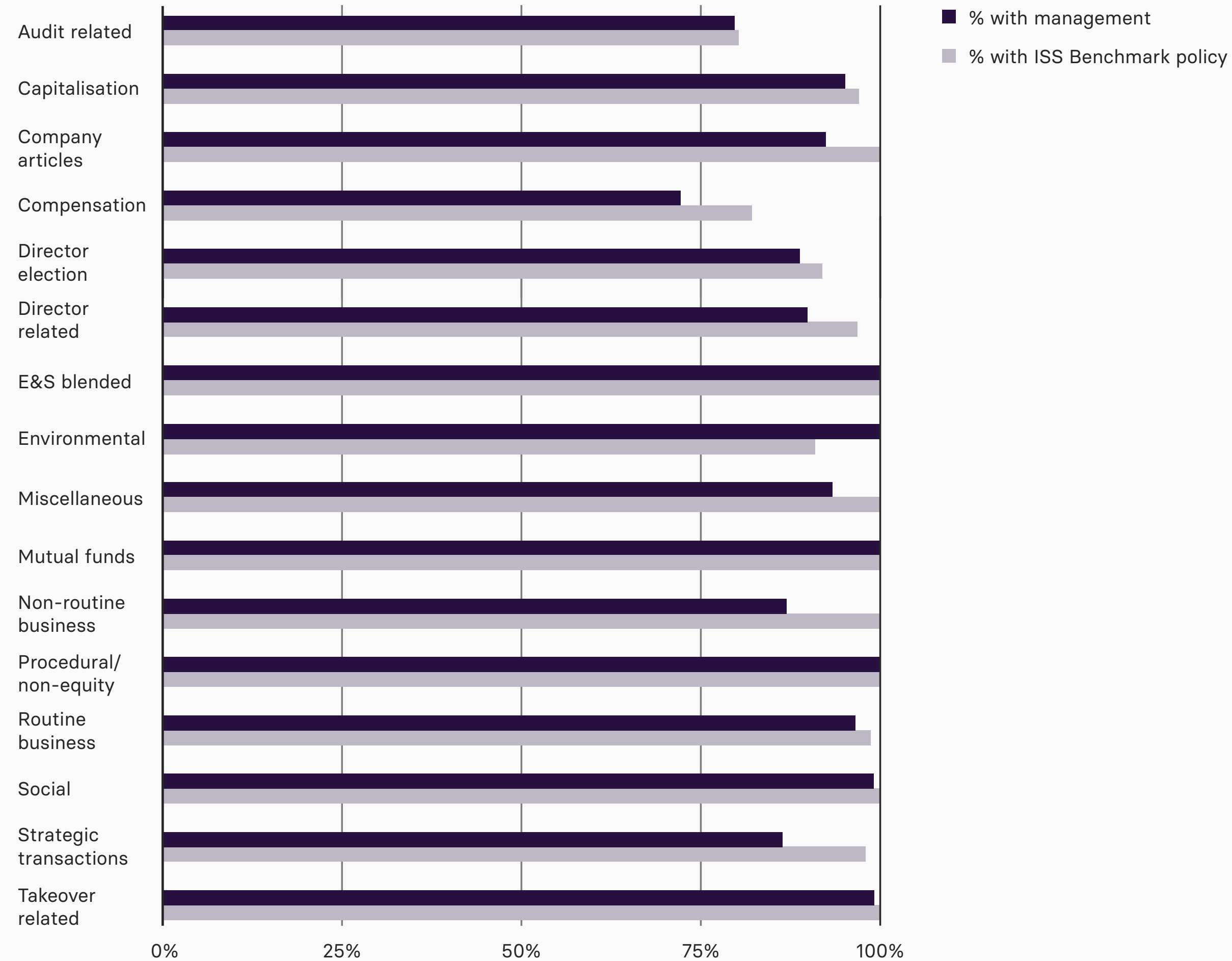


Figure 9: Votes cast on management proposal categories (source: ISS 2025)

### Votes cast on shareholder proposal categories

- Comparing votes in support of shareholder proposals, ISS Benchmark Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by shareholders against the aforementioned benchmarks
- Votes cast during the reporting period show the highest level of support for shareholder proposals related to **corporate governance**, at 63% and the lowest level of support for shareholder proposals in relation to **audit** and **director elections**, with 0% of proposals supported
- Across categories, votes cast on shareholder proposals show the closest alignment to the ISS Benchmark Policy guidelines

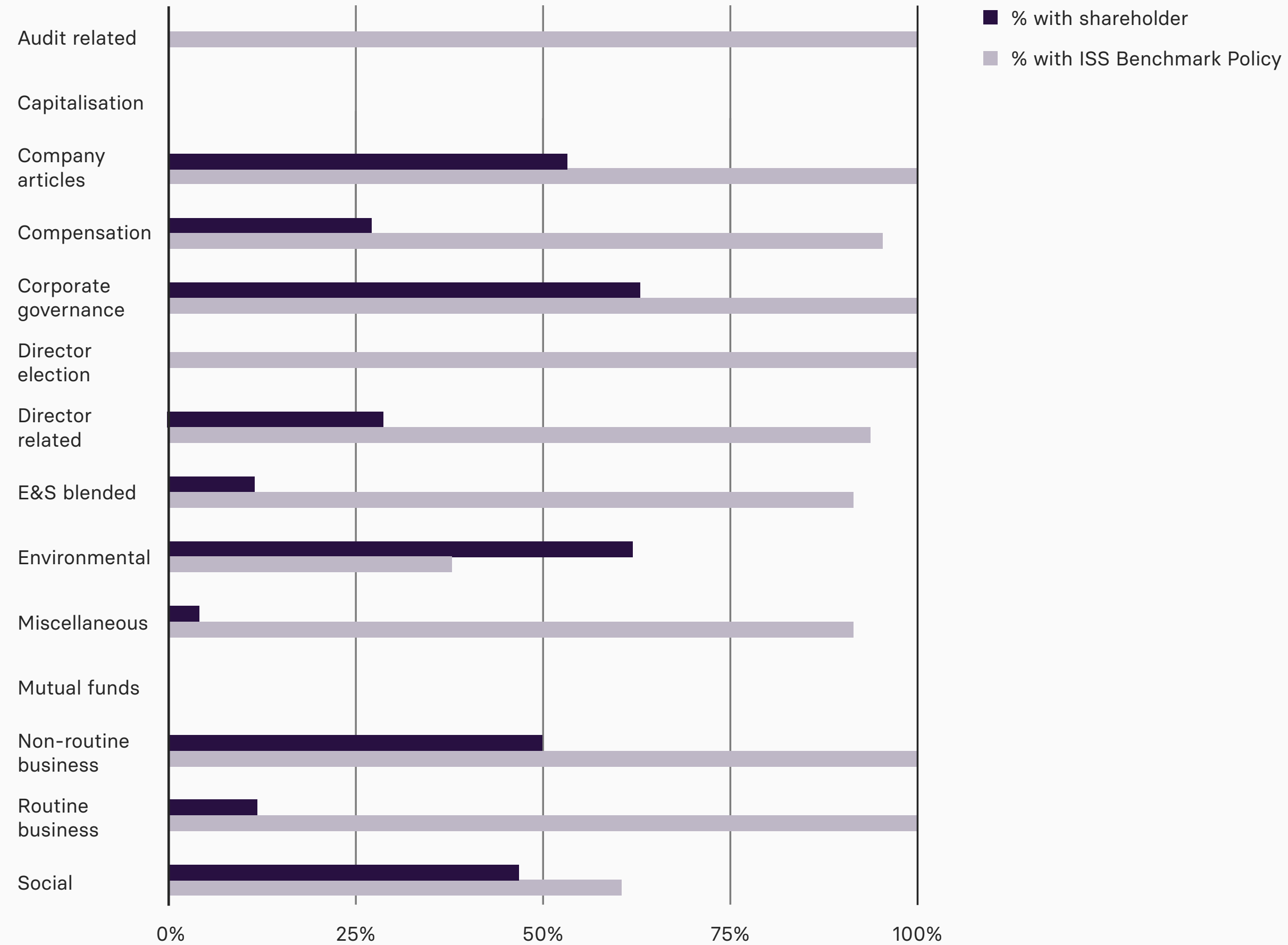


Figure 10: Votes cast on shareholder proposal categories (source: ISS 2025)

## Most significant votes

Every voting decision is undertaken in a considered way. However, we prioritise our analysis and resource on those votes that are the most financially material to the portfolio and where exercising our vote is most likely to benefit members.

