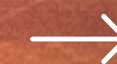


SUSTAINABLE OWNERSHIP MEMBER REVIEW 2025/2026

Railpen's review of its 2025/2026 sustainable ownership work
- for members of the railways pension schemes

RAILPEN



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WELCOME... FROM RICHARD MURRAY AND ANDY BORD

We are pleased to present the 2025/26 Sustainable Ownership Member Review.

This report gives you a snapshot of our work on sustainable ownership in 2025/6.

This report talks about how we, at Railpen, have acted on behalf of members over the past year as proactive owners of the companies and [assets](#) held within the railways pension schemes.

Every investment decision we make is guided by our responsibility to achieve good financial outcomes for members. [Sustainable ownership](#) is key to this. It helps make sure that we consider important sustainability and governance issues that evidence shows can have a financial impact when making our investment decisions. These include whether company boards can be held to account and whether workers are treated fairly. This helps us act in the best long-term financial interests of you, our members, and works to make sure there is enough money available to pay pensions both now and in the future.

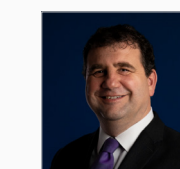
You and your employer pay contributions while you are an active member of the railways pension schemes. We invest these contributions in a range of assets and use the returns to help pay members' pensions. We aim to invest in companies that are well-run and actively manage the risks and opportunities related to how their business operates. To support this responsibility, Railpen has dedicated sustainable ownership specialists who work with our investment managers to identify issues, such as fair treatment of workers and the responsible use of AI, that could affect the long-term value of companies we invest in. In an increasingly complex and uncertain world, understanding and acting on long-term risks is more important than ever.

Owning [shares](#) in a company gives us rights, but also responsibilities. Our Sustainable Ownership team seeks to understand how companies are responding to important challenges, works with company leaders, votes on key decisions and, where necessary, takes further action to help protect members' pensions. Over the past year, we have continued to engage with companies on issues that could influence their long-term success and, in turn, the value of the investments we hold on your behalf. This report highlights some of that work and shows how sustainable ownership supports our long-term investment approach.

This expertise was recognised across the investment industry last year, including as one of the world's **Top 30 Responsible Asset Allocators** and through winning the International Corporate Governance Network (ICGN) **Award for Excellence in Corporate Governance**. While we are proud of this recognition, what matters most is the impact our work has on protecting and paying members' pensions over the long term.

As always, this year's report has been shaped by your feedback. Members told us they wanted clearer explanations, more practical examples and a stronger understanding of how sustainable ownership supports their pension. We have listened and designed this report to be **shorter, clearer and more focused on the issues that matter most to you**. There may be some words or phrases you're unfamiliar with, so we've explained these in a glossary on [page 16](#).

We hope you find it both informative and engaging.



Richard Murray
Chair of the Trustee Board



Andy Bord
Chief Executive, Railpen



WHAT IS SUSTAINABLE OWNERSHIP?

Sustainable ownership is a core aspect of how we invest your pension.

It means that we consider financially relevant sustainability and governance issues such as climate change and the fair treatment of workers when making investment decisions. We also engage with the companies and assets we invest in on your behalf to encourage companies to manage these issues effectively. Evidence shows they can affect long-term returns, which is why we take them seriously.

Investing doesn't stop once an investment has been made. As long-term investors, we monitor the companies and assets we invest in, work with management and boards, and use our tools, such as [engagement](#) and [voting](#), to influence important decisions that could affect their future success. This approach, known as [stewardship](#), helps us identify and manage risks and opportunities that could affect the long-term value of your pension.

How does sustainable ownership help your pension?

Our responsibility is to help protect and grow the assets that support members' pensions.

