BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND
Pensions Registration Number: 10054162

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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Contents:

TRUSTEE AND ADVISERS

Fund and Investment Administrator
Railpen Limited (‘Railpen’)

Corporate Trustee
Railways Pension Trustee Company Limited (‘RPTCL’ or ‘the Trustee’)

Directors of the Corporate Trustee

Employer Directors

M Engelbretson (Resigned 1 December 2023)
A Golton
F Hassan
R Jolly (Appointed 3 January 2024)
R Jones
C Kernoghan
A Lakhani
R Murray
J Wilson

Employee Directors

I Anderson (Appointed 12 March 2024)
M Cash
G Doherty (Died while a member of the Board, on 3 September 2023)
R Goldson
D Gott
C Harding
P Holden
H Kaye
G Towse

Investment Manager and Manager of Investment Managers
Railway Pension Investments Limited (‘RPIL’)

Actuary
Adam Stanley, XPS Pensions Group

External Auditor
KPMG LLP

Legal Advisers
Linklaters
Sacker & Partners
Slaughter and May

Principal Custodian
Bank of New York Mellon

Clearing Banker
National Westminster Bank

Tax Advisers
PricewaterhouseCoopers
Ernst & Young

WHERE TO GO FOR HELP

Trustee and RPIL
Company Secretary
Railways Pension Trustee Company Limited
100 Liverpool Street
London
EC2M 2AT

T: 020 7330 6800
E: enquiries@railpen.com
W: www.railpen.com

Railpen

Further information about the Fund and individual entitlements can be obtained from:

Chief Officer, Benefits
Railpen
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

T: 0800 012 1117 (Customer Services Team)
E: csu@railpen.com
W: www.railwayspensions.co.uk

MoneyHelper

MoneyHelper is a consumer-facing service, providing free and impartial money and pensions guidance. This is provided by the Money and Pensions Service, an arm's length body sponsored by the Department for Work and Pensions. MoneyHelper can be contacted through any local Citizens Advice Bureau or at the following address:

Money and Pensions Service
Bedford Borough Hall
138 Cauldwell Street
Bedford
MK42 9AP

T: 0800 011 3797
Online enquiry: www.moneyhelper.org.uk/en/contact-us/pensions-guidance/pensions-guidance-enquiry-form
W: www.moneyhelper.org.uk/

WHERE TO GO FOR HELP (CONTINUED)

Pensions Ombudsman

If MoneyHelper cannot resolve a complaint or dispute, the Pensions Ombudsman can be contacted at the following address:

The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

T: 0800 917 4487
E: enquiries@pensions-ombudsman.org.uk
W: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator can be contacted at the following address:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

T: 0345 600 0707
E: customersupport@tpr.gov.uk
W: www.thepensionsregulator.gov.uk

Pension Tracing Service

Information about UK schemes, including a contact address is provided to the Department for Work and Pensions ('DWP') Pension Tracing Service. This enables members to trace benefits from previous employers' schemes.

The DWP's Pension Tracing Service can be contacted at the following address:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

T: 0800 731 0193
W: www.gov.uk/find-lost-pension

British Transport Police Force Superannuation Fund ('BTPFSF') Pensions Registration Number: 10054162

CHAIR'S INTRODUCTION

The Trustee Board has the privilege of supporting hundreds of thousands of people working within our Rail industry. Our membership is a wonderfully diverse group of people doing an equally diverse variety of roles, from train drivers and engineers, to accountants, customer support staff, cleaners, and everything in between. We support them all, from those who have retired, to the 18-year-old apprentice starting their first day in the industry.

All of our members rely on us to provide them with a secure income when they retire. This is increasingly important against the continued backdrop of political and economic challenges we all face – both in the UK and globally.

As the Chair of the Trustee, it's my responsibility to ensure transparency, accountability and effective governance across the railways pension schemes, to ensure we are serving all members diligently.

Throughout the year, the Trustee Board has diligently overseen the operations of the railways pension schemes, guided by our mission to pay members' benefits securely, affordably and sustainably. Members are at the heart of everything we do, and we feel the gravitas of the impact we have on their future lives and take this very seriously.

As we embark on another year of serving our members, I am delighted to share some highlights and updates from the past year. I am pleased to present the Annual Report and Audited Financial Statements of the BT Police Force Superannuation Fund ('the Fund') for the year ended 31 December 2023 on behalf of your Trustee Board.

Investment performance

Markets were dominated by monetary policy in 2023, with continued high interest rate rises leading to inflation rates starting to fall, albeit remaining at above-target levels. Weaker economic data raised the prospect of interest rate cuts continuing into 2024, resulting in equities delivering positive performance over the year.