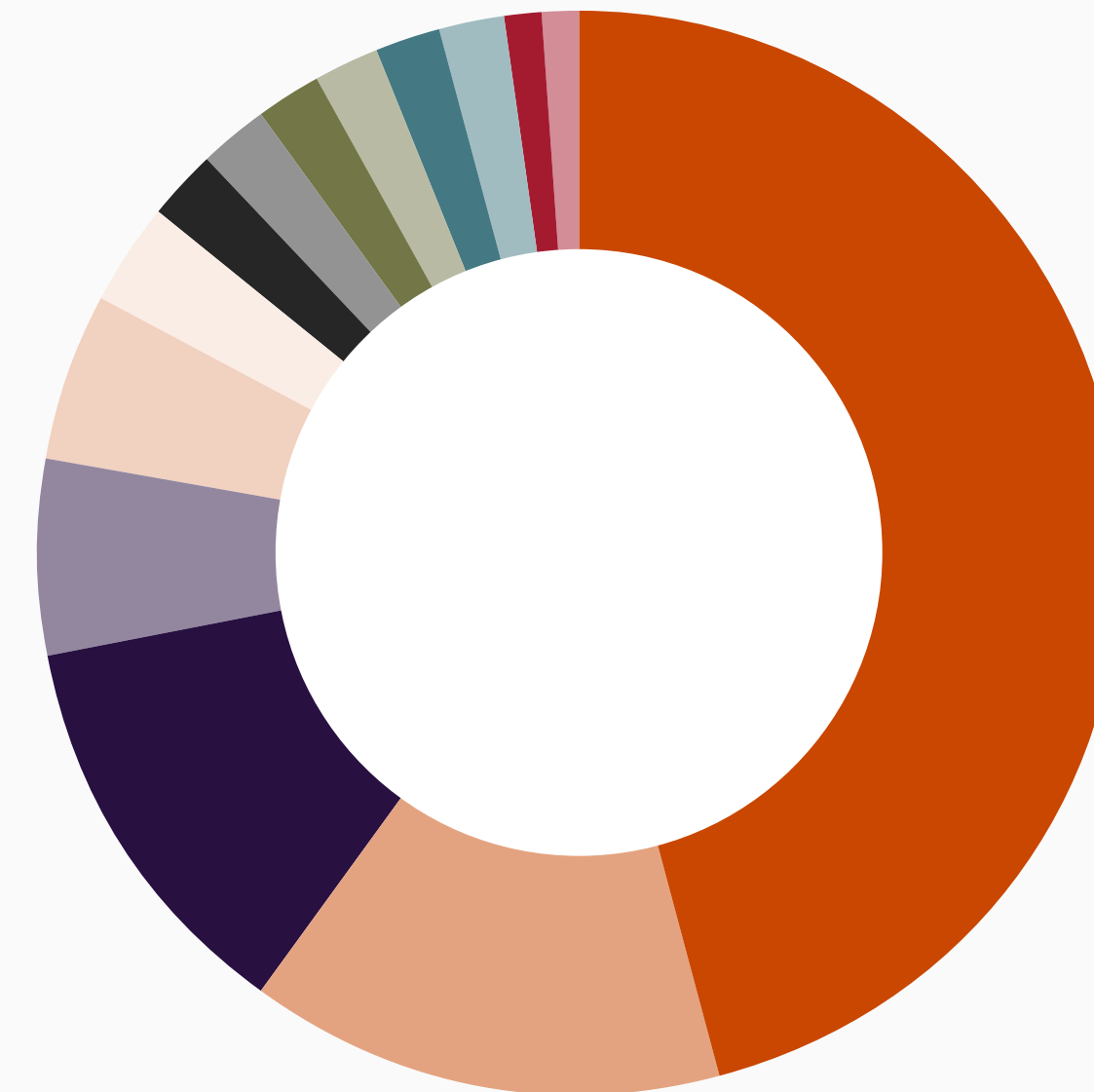
In determining what constitutes a most significant vote<sup>18</sup>, Railpen considers criteria provided by Pensions UK in its updated **Vote Reporting Template** but also its own criteria that include the following types of votes:

- At companies where Railpen holds more than 5% or the equivalent local reporting trigger
- At companies where the vote was escalated to the Director of IROSO for a decision
- On issues that have the potential to substantially impact financial or stewardship outcomes
- Against the Report and Accounts/Chair of the Board
- Aligned with Railpen's priority corporate governance or sustainability themes.

For 2025, this included:

- Workforce treatment
- Shareholder rights and efficient capital markets
- Remuneration
- Auditor tenure
- Board composition and effectiveness
- Climate change
- Cybersecurity and AI governance
- Votes on high-profile shareholder resolutions

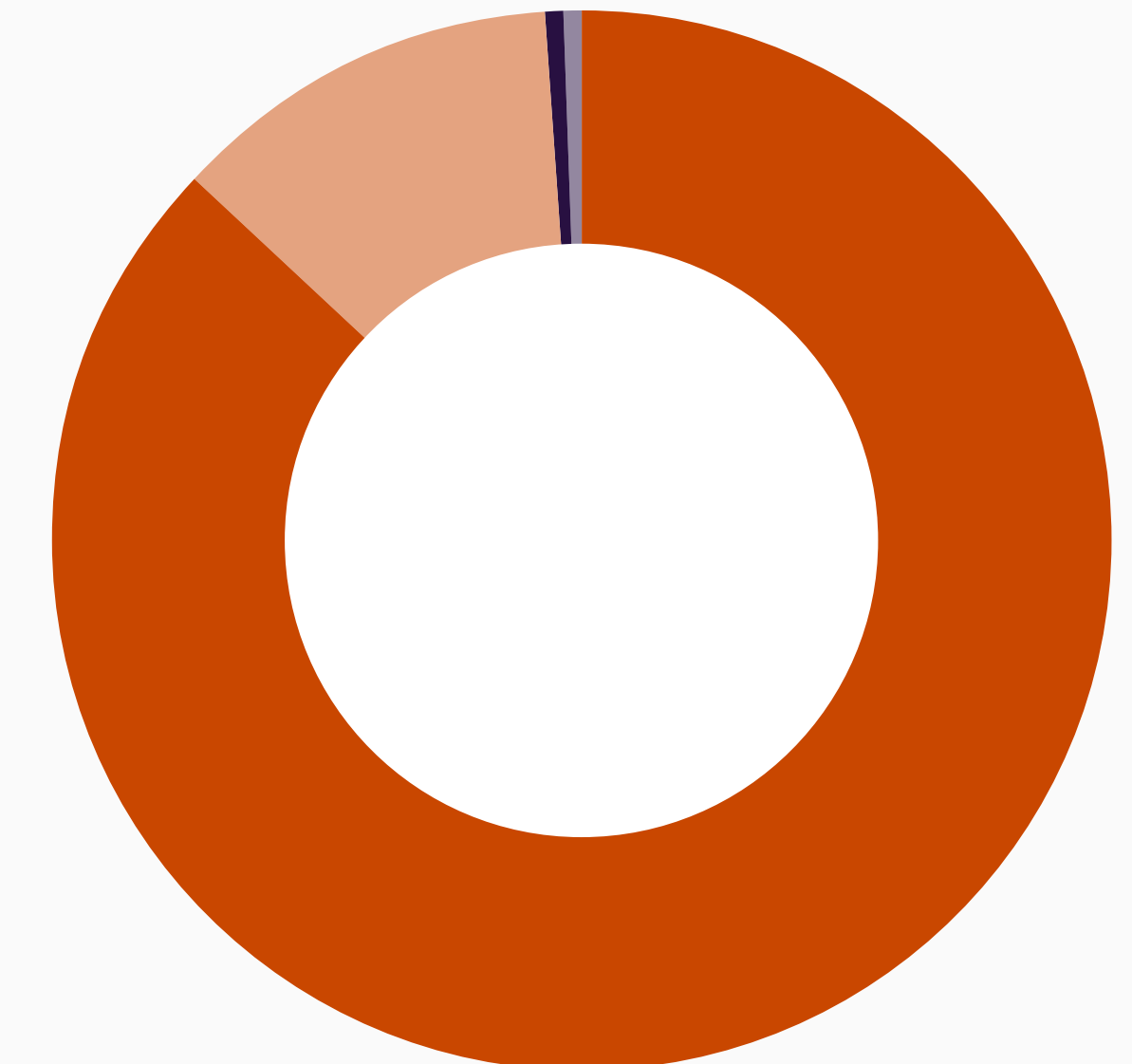
## Meetings voted by market



|                 |     |               |    |
|-----------------|-----|---------------|----|
| ● UK            | 46% | ● Jersey      | 2% |
| ● USA           | 14% | ● France      | 2% |
| ● Other markets | 12% | ● Taiwan      | 2% |
| ● China         | 6%  | ● Brazil      | 2% |
| ● Japan         | 5%  | ● Switzerland | 2% |
| ● Guemsey       | 3%  | ● Netherlands | 1% |
| ● India         | 2%  | ● Ireland     | 1% |