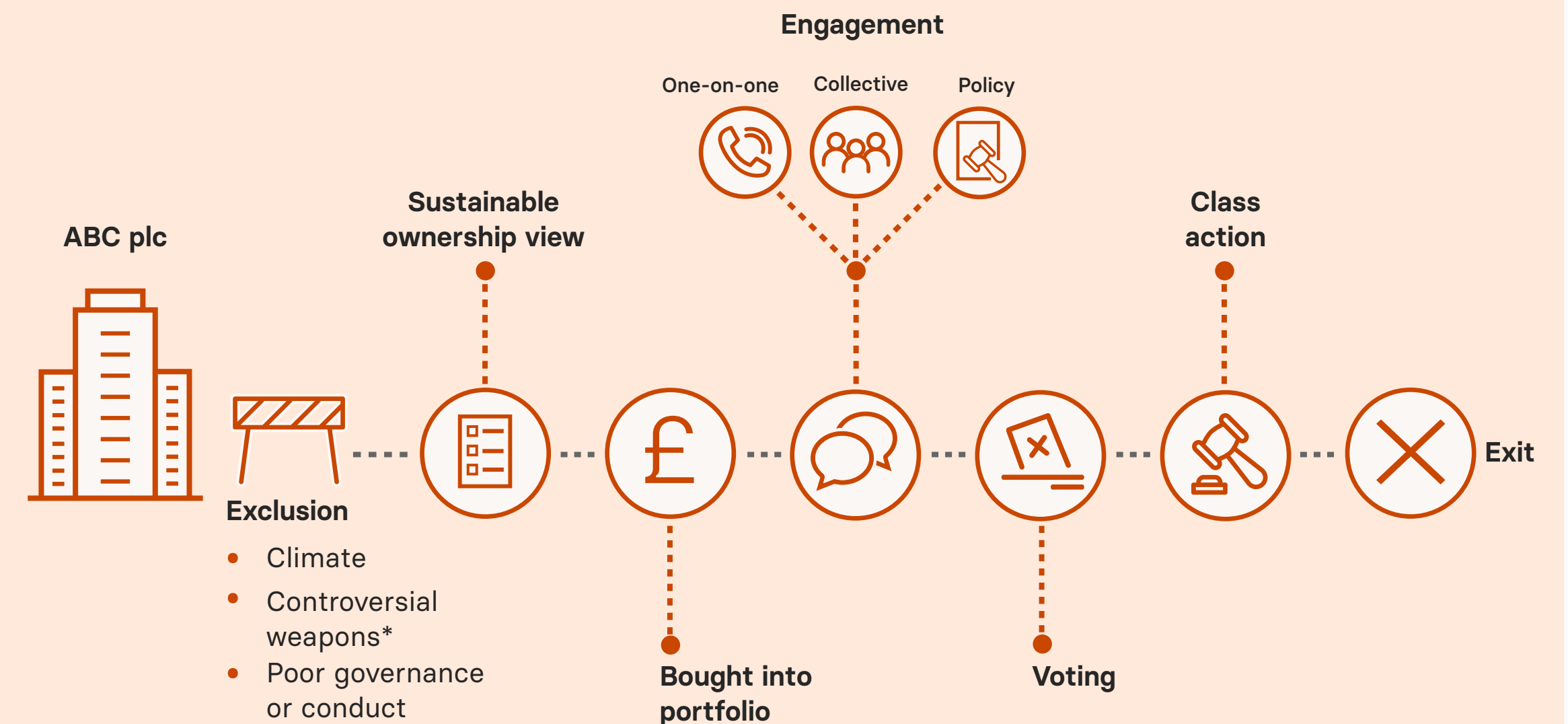
To do this, we look at the issues that could affect company performance, including, for example, workforce treatment, AI, cybersecurity, governance (how a company is run) and environmental risks and opportunities.

Through [engagement](#), [voting](#) and [collaboration](#) (see the Glossary for a definition of key terms), we aim to support better investment decisions and help make sure the companies we invest in, and the market more broadly, can thrive.



Sustainable ownership is an important part of the investment process and is one of the ways we help protect and pay members' pensions over time.

Opportunities for sustainable ownership engagement over the lifecycle of an investment



* Controversial weapons refer specifically to landmines, chemical and biological weapons and cluster munitions in line with the Convention on Cluster Munitions.



Sustainable Ownership's impact in 2025/6

- Following Railpen engagement, Amazon strengthened its workforce, supply chain and human rights disclosures, with potential wider market impact given its scale and influence
- More than 20 companies improved workforce reporting following Railpen guidance
- Major investors adopted Railpen's rationale on BP's Chair following governance concerns, supporting significant governance changes at the company
- Our Investor Coalition for Equal Votes gained additional support from some of the world's largest investors, [following our engagement on governance concerns at SpaceX](#)
- The UK Government incorporated some of our thinking into their work on modernising corporate reporting

You can also find more information about sustainable ownership on your member website at railwayspensions.co.uk/sustainable-ownership or btpensions.co.uk/sustainable-ownership.