Figure 11: Meetings voted by market

## Voting outcomes



|            |      |
|------------|------|
| ● For      | 87%  |
| ● Against  | 12%  |
| ● Abstain  | 0.6% |
| ● Withheld | 0.4% |

Figure 12: Voting outcomes

<sup>18</sup> Under the UK implementation of the EU's Second Shareholder Rights Directive (SRD II), both asset managers and pension schemes are required to disclose annually an explanation of their 'most significant votes'.

## Priority issue: Shareholder rights and efficient capital markets

As part owners of the companies they invest in, shareholders have key rights, including voting, receiving information and dividends, and selling shares, which enable them to influence company decisions and hold boards to account. These rights support transparency, accountability and long-term value creation, helping to reduce the risk of mismanagement and misalignment between company leadership and investors.

Asset owners play a distinctive role as long-term holders of capital whose interests are aligned with beneficiaries, meaning their stewardship can have a durable, positive impact on capital markets. Against a backdrop of declining shareholder protections in some jurisdictions, Railpen and the Trustee take attempts to weaken these rights seriously and use their stewardship tools to defend long-term investor interests.

### Case study 17: AstraZeneca dual listing proposal

#### Issue

As a UK asset owner, Railpen has a strong interest in supporting well-functioning UK capital markets and the long-term success of UK-listed companies, given their contribution to sustainable economic growth in the best interests of our members.

In 2025, AstraZeneca announced a proposal to harmonise its share listing structure across the London Stock Exchange, Nasdaq Stockholm and the New York Stock Exchange. The proposal required shareholder approval to adopt new Articles of Association and move to a dual listing in London and New York. The company emphasised the strategic importance of the US biopharmaceutical market and the benefits of enhanced liquidity and access to a broader investor base as drivers for this proposal.

#### Objective

Our objective was to adopt a balanced, pragmatic voting position that recognised the commercial rationale for the dual listing proposal while reaffirming the importance of maintaining AstraZeneca's primary listing in the UK.

#### Approach

We voted in favour of the proposal, based on the three following considerations:

- 1. Retention of the UK primary listing** – the proposal did not involve a change to the primary listing, and the company reaffirmed its commitment to UK governance standards and existing shareholder protections
- 2. Commercial rationale** – expansion in the US market is strategically significant, and broader market access could support long-term value creation
- 3. Constructive engagement** – the company provided clear, transparent information and engaged with shareholders and investor associations, which we viewed positively.

#### Outcome and next steps

Guided by Railpen's broader responsibility to ensure that UK capital markets remain resilient and that governance standards relevant to long-term investor outcomes are upheld, Railpen will continue to monitor AstraZeneca's listing strategy closely. While we recognise the strategic benefits of the dual listing, any future move toward a sole US listing – or any reduction in governance or material sustainability standards – would raise concerns.

We intend to maintain engagement with the company to ensure that long-term investor interests remain central to its decision making and that the UK continues to benefit from strong, globally competitive listed companies.





## Priority issue: Fair pay

Fair pay and benefits are financially material to long-term investment performance, supporting productivity, retention and reputational resilience. For long-term investors like Railpen, poor pay practices create risks through disengagement, turnover and reputational damage, while fair treatment supports more resilient, productive workforces.

Fair compensation also plays a wider role in reducing inequality and systemic risks that can undermine long-term economic growth and market stability – making this a direct lever which Railpen can use to achieve wider systemic change.

### Case study 18: Supporting improved workforce pay disclosure at Next plc

#### Issue

Next plc, a major UK and international retailer, faces what could be considered financially material workforce-related risks due to its reliance on a large, predominantly hourly-paid workforce. Evidence indicates that low pay and limited visibility over wage structures can undermine productivity, increase turnover and raise operational costs. Against this backdrop, a shareholder proposal filed by ShareAction in 2025 sought greater transparency on how the company sets pay relative to the real Living Wage.

#### Objective

We support improved disclosure that would allow investors to assess whether Next's pay practices are aligned with long-term value creation, including clarity on how the company determines base pay for both direct employees and onsite contractors, and whether wages meet recognised cost-of-living benchmarks.

#### Approach

We reviewed the shareholder proposal, which requested a structured report covering wage setting processes, Board oversight, the prevalence of sub-Living Wage pay, and turnover rates across job types. This aligned with Railpen's Worth of the Workforce thematic priority and our Global Voting Policy, which advocates for enhanced workforce disclosure.

Our engagement and decision making included:

- **Assessment of financial materiality:** Evaluating research demonstrating that improved pay in the retail sector supports lower staff turnover, stronger customer service and more resilient long-term performance
- **Review of company practices:** Identifying gaps in Next's disclosure, including the lack of assurance that London pay rates meet the real Living Wage and the absence of visibility on contractor pay
- **Use of voting rights:** Voting in favour of the shareholder proposal at the 2025 AGM to signal the investor importance of improved workforce reporting

#### Outcome and next steps

The proposal received **26.9% support**, a significant signal for a social issue resolution at a UK company. Following the vote, we shared our updated Global Voting Policy with Next and reiterated our expectations regarding workforce transparency and alignment with Living Wage benchmarks.

We will continue engagement with the company during the 2025 reporting cycle, monitoring whether improved disclosure is provided and assessing future voting decisions in line with our Worth of the Workforce framework.





## Priority issue: Cybersecurity

Cybersecurity risk is increasing across Railpen's portfolio as incidents become more frequent, costly and disruptive, often exposing gaps between board oversight and operational preparedness. Robust governance, effective risk management and timely disclosure of breaches are therefore critical, particularly given the potential for cyber incidents to create system wide impacts across interconnected sectors.

Railpen prioritises engagement with at-risk companies, both directly and through the Cybersecurity Coalition, and will escalate through voting where cybersecurity governance, response or disclosure falls short.

### Case study 19: Marks & Spencer – using our vote on cybersecurity

#### Issue

Marks and Spencer plc is a British multinational retailer held in Railpen's portfolio. In late April 2025, the company experienced a significant cybersecurity breach involving ransomware – a type of malicious software that infiltrates IT systems, encrypts files, and demands payment to restore access. The breach, which caused an estimated loss of £300m in profit and further incident response costs, compromised customer data and disrupted online order fulfilment.

#### Objective

Railpen is a supporting member of the Cybersecurity Coalition, which was established by Royal London Asset Management (RLAM) in 2020 and aims to address the systemic risks around this thematic stewardship issue. In collaboration with RLAM, we co-authored the report: **Cybersecurity Risk & Resilience: Guidance for Investors<sup>19</sup>**, which outlines investor expectations and provides guidance on corporate reporting. As part of the Coalition, we engage with portfolio companies to encourage transparent disclosure of cybersecurity governance and breach responses.

#### Approach

Following the cybersecurity incident, Railpen closely scrutinised the company's response and incorporated this assessment into our voting decision. Our review raised material concerns regarding the effectiveness of Marks and Spencer's cybersecurity governance:

- In May 2024, the Audit Committee conducted a simulated 'red team' cyberattack to test the company's defences and resilience to disruption. While the Committee emphasised the importance of strong oversight and reported monitoring improvement activities throughout the year, the occurrence of a significant cyberattack less than a year later raised questions about whether risks were adequately identified or prepared for
- Additionally, as the breach originated via a third party, we determined that the company could provide clearer disclosure regarding its third-party cybersecurity risk management practices.

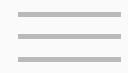
#### Outcome and next steps

Based on our assessment, we voted against the re-election of the Audit Committee Chair at the company's 2025 AGM and notified it of our rationale. This decision aligns with our 2025 Voting Policy, which states: "Where we do not deem cybersecurity risks, or any breach response, to be sufficiently well managed, we will consider a vote against the Chair of the Audit Committee, or other committee we deem responsible."

As part of our deepening commitment to a proactive approach to responsible technology, we have since developed an internal monitoring system to identify companies that have experienced material cybersecurity breaches and to enable us to escalate appropriately. This system will be implemented during the 2026 voting season.

<sup>19</sup> [Cybersecurity Risk & Resilience: Guidance for Investors.](#)





## Vote disclosure

We publish our [voting records](#) for all company meetings on Railpen's website<sup>20</sup>. Japanese voting records have been available since October 2018. In 2024, we enhanced disclosure by collaborating with our service provider to develop a page where information is summarised and searchable.

Disclosure occurs three months after the meeting month ensuring transparency while protecting company dialogue. While the voting rationale isn't public, it is accessible internally for decision reviews and may be shared with companies when needed.

The Trustee's 2026 Implementation Statement will also outline our voting behaviour in greater detail, including our 'most significant votes'. We also regularly provide case studies of votes on key issues across our member-facing communications. We believe that doing so can help members' savings feel more real to them and help boost engagement with their pension more generally.

## Stock lending

We believe that members benefit from the additional income stream that derives from participating in stock-lending programmes and also that stock-lending has benefits for market liquidity and efficiency. Our funds participate in various stock-lending programmes administered by our Investment Operations team.

The stock lending programme is governed by our Securities Lending Policy, which is owned by the Public Markets team. Only securities which are very liquid are lent out, and only in markets with more established governance procedures.

Our participation is subject to an overriding requirement that:

- No more than 90% of our total exposure should be out on loan at any one time. This means that there will always be a residual holding that can be voted
- We will recall stock to vote in exceptional circumstances where, for example, there is an important issue of principle, or the voting outcome is believed to be close
- We also have a standing instruction in place for a full recall of all Japanese stock out on loan ahead of the voting season
- As [Eumedion](#) members, we recall our lent shares before the voting record date for a general meeting of a Dutch-listed investee company, if the agenda for that general meeting contains one or more significant matters

Additionally, all of our Fundamental Growth Portfolio shares are recalled in time to allow us to vote at these companies' AGMs. This will enable us to use the full weight of our vote and influence on companies where we have a considerable proportion of assets and where consequently we have significant value at risk.

There are daily checks on our total exposure and weekly reports from Investment Operations to the SO team. This supports us in monitoring what shares we have out on loan and therefore what voting rights we are able to exercise at any given time.

<sup>20</sup> Please see the Insights section on [Railpen's website](#) under 'Engagement'.



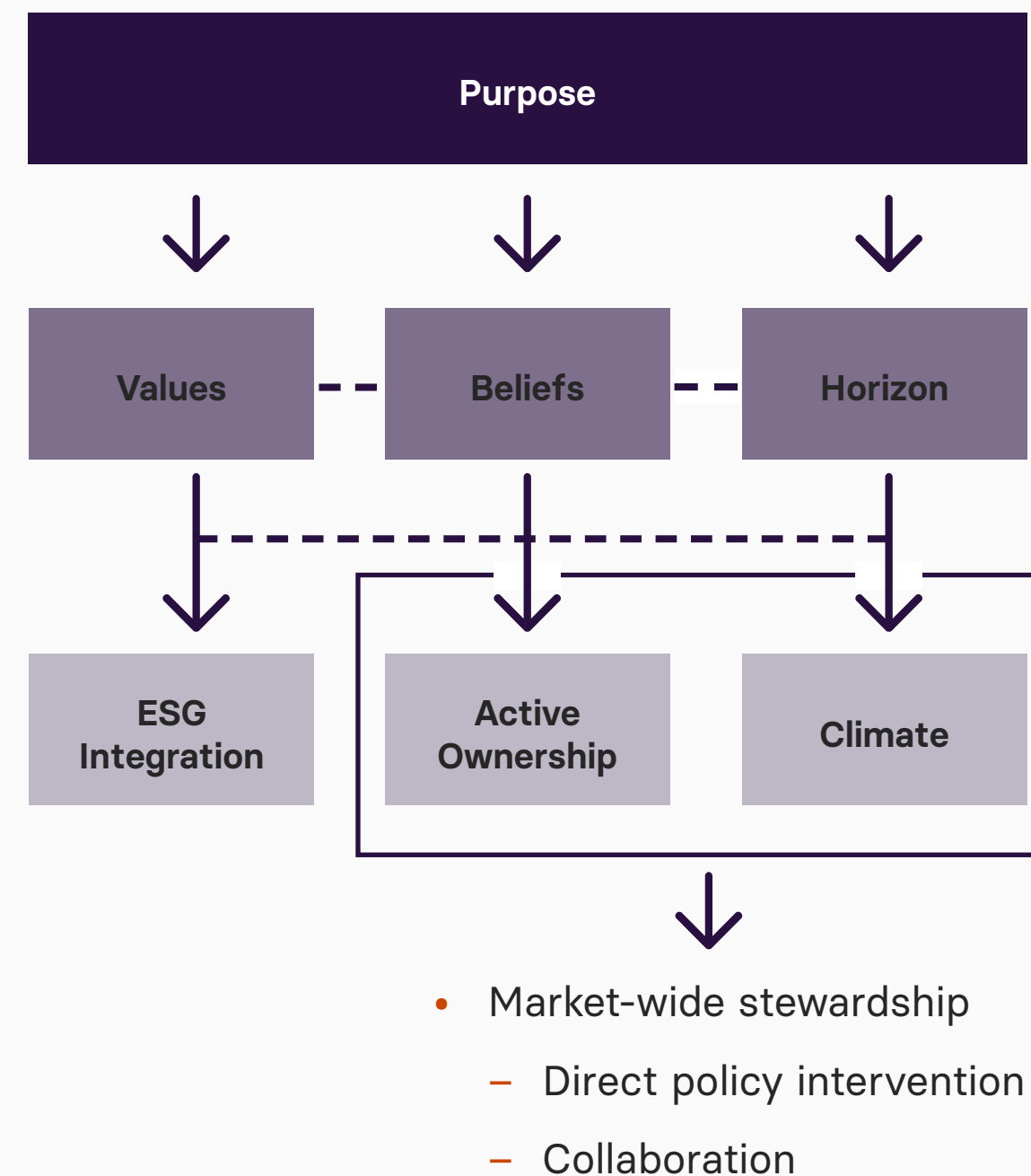
# WORKING TO TACKLE MARKET-WIDE RISK

Our work on market-wide and systemic risk supports our efforts to manage the risks that are expected to materialise over the long-term time horizons that match the open nature of many sections of the railways pension schemes.

We address market-wide risks by engaging and voting on thematic issues like climate change, biodiversity, and workforce concerns, often through collaboration. As one of the most effective ways of managing market-wide risks, we work proactively on public policy – both in the UK and internationally – to promote regulatory frameworks that support sustainable investment and stewardship.

Our market-wide activity takes place primarily through our Active Ownership and Climate workstreams.

## How our purpose, values and beliefs drive market-wide work



Our participation in thematic engagement initiatives and public policy debates is underpinned by our core Values of Integrity and Community.

## Identifying material market-wide issues

The SO team has a triage process, whereby we work with others across Railpen, including the Investment Management, Trustee Fiduciary Services, Client Secretariat, Technical Services #and Client & Corporate Affairs teams to ascertain those market-wide policy developments that Railpen should prioritise in our thematic engagement work.