Why this report looks a little different this year

You told us, we listened:



Explain how this affects my pension



Use less investment jargon



Give more real, practical examples



Make the review shorter and easier to read



Top member priorities

1. Fair pay for workers
2. Reliable and accurate company reporting
3. Making sure company boards can be held to account
4. How well a company treats its workforce
5. Responsible use of new technology such as artificial intelligence (AI)

Your top priorities remained broadly consistent this year. Two issues gained greater prominence: the responsible use of technology, including [artificial intelligence \(AI\)](#) – which entered the top five for the first time – and how well companies treat their workforce.



“Governance sets the scene for how the company actually executes their work and makes decisions. And you’d expect that to then inform their social and environmental approaches.”

– Member survey response, 2025





Your thoughts on sustainable ownership¹

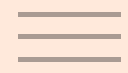


Thank you to everyone who took part in our survey and dedicated focus groups. Your feedback helps shape both our communication with members and the issues we focus on through our sustainable ownership work.

We hope this report gives you a clearer understanding of how we act as investors on your behalf and how sustainable ownership supports our long-term responsibility to members.

We'd love to hear your thoughts on the issues we've covered and how we've presented them: email us at SO@railpen.com

¹ Over 1,500 randomly selected members of the Railways Pension Scheme responded during November and December 2025. On overview of the member survey results can be found [here](#).



SUSTAINABLE OWNERSHIP IN 2025



\$4.5 trillion

Amount of global pension fund assets backing Railpen's 'one share, one vote' campaign for better ways to influence companies through our vote



5

Number of awards won for our 2025 work on stewardship



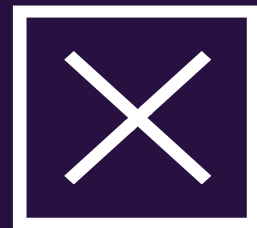
40%

Reduction in the emissions of our public markets portfolio on a like-for-like basis since 2020



1,372

Company meetings we voted on globally



57.8%

Proportion of Annual General Meetings where we voted against or refused to support company management, or abstained on at least one resolution



100%

Proportion of meetings where we were able to vote and where we cast votes



40

Companies we are engaging with in our Net Zero Engagement Plan



\$2.5 trillion

Combined assets of UK and US institutional investors which make up the Railpen Chaired, Workforce Engagement Coalition, championing worker voice through company engagement

These were our top 10 holdings in 2025

Our largest, internally-managed investments at the end of 2025 were in the following companies:

Company	Country	Sector	Amount we've invested
Microsoft Corp	US	Information technology	£403m
Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Information technology	£324m
Alphabet Inc	US	Communication services	£279m
NVIDIA Corp	US	Information technology	£212m
LVMH Moët Hennessy Louis Vuitton SE	France	Consumer discretionary	£209m
Broadcom Inc	US	Information technology	£209m
Thermo Fisher Scientific Inc	US	Health care	£191m
Assa Abloy AB	Sweden	Industrials	£185m
Amazon.com Inc	US	Consumer discretionary	£179m
Meta Platforms Inc	US	Communication services	£168m

Industry recognition for work on behalf of members



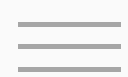
2025 International Corporate Governance Network (ICGN) Awards: **Excellence in Corporate Governance**