The criteria for prioritisation include the following:

- The materiality of the issue to our portfolio
- Alignment with our Investment Beliefs, or reputational risk to the Trustee
- The potential impact on, or importance to, members
- Our ability to make a difference
- Railpen expertise

In 2025, our thematic priorities were:

- Climate and Nature
- Responsible Technology
- Sustainable Financial Markets
- Worth of the Workforce

Our thematic priorities help us choose which collaborations to join or lead, especially if we identify gaps in the market. While our main themes remain the same and sub-themes have changed only slightly, sustained effort over years is needed to make progress on system-wide challenges.

It also helps us ascertain where and how we should seek to influence the policy debate. When considering a public policy intervention, we consider the potential impact on how we undertake sustainable ownership or whether it would help or hinder the market for sustainable investment.



We also consider the resources available and possible avenues for influence and impact. This includes the following:

- **A direct response:** This could either be through informal conversations with government officials or regulators, or a formal written response
- **A collective response:** This includes working with other investors whose views are aligned with our own or seeking to influence and proactively feed through views to the relevant membership or advocacy organisations
- **A proactive approach:** Initiating dialogue with the relevant policymakers and regulators, either individually or collectively
- **A reactive approach:** Responding to a discrete consultation paper or call for evidence

The following case studies ([20](#), [21](#) and [22](#)) provide an insight into our 2025 activity on thematic, market-wide priorities, including our system-wide stewardship review, our responsible AI report, and our GGIC.





## Case study 20: Governance for Growth Investor Campaign

### Issue

With geopolitical uncertainty increasing and some jurisdictions rolling back shareholder rights and governance safeguards, it is essential for long-term UK asset owners like Railpen to help protect the conditions that support sustainable economic growth.

Strong governance underpins resilient capital markets, enabling companies to scale effectively and supporting long-term value creation. For Railpen, a well governed UK market directly affects investment outcomes and the economic environment our members retire into.

Against this backdrop, investors identified the need for a collective practitioner voice championing governance as a core element of a competitive UK market capable of attracting long-term global capital.

### Objective

Launched in July 2025 and chaired by Railpen, the Governance for Growth Investor Campaign (GGIC) aims to ensure that policymakers recognise the central role of governance and shareholder rights in enabling sustainable, long-term economic growth. Supported by major UK pension schemes, the campaign seeks to embed governance as a core pillar of thriving UK capital markets that deliver on these aspects for long-term savers.

### Approach

The campaign draws on lessons from recent UK capital markets reforms, including the need for strong relationships, timely practitioner insight and a clear evidence base to ensure policy interventions land effectively.

GGIC's strategy combines private relationship building, evidence-based policy input, and targeted public communication to advance the principle that effective governance standards support stronger corporate performance and makes the UK a more attractive destination for long-term capital.

In 2025, our activity focused on the following areas:

#### Private relationship building

- Organised a parliamentary dinner with relevant MPs
- Held meetings with the Office for Investment, Department for Business and Trade (DBT), FCA, FRC, and City of London Corporation

#### Shaping the public narrative

- Commissioned an Opinium survey to understand investor perceptions of corporate governance standards
- Secured two exclusive articles in **The Times**
- Achieved further coverage in the **Mail on Sunday**

#### Producing policy insight

- Published the GGIC Policy Vision in July 2025
- Developed a parliamentary briefing in December 2025
- Released the Going for Governance, Going for Growth policy paper in December 2025

Together, these activities helped build momentum, established GGIC as a trusted investor voice, and created a robust evidence base for governance focused reform<sup>21</sup>.

### Outcome and next steps

Since launch, the campaign has secured support from four major international organisations representing multi trillion-dollar investor constituencies: the International Corporate Governance Network (ICGN), the Principles for Responsible Investment (PRI), the UK Sustainable Investment and Finance Association (UKSIF) and Pensions UK.

GGIC's 2025 programme has laid the groundwork for effective influence on UK capital markets policy. In 2026, the campaign will shift from momentum – building to more targeted engagement, including consideration of how best to move forward following the Government's decision to drop the draft Audit Reform and Corporate Governance Bill in January 2026. GGIC will also work to maintain a sustained media presence to keep governance at the forefront of the UK policy debate.

<sup>21</sup> Please see [Railpen's GGIC page](#) for further information and you can follow the latest updates from GGIC on the campaign's [LinkedIn page](#).





Although we have been doing systems stewardship for many years, in 2025 we decided to refresh and refine our approach for the next five years, to ensure we continue to focus on system-wide issues and activities that are financially material. Our review is outlined in case study 21 (below).

## Case study 21: Our systems stewardship review in 2025

### Issue

As a universal owner, Railpen is exposed to risks and opportunities that arise not only at the company level but across entire environmental, social and financial systems. These system-wide issues can materially influence portfolio-wide returns so to exercise effective stewardship, it is essential that our focus on market-wide priorities remains current and evidence based.

### Objective

We first undertook an assessment and then put in place our four current thematic priorities in 2020, and in 2025 we carried out a review to ensure they continue to reflect the issues most material to our members' long-term financial outcomes. In doing so, we also sought to strengthen the evidence base underpinning our approach and develop clearer, more structured 3-5 year engagement strategies that signal our intent to the market, policymakers and portfolio companies.

In parallel, through collaborative research, we aimed to contribute to the rapidly evolving field of system stewardship by supporting industry understanding of how universal owners can put systems thinking into practice.

### Approach

In 2025, our work combined two complementary projects designed to strengthen the foundations of our system-wide stewardship:

- **Refreshing our thematic priorities:**  
We updated our assessment of which market-wide ESG issues are most financially material to Railpen, drawing on internal expertise and external insights. This ensured our long-term stewardship focus continues to reflect the issues most relevant to member outcomes and where Railpen is best placed to influence meaningful change
- **Strengthening the evidence base:**  
We partnered with external experts, The Investment Integration Project (TIIP) and Sinclair Capital, to review the latest thinking on systemic stewardship and the tools available to universal owners. This research helped clarify how investors can embed systems thinking into practice and where stewardship can be most effective in shaping healthier market-wide outcomes

### Outcome and next steps

The refreshed materiality assessment validated a continued focus on our four existing systemic priorities:

1. Climate and Nature
2. Responsible Technology
3. Sustainable Financial Markets
4. Worth of the Workforce

Building on this, in 2025 we have also:

- **Deepened our internal knowledge** through focused systems change training, enabling Railpen to more effectively identify ways it can help transform the system
- **Published a research paper – Systemic Stewardship: The financially material imperative** – a summary of the latest evidence alongside practical recommendations for investors who are looking to adopt and embed a system stewardship or system-level investing approach

In Q1 2026, we **launched external-facing engagement plans** for each theme, setting out 3-5 year plans for how we will work with companies, policymakers and industry bodies to drive positive change.

Together, this work strengthens the foundation for Railpen's system-wide stewardship and supports our purpose of securing our members' future by addressing the long-term risks that matter most.

## Case study 22: Our 2025 work on AI governance

### Issue

AI is expected to impact business models, operations and value chains across the global economy. While AI offers significant opportunities for productivity and innovation, it also introduces strategic and systemic risks that could materially affect long-term value.

For universal owners such as Railpen, understanding and managing these emerging risks is essential. The pace of AI adoption and the breadth of potential impacts mean that companies require robust governance frameworks to ensure responsible use of the technology.

### Objective

As part of our Responsible Technology stewardship priority, Railpen published a report in August 2025 in partnership with Chronos Sustainability. The report aims to support investors in evaluating how companies govern and manage AI by outlining the key risks and introducing an AI Governance Framework (AIGF) to translate responsible AI principles into practical expectations for corporate behaviour.

### Approach

The report emphasises the central role of governance in effective AI risk management. Given the rapid pace of technological development, strong oversight structures help companies respond to emerging risks, maintain trust and support responsible innovation. Good governance ensures AI's opportunities are captured and its risks do not compromise long-term value creation.

The AIGF is structured around four pillars:

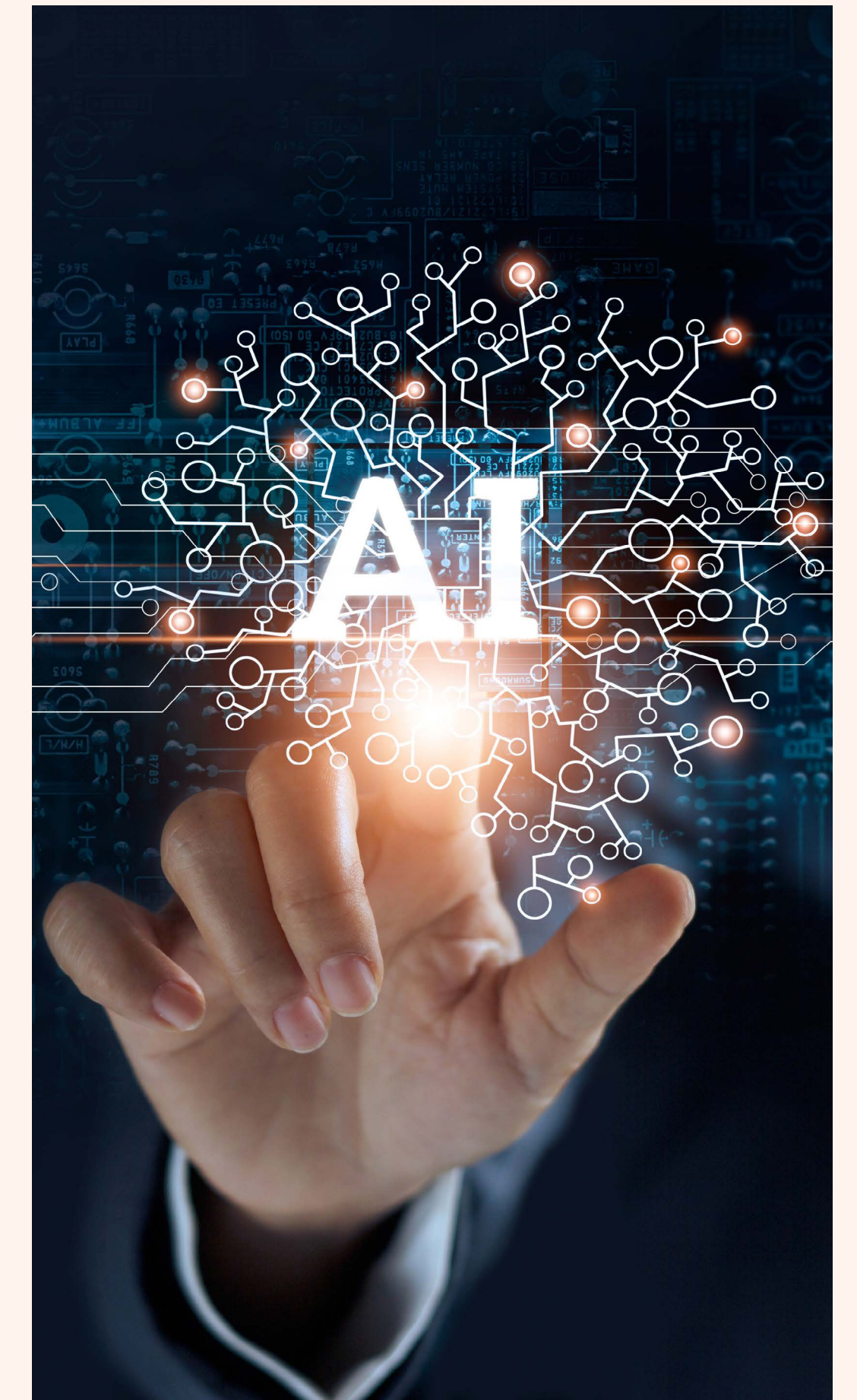
- 1. Governance** – board level accountability for AI, supported by clear policies, oversight mechanisms and access to relevant expertise
- 2. Strategy** – integration of AI considerations into long-term business planning, including assessment of how AI may shape future operating models and competitive dynamics
- 3. Risk management** – identification and mitigation of AI-related risks across operations and supply chains, alongside engagement with affected stakeholders such as employees, customers and regulators
- 4. Performance reporting** – transparent public disclosure on governance structures, risk processes and outcomes, including lessons learned and responses to incidents

The AIGF will guide Railpen's analysis of corporate AI practices and inform our engagement with companies exposed to material AI risks.

### Outcome and next steps

Following publication, Railpen is continuing to evolve its approach as AI develops. Our next steps include:

- Assessing portfolio companies in our actively managed fund using the AIGF
- Integrating AI considerations into our work with the Cybersecurity Coalition, reflecting the increasing intersection between AI and cyber risk
- Exploring opportunities for policy engagement to help shape emerging regulatory approaches in an area where public frameworks remain nascent





### Assessment of our effectiveness in tackling market-wide risk

We acknowledge the Financial Reporting Council's (FRC) point that "it may be difficult to attribute an organisation's actions to an outcome as part of an initiative". To evaluate our public policy impact, we use several Key Performance Indicators such as government mentions of our responses, follow-up meetings with officials, industry or media reception, and incorporation of our proposals into final policies or regulations.

In addition to the outcomes mentioned in our case studies, we have also been pleased to note the following:

- An increased level of proactive media and speaking requests – in the UK and elsewhere – for our views on unequal voting rights, workforce and social issues, and climate change
- Steps taken by proxy advisers to more fully consider and integrate AI metrics into their standard advice, and the tightening up of advisers' approaches to companies with unequal voting rights
- Proactive requests from regulators, government officials and industry bodies to understand how Railpen considers issues including governance for growth
- Ongoing requests from membership organisations in the sustainable investment and capital markets space for Railpen individuals to join their formal governance and policy-making committees.

We think that our 2025 work to refine our systems stewardship approach, as articulated in [case study 21](#) (page 57), will help us achieve greater impact in the future, and will speak to this in future reports.

### Railpen participation in relevant industry groups

#### Active participation in 2025 – industry and regulatory bodies

Railpen actively participates in those industry and regulatory groups and committees whose objectives are aligned with our own and which we believe can have the most impact on driving positive change in the market and policy environment for sustainable investment and effective stewardship.

We support a member of our team to have sufficient time available to be a Trustee of the Social Market Foundation, a cross-party think-tank that provides research and public policy recommendations on responsible capitalism and other issues – by allocating them time to fulfil their duties.

All membership information is as at 31 December 2025.

| Organisation (2025)                                    | Acronym | Committee   | Remit of committee  |
|--|---------|---|---|
| Asset Owner Council                                    | AOC     | Steering Group (member)   | Share best practice and collaboration on scheme stewardship issues  |
|  | UK CGG  | UK Corporate Governance Group (Chair)<br><br>Alphabet Working Group (Chair) | Campaign and collaborate on UK corporate governance issues<br><br>Information sharing with sustainability and pensions regulators |
| British Venture Capital and Private Equity Association | BVCA    | Responsible Investment Advisory Group                                       | Discuss and advise on best practice in private-market investing in the UK   |
| Global Investment Governance Network                   | GIGN    | Vice-Chair  | Discuss US and global corporate governance and stewardship developments   |
| International Corporate Governance Network             | ICGN    | Global Policy Committee   | Contribute to ICGN's policy work and positions  |
|  |         | Future Leaders Committee  | As above  |

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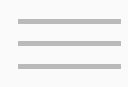




| Organisation  | Acronym | Committee   | Remit of committee  |
|---|---------|---|---|
| <b>Institutional Investor Group on Climate Change</b> | IIGCC   | Board member  | Advise on a range of initiatives, including Net Zero Investment Framework that support investors' alignment with the Paris goals    |
|   |         | Co-Chair, Investor Strategies Advisory Group                                    |   |
|   |         | Co-Chair, Climate Lobbying Working Group  |   |
|   |         | Co-Chair, Adaptation and Resilience Working Group                               | Contribute to development of Climate Resilience Investment Framework and promote best practice on climate adaptation and resilience |
| <b>Investor and Issuer Forum</b>                      | IIF     | Cross Industry Working Group (member, in GGIC and Asset Owner Council capacity) | Feed through the asset owner perspective into work to improve issuer-investor dialogue  |

| Organisation  | Acronym | Committee                              | Remit of committee  |
|---|---------|--|---|
| <b>International Sustainability Standards Board</b> | ISSB    | Investor Advisory Group                | Discuss developments in ESG standards globally, presenting the investor perspective on the ISSB's strategy and approach |
| <b>Pensions UK</b>                                  | PUK     | Stewardship Advisory Group             | Advise Pensions UK on sustainable ownership policy issues   |
| <b>Principles for Responsible Investment</b>        | PRI     | Future of Responsible Investment Forum | Explore and help shape future purpose, direction and priorities   |
| <b>Transition Pathway Initiative</b>                | TPI     | Strategic Advisory Committee           | Provide strategic oversight of the Initiative   |





### Other industry organisations – Railpen memberships (2025)

Where resource and prioritisation constraints do not allow us to actively participate, we still believe there is merit in adding our voice to a carefully selected cohort of relevant sustainable investment

initiatives whose priorities and objectives align with our own. Many such organisations also act as an important additional educational resource to contribute to the ongoing development of Railpen employees on sustainable investment and stewardship issues.