2025 IPE Transition Awards: **Private Markets Investment and Leadership in Energy Transition**



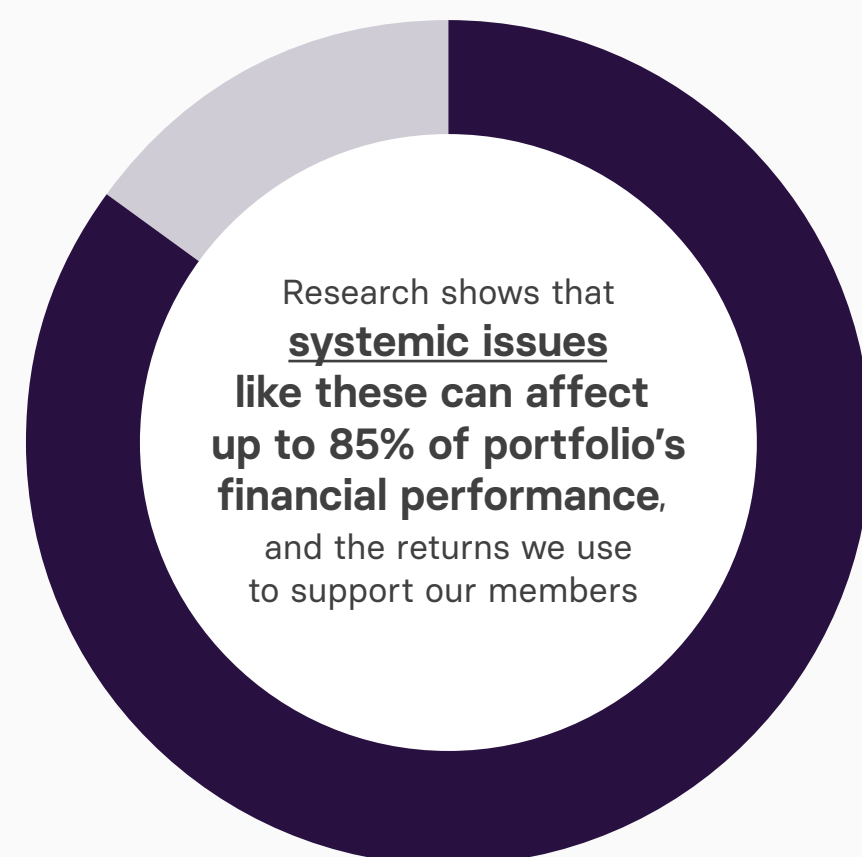
2025 RAAI Leaders List: **Top 30 Responsible Asset Allocators globally**



OUR ENGAGEMENT PRIORITIES WITH COMPANIES WE INVEST IN

We engage with companies in two ways. Sometimes we focus on issues facing an individual company. At other times, we focus on systemic issues, which are wider issues that affect many companies across our portfolio.

Our four stewardship priorities for these wider issues will guide our work in this area until 2030. We refined and refreshed them this year to take account of the latest evidence on their financial impact.



Our systems stewardship priorities

In an increasingly complex and uncertain world, understanding long-term risks is more important than ever. Our stewardship priorities focus on the governance and sustainability issues most likely to affect company resilience, long-term value creation and the financial outcomes that help support members' pensions. We work closely with companies to address these challenges and support sustainable long-term performance.



Climate & Nature

- Biodiversity
- Water



Worth of the Workforce

- Fair pay and benefits
- Worker relations and voice
- Modern slavery



Responsible Technology

- Governance of AI
- Cybersecurity



Sustainable Financial Markets

- Board effectiveness
- High-quality audit
- Shareholder rights





In numbers - how systemic issues affect all companies



c.5%

Proportion of share price underperformance that major cyber breaches are associated with



70% value loss

79% of dual-class IPOs lost more than 70% of their value, significantly greater than single-class peers



\$320 bn

Amount of investment lost globally in natural catastrophes in 2024



55%

Proportion of global food production at risk from declining water availability



£1.74 bn

The minimum amount of identified financial impact across high-profile UK corporate failures since 2016 where audit and governance concerns were identified



\$500 bn

Estimated value of imports that could be affected by forced labour import restrictions and enforcement actions globally



EXAMPLES OF OUR ENGAGEMENT WORK

How we use our voice as an investor

As long-term investors, we work with companies to help them address issues that could affect their future success and the long-term value of our investments. We do this in four main ways, which are illustrated in the case studies below.

- **Private engagement**
- **Voting and public action**
- **Influencing policy and markets**
- **Divestment and exclusion**

Private engagement

We meet with company leaders to discuss issues that could affect their long-term performance.

Members told us that the responsible use of AI and new technology is becoming increasingly important to them. As one of our largest investments, engaging with Amazon provided an opportunity to understand how a global company is using AI to support innovation, while also managing the risks that can come with these rapidly developing technologies.

Case study 1: Talking to Amazon about AI and robotics

The issue

AI and robotics are becoming increasingly important to many businesses. While these technologies can improve efficiency and productivity, they can also create risks if they are not managed properly; these could include impacts to the workforce, safety, data security and oversight of AI-driven decisions. As a major employer and technology company, Amazon’s approach to AI and robotics could have a significant impact on its long-term performance.

What we did

We met with Amazon to understand how its board oversees AI, how it manages AI-related risks and opportunities, and how robotics are being used across its operations. We also discussed how AI could affect Amazon’s employees and customers.

What happened and why it matters

Amazon shared details of how it manages AI and launched a dedicated ‘Responsible AI’ webpage. This is important because AI and robotics could have a significant impact on Amazon’s future profitability, both through productivity and innovation gains and through risks such as regulatory action, operational failures and loss of customer trust if these technologies are not governed effectively. Given Amazon’s scale, its approach may also influence wider market practices.

Our engagement helped improve transparency and strengthen our understanding of how the company is managing these risks and opportunities.



Voting and public action

As shareholders, we can vote on important company decisions. Where we believe improvements are needed, we may vote against company management or raise questions publicly.

Fair pay remains the issue that you tell us is most important when engaging with companies. We selected this example to show how we use our voting rights to encourage greater transparency about workforce pay and to better understand whether companies are creating the conditions for long-term success.

Case study 2: Voting on fair pay at Next Plc

The issue

Next employs a large workforce across its stores, warehouses and operations. As long-term investors, we follow the evidence showing that fair pay can support employee engagement, productivity and retention, all of which can contribute to a company's long-term success. In 2025, investors raised concerns that it was difficult to understand how Next sets pay levels and how these compare with the Real Living Wage, an independent standard which calculates the rate of pay needed to cover living costs such as rent, food and bills.

What we did

We reviewed a shareholder proposal asking Next to provide more information about its approach to pay, especially since they did not pay the Real Living Wage as one of the UK's biggest [public](#) companies. We supported the proposal and voted in favour at the company's Annual General Meeting (AGM).

What happened and why it matters

The proposal received 26.9% shareholder support, a significant level for a workforce-related resolution at a UK company. Following the vote, Next acknowledged investor interest in its approach to pay by extending the information it published (known as disclosure), including a section on 'pay progression and promotion' in its annual report. This matters because the workforce is among retailers' most important assets. Employee engagement and retention can have a direct impact on productivity, customer service and profitability.

Better disclosure helps investors understand whether the company's approach to pay supports its long-term success. We have continued discussions with Next and will monitor future progress.



Influencing policy and markets

Influencing policy matters because laws and market rules shape how all companies operate, allowing us to address risks across many of our investments, not just one company at a time.

Members consistently tell us that strong governance, accountability and reliable company reporting are important to them. We selected this example to show how we work with other investors to influence market standards to ensure companies remain accountable to their shareholders and that investors' voices can be heard.

Case study 3: Supporting equal voting rights for investors

The issue

When investors buy shares in a company they become part owners of the company, which means they get a say on important decisions. However, some companies give founders and insiders disproportionately greater voting power (and influence) than other shareholders, making it harder for independent investors like Railpen to hold company leaders accountable when concerns arise.

What we did

Through the [Investor Coalition for Equal Votes \(ICEV\)](#), we have continued working with investors, companies, regulators and advisers to promote fair voting rights. During 2025, we engaged directly with major investment banks, including Citigroup and Wells Fargo, because they help advise companies on their governance and ownership structures, including voting rights and share structures. We also expanded ICEV's membership and began speaking to firms that invest in private companies about their voting rights, before those companies are listed on the stock market.

What happened and why it matters

The coalition continued to grow and engage companies, regulators and other market participants, leading to more advisers highlighting our views to their company clients. This matters because when a small group of insiders holds disproportionate voting power, investors have less ability to challenge decisions that could damage long-term company performance. Research has found that companies with these structures can trade at a 7–9% lower value than comparable companies with equal voting rights after six to nine years. Through ICEV, we are promoting fairer governance structures that strengthen board accountability and help protect the long-term value of members' investments.



Divestment and exclusion

Engagement is our preferred approach. However, if risks remain unmanaged or a company does not make sufficient progress, we may choose to sell our investment or exclude the company from our portfolios.

We selected this example to show how stewardship can influence investment decisions and how we act to protect members' long-term financial interests when concerns remain unresolved.

Case study 4: Selling our investment in Nestlé

The issue

Over several years, we raised concerns with Nestlé about issues including governance, human rights, their response to climate change and long-term performance.

There had been a series of leadership changes and management controversies. Despite ongoing engagement, we saw limited progress in the areas we had highlighted.

What we did

We engaged with the company on issues including climate strategy, human rights and governance. We carefully reviewed whether continued engagement was likely to achieve meaningful improvement.

What happened and why it matters

In late 2025, we sold our investment in Nestlé following a review. The decision reflected ongoing governance instability, insufficient progress on key sustainability issues and concerns about long-term financial performance. Nestlé's share price had shown limited growth over several years, while the returns delivered to shareholders had lagged several comparable companies.

Railpen concluded that the combination of these factors reduced the investment's long-term potential and that further engagement was unlikely to deliver sufficient change. Selling allowed us to reinvest members' capital in opportunities where we saw stronger long-term potential.