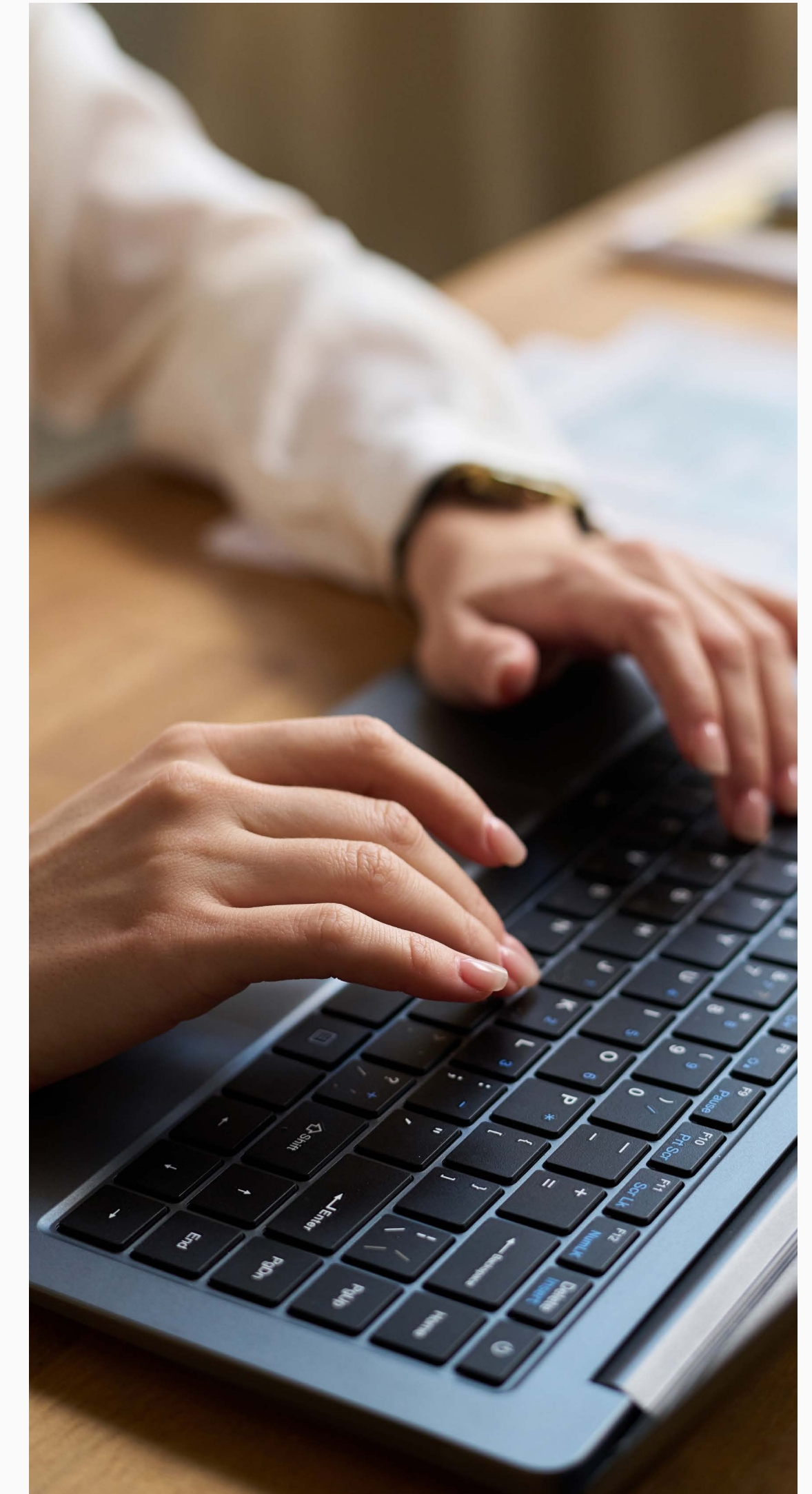
| Organisation   | Acronym | Geography     |
|--|---------|---------------|
| <b>Council of Institutional Investors</b>                | CII     | North America |
| <b>Eumedion</b>  |         | Netherlands   |
| <b>Investor Forum</b>                                    |         | UK            |
| <b>UK Sustainable Investment and Finance Association</b> | UKSIF   | UK            |
| <b>Asian Corporate Governance Association</b>            | ACGA    | Asia          |
| <b>Australian Council of Superannuation Investors</b>    | ACSI    | Australia     |
| <b>Montreal Carbon Pledge</b>                            |         | Global        |
| <b>Farm Animal Investment Risk and Return</b>            | FAIRR   | Global        |





# GLOSSARY

- **Abstain:** When we vote at a company AGM, we can vote 'in favour', 'against' or we can 'abstain'. Where we fully support a company, we will vote in favour. Where we disapprove of a company's behaviour, we will vote against. Where we do not feel fully supportive or comfortable with a company's behaviour, but also feel that voting 'against' is too strong, we will 'abstain'. This means we're voting neither for nor against. This approach leaves us with options open for the future. Please also see 'Annual General Meeting' and '**Voting**'.
- **Active (management):** An active manager chooses investments to either buy or sell, based on the objectives the manager is trying to achieve. In contrast to quantitative or passive management, there is usually a strong 'human element' involved. Either one person, or a team, will decide on individual investments. The same people might also create a broader approach that can be applied more generally to investment decisions. Please also see '**Passive (management)**'.
- **Advocacy (or public policy):** Activities undertaken to influence policymakers and regulators. This includes meetings, roundtables, and responding to government requests for evidence, either individually or through a membership body.
- **Annual General Meeting (AGM):** A meeting held once a year by a company with its shareholders, where important information is discussed and where shareholders are invited to vote on issues like how much directors should be paid, or whether the directors should be (re-)elected. Most listed or public companies must hold an AGM. Please also see 'Abstain' and '**Voting**'.
- **Decarbonisation:** An organisation's approach to reducing its production of greenhouse gas emissions.
- **Defined benefit (DB):** A pension scheme where the amount of pension you're paid is based on how many years you've worked for your employer and the salary you've earned.
- **Defined contribution (DC):** A pension scheme where you build up a pot of money that you can use to provide an income in retirement. The income you get depends on factors such as the amount you pay in and for how long, the fund's investment performance and the choices you make at retirement.
- **Divestment (or disinvestment):** The process of an investor selling all a company's debt or equity instruments, if already invested.
- **Debt (or credit):** If an investor buys a debt instrument, they loan capital to a firm. This entitles them to interest from the debtor company over a fixed term until the loan is repaid. Debt can be listed i.e. bought and sold on an exchange or private (private debt) i.e. it is a loan to a private company that is not listed on an exchange.
- **Engagement:** Communicating with a person or organisation with the aim of raising an issue or achieving change.
- **Equity (share):** Buying a share (or equity instrument) gives the owner (shareholder) an ownership right/stake in the firm in return. The owner has the right to vote and a claim on future profits that can be distributed to the shareholders, for example through dividends. An equity instrument can be listed (or public) i.e. bought and sold on a stock exchange or private (private equity) i.e. it is a stake in a private company that is not listed on an exchange.





- **ESG:** The collective term for referring to 'environmental, social and governance' issues. Some examples are given below.

| Environmental           | Social                 | Governance                   |
|-------------------------|------------------------|------------------------------|
| Climate risk            | Community relations    | Board structure              |
| Carbon emissions        | Employee relations     | Executive remuneration       |
| Energy usage            | Health and safety      | Bribery and corruption       |
| Raw material sourcing   | Human rights           | CEO/ Chair duality           |
| Supply chain management | Product responsibility | Shareholder rights           |
| Waste and recycling     | Workforce diversity    | Vision and business strategy |
| Water management        | n/a                    | Voting procedures            |

- **ESG integration:** Incorporating environmental, social and governance (ESG) considerations into investment decisions regarding, and analysis of, the companies we invest in.
- **Ethical (investment):** Please also see 'Non-financial'. Incorporation of non-financial factors into an investment decision (often leading to exclusion), to align with an individual's or organisation's definition of what they deem 'unethical' behaviour. This can include issues like alcohol, tobacco, pornography, certain weapons or companies doing business in, or with, a particular country. Ethical investment is often conflated with sustainable ownership approaches (the latter focuses on ESG issues that have an impact on the financial performance of a company or portfolio).
- **Exclusion:** Not allowing the purchase of any of a company's debt or equity instruments and its inclusion in an investment portfolio.
- **Fiduciary:** A person or entity, who acts for the benefit and on behalf of another person or group of persons. A fiduciary holds a legally enforceable position of trust.
- **Greenhouse gas emissions (GHGs):** A greenhouse gas is a gas that, when in the Earth's atmosphere, traps heat. Examples of these gases include carbon dioxide (CO2) and methane (CH4). The more of these gases that are produced, the more heat gets trapped within the Earth's atmosphere, leading to global warming.
- **Infrastructure:** The essential physical systems that support companies or individuals, regions or countries (economies). Examples include communication networks, transportation systems such as roads and rail, water and sewage systems, and electricity plants.
- **Just transition:** An approach to tackling climate change which is fair and inclusive, and which does not unfairly impact workers or local communities.
- **Passive (management):** Please also see '**Active (management)**'. An investment management style that very closely follows a market index which is an externally chosen pool of assets. Examples of a market index include the 'FTSE 100', which is a collection of the largest and most valuable UK companies.
- **Portfolio:** A collection of financial investments, which could include equities, credit or infrastructure or other investments.
- **Net zero:** Cutting greenhouse gas emissions to be as close to zero as possible and doing things that absorb carbon dioxide from the atmosphere too. Please also see 'Greenhouse gas emissions'.
- **Non-financial:** Please see also 'Ethical (investment)'. A factor that is unlikely to have an impact on the financial performance of a company.
- **Risk-adjusted returns:** A measure that considers how much risk is taken to achieve a particular return.
- **Shareholder:** The owner of shares (equities) in a company.
- **Shareholder resolution:** Important stewardship tool whereby a resolution is put forward by a shareholder, or group of shareholders, to a company Board, asking for a matter to be voted upon at the company's AGM.
- **Signatory (signatories):** An organisation that has signed up, or committed, to an initiative.
- **Stewardship:** Monitoring, understanding and looking for improvements in the behaviour of the companies we invest in. Stewardship involves using tools such as engagement, voting and advocacy as ways to shape corporate behaviour.
- **Thematic:** A stewardship or research approach that focuses on 'big picture' ESG themes or topics i.e. issues like climate change, biodiversity or worker rights that impact the entire portfolio.
- **Voting (a vote):** Being a shareholder in a company (usually) gives us the opportunity to vote on company matters at meetings such as an Annual General Meeting (AGM). The issues we can vote on include executive pay, the election of Board directors, a climate change plan, and the financial report and accounts. Please also see '**Abstain**' and '**Annual General Meeting**'.





# APPENDIX 1: ALIGNMENT WITH THE 2026 UK STEWARDSHIP CODE PRINCIPLES

| Policy & Context Disclosure   |   |  |
|---|---|--|
| Principle   | Section of Report   |  |
| <b>A</b> Organisation, investment beliefs and stewardship approach - Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship | Our philosophy and approach ( <a href="#">page 5</a> )<br>Stewardship in the interests of members ( <a href="#">page 10</a> )   |  |
| <b>B</b> Governance & resources – Describe how your resources enable effective stewardship  | How our structures enable effective stewardship ( <a href="#">page 14</a> )   |  |
| <b>C</b> Policies, processes and review – Describe your stewardship policies and processes, and how you review them   | Foreword ( <a href="#">page 3</a> )<br>Appendix 2 – Internal assurance ( <a href="#">page 65</a> )<br>Our philosophy and approach ( <a href="#">page 5</a> )<br>How our structures enable effective stewardship ( <a href="#">page 14</a> )<br>Working to tackle market-wide risk ( <a href="#">page 54</a> ) |  |
| <b>D</b> Conflicts of interest – Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first   | How our structures enable effective stewardship ( <a href="#">page 14</a> )   |  |
| <b>E</b> Dialogue with clients and/or beneficiaries – Describe how you maintain a dialogue with clients and/or beneficiaries  | Stewardship in the interests of members ( <a href="#">page 10</a> )<br>Glossary ( <a href="#">page 62</a> )   |  |

| Activities & Outcomes  |   |  |
|--|---|--|
| Principle  | Section of Report   |  |
| <b>1</b> Integrating stewardship and investment – Signatories integrate stewardship and investment to deliver long-term sustainable value of their clients and beneficiaries | Systematic ESG integration ( <a href="#">page 23</a> )  |  |
| <b>2</b> Promoting well-functioning markets – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system              | Working to tackle market-wide risk ( <a href="#">page 54</a> )  |  |
| <b>3</b> Engagement – Signatories engage to maintain or enhance the value of assets  | Effective engagement ( <a href="#">page 35</a> )<br>Working to tackle market-wide risk ( <a href="#">page 54</a> )<br>Thoughtful voting ( <a href="#">page 44</a> ) |  |
| <b>4</b> Exercising rights and responsibilities – Signatories actively exercise their rights and responsibilities  | Thoughtful voting ( <a href="#">page 44</a> )   |  |
| <b>5</b> Selection and oversight of managers – Signatories integrate stewardship considerations into their selection and oversight of external managers                      | Systematic ESG integration ( <a href="#">page 23</a> )<br>Thoughtful voting ( <a href="#">page 44</a> )   |  |
| <b>6</b> Monitoring service providers – Signatories monitor and hold to account stewardship service providers  | Systematic ESG integration ( <a href="#">page 23</a> )<br>Thoughtful voting ( <a href="#">page 44</a> )   |  |





# APPENDIX 2: INTERNAL ASSURANCE

Railpen adopted an assurance methodology for this report consistent with our previous practice supporting the development of Stewardship Reports. We elected to continue utilising an internal assurance process, whereby elements of our response to the Stewardship Code were reviewed by Railpen's Internal Audit team.

This team is independent, objective and has an extensive track record in providing challenge and insights across the wider Railpen business, in conformance with the Chartered Institute of Internal Auditors 'Global Internal Audit Standards'.

However, we chose an internal review for this Report due to our Internal Audit team's expertise and understanding of our work and requirements, which surpasses that of external services.

## The approach for this Report

Like previous years, assurance was based on a sample of case studies from the Report. These case studies mainly offer practical examples of Railpen's **stewardship** impact and effectiveness. Since they include specific claims about outcomes, the Railpen team agreed that continuing assurance helps validate these statements.

Case studies were selected for assurance according to the criteria below:

- Is Railpen making particular claims about its impact, effectiveness and the outcome achieved?
- If so, to what extent would a claim that does not abide by the FRC's "fair and transparent" reporting standards present a risk to Railpen?
- Does the case study cover an issue which is a priority for Railpen's sustainable ownership work or more broadly?

The SO team was also keen to ensure that the case studies it chose represented a fair sample of its activity across direct **engagement**, collective engagement, policy and market-wide work, and **voting** practices.

For each case study selected, Internal Audit:

- Reviewed it against the key principles of the Code and assessed whether the 'reporting expectations' had been met or could be enhanced
- Evaluated the statements made by Railpen in the case studies and reviewed the evidence the organisation held to support making these specific disclosures
- Reviewed it to assess whether the statements made supported fair and transparent reporting under the Code

## The findings

Internal Audit was comfortable that the case studies, as documented, represent a fair and balanced assessment of the work undertaken by Railpen in 2025 and statements are supported by clear evidence. Following productive conversations with the SO team, a number of recommendations were raised and applied within the final version of the Report.





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