If you would like to read more about our priority themes and sectors, you can find engagement plans for each area linked below:

- [Climate and nature](#)
- [Responsible technology](#)
- [Sustainable financial markets](#)
- [Worth of the workforce](#)

Further details and more case studies can be found in our 2025 [Stewardship Report](#).





OUR COMMITMENT TO YOU

We are proud to work on behalf of more than 370,000 members of the four railways pension schemes, helping the Trustee to achieve its member-first ethos, to ensure pensions are governed, funded and invested securely, affordably and sustainably for generations to come.

We will continue to work hard to ensure thoughtful, aligned sustainable ownership activities remain a core part of securing our members' futures.

Thank you to everyone who took part in our surveys and focus groups this year. Your feedback has helped shape this report and continues to influence how we communicate about sustainable ownership and the issues we focus on.

We will continue to ask members:

- What issues matter most to you
- How you would like us to communicate with you
- Whether your priorities are changing

Look out for our next survey later this year!

We hope this report has helped you better understand how we use our rights and influence as an investor on your behalf and how stewardship supports our responsibility to protect and pay members' pensions over the long-term.

We'd love to hear your thoughts.

Email us at: SO@railpen.com



GLOSSARY

- **Artificial intelligence (AI):** Technology that enables computers and systems to perform tasks that would normally require human intelligence, such as analysing information, recognising patterns or generating content.
- **Abstain:** When we vote at a company Annual General Meeting, 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 at this stage, 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 Ownership:** Using our rights as investors to engage with companies, vote on key decisions and influence behaviour.
- **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'.
- **Assets:** Assets are things of value that are owned and can generate income, growth, or other benefits in the future, such as shares in companies, property, infrastructure projects, or cash investments.
- **Board:** The group of directors responsible for overseeing a company and making important decisions about its strategy and governance.
- **Collaboration:** Working with other investors and organisations to combine our influence and encourage companies or the wider market to address issues that could affect investments and members' pensions.
- **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). This means it is a loan to a private company that is not listed on an exchange.
- **Divestment (or disinvestment):** The process of an investor selling all a company's debt or equity instruments, if already invested.
- **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, 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. We also use the term 'governance and sustainability' our approach focuses only on those issues that will affect financial returns for members. Here are some examples:

Environmental

- Climate risk
- Carbon emissions
- Energy usage
- Raw material sourcing
- Supply chain management
- Waste and recycling
- Water management

Social

- Community relations
- Employee relations
- Health and safety
- Human rights
- Product responsibility
- Workforce diversity

Governance

- Board structure
- Executive remuneration
- Bribery and corruption
- Separate Chair and CEO roles
- Shareholder rights
- Vision and business strategy
- Voting procedures

- **Exclusion:** Not allowing the purchase of any of a company's debt or equity instrument and its inclusion in an investment portfolio.
- **Fiduciary Duty:** Our responsibility to act in the best long-term financial interests of members and beneficiaries.
- **Governance:** Governance is about how a company is run and how it makes decisions. Good governance means the people in charge are honest, fair, and make smart choices – supported by sensible rules and processes – to help run a company successfully.
- **Greenhouse gas (GHG) emissions:** 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 emitted, 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.
- **Portfolio:** A collection of financial investments, which could include equities, credit or infrastructure or other investments.
- **Net zero:** A state in which the greenhouse gas (GHG) emissions put into the atmosphere are approximately equal to the GHG emissions taken out of the atmosphere. Please also see 'Greenhouse gas (GHG) emissions'.
- **Shareholder:** The owner of shares (equities) in a company.
- **Shareholder resolution:** This is a proposal that is submitted by shareholders for a vote at the company's annual meeting, in an attempt to engage with the company around a desired action. Please also see 'Voting (a vote)'.
- **Stewardship:** Monitoring, understanding and looking to engage around the behaviour of the companies we invest in. Stewardship involves using tools such as engagement, voting and advocacy as ways to shape corporate behaviour.
- **Sustainable Ownership:** How we invest, manage and monitor the investment decisions made on your behalf towards your pension

- **Systemic risk:** A risk that can affect many companies, sectors or financial markets at the same time, rather than a single company. Examples include climate change, cyber security and artificial intelligence.
- **Systems stewardship:** Using our influence as a long-term investor to address system-wide sustainability and governance risks and opportunities that affect many companies across our portfolio and cannot be diversified away, with the aim of supporting long-term financial outcomes for members.
- **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'.



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