High inflation and interest rates also resulted in a difficult period for bond markets globally. Towards the end of the year the weaker economic data resulted in a shift in the interest rate outlook for 2024, meaning the market improved. Bond performance was generally positive, with the exception of long-dated index-linked gilts. Private markets were challenged as deal activity was subdued.

Against this backdrop:

- the Growth Pooled Fund, which represents approximately two-thirds of the railways pension schemes assets, returned 9.0%;
- the Illiquid Growth Fund, which holds private investments, returned 0.5%. We note also the performance lag typical of private market investments.
- the Long-Term Income Fund returned -15.3%.

Overall, Fund assets returned 2.7%, net of all fees, and over the past ten years the return has been 7.2% per annum. Fund assets have increased from £0.9 billion to £1.6 billion, and benefit payments have exceeded contributions by approximately £0.2 billion. This means that investment returns have delivered £0.9 billion, an increase of 96%, showing just how important investment returns are to the Fund, its members and employers.

As the global economy looks to exit its interest rate hiking cycle, the outlook for investment markets remains uncertain. As almost half of the world's population goes to the polls in 2024, the outcomes of these elections will set the direction for years to come.

Supporting members and employers

Member trends continue to show a preference in digital with increased contact through email and over 116,000 members of the railways pension schemes now registered on the portal (representing around one-third of the membership). Where members have the ability to perform a transaction online, they will, with over 70% of estimates performed online and 99% of switches all carried out via the self-serve portal.

Some challenges were faced in the year as increased regulation with transfers and the stronger nudge changes have resulted in an impact to the speed of service for members. Whilst we are managing member expectations, protecting members' benefits remains the priority.

A programme of continual improvement continues as we strengthen systems and processes to enhance the service and regulatory requirements including changes to the Lifetime Allowance ('LTA') and preparing for Pensions Dashboards. The Scheme itself has continued to evolve, requiring us to carry out robust and controlled changes to systems and calculations and to implement special projects to support employer-driven initiatives.

We have maintained the authorised status of the Master Trust and developed the fund range offered to members.

Governance

The Board suffered the sad loss of Gerry Doherty who died in September 2023. Gerry was a great servant of rail industry employees throughout his career, both in trade union movement and as General Secretary of the Transport Salaried Staffs' Association ('TSSA'), and latterly as a Trustee Director safeguarding members' pension benefits. He was a friend and colleague, and his wise counsel was valued by me and the whole Trustee Board, and by Railpen on whose board he served as a Trustee Non-Executive Director for three years. Gerry will be missed by all who worked with him and knew him, but the mark he made on our industry and our Scheme will last for many years to come.

Mark Engelbretson also left his role at Network Rail in December 2023, and the Trustee is grateful for the six-and-a-half years of dedication he gave to the Trustee Board during his tenure. We wish Mark well in his future endeavours as a professional pension trustee.

Into these vacancies we have welcomed Richard Jolly as an Employer Director nominated by Network Rail, and Iain Anderson as an Employee Director nominated by the TSSA. The Trustee is committed to increasing the diversity of experience, skills and perspectives on the Board, and I look forward to further engagement with organisations across the rail industry to improve succession planning ahead of future retirement and election cycles. Trusteeship offers unique opportunities to people from all backgrounds to develop Board-level skills and serve the needs of hundreds of thousands of current and future Scheme members. We will continue to focus on making our Board as inclusive as possible so the Trustee reflects the rich diversity of the members it serves and to ensure our discussions and decision-making are as effective as they can be.

Ready for the future

As we look forward to 2024, the Board remains focused on its mission to pay members' benefits securely, affordably, and sustainably for the long term. On behalf of the Trustee Board, I am grateful for the commitment of everyone involved with the Scheme and the strong relationships we have with all stakeholders to continue to deliver high quality pensions for our members.

Christine Kernoghan
Chair, Trustee Company

THE TRUSTEE COMPANY ANNUAL REPORT

The Trustee presents its Annual Report on the British Transport Police Fund Superannuation Fund ('the Fund'), together with the financial statements of the Fund for the year ended 31 December 2023, which have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

INTRODUCTION

Railways Pension Trustee Company Limited ('the Trustee')

The Trustee is the trustee of four railway industry pension schemes. Trust law, the Pensions Acts and the Companies Acts govern the activities of the Trustee as a corporate trustee. The Trustee has overall fiduciary responsibility for the effective operation of the schemes, including administration of benefits, collection of contributions, payment of pensions, and the investment and safe custody of assets. It must act fairly in the interests of active members, preserved members, pensioners and employers.

Railtrust Holdings Limited ('RHL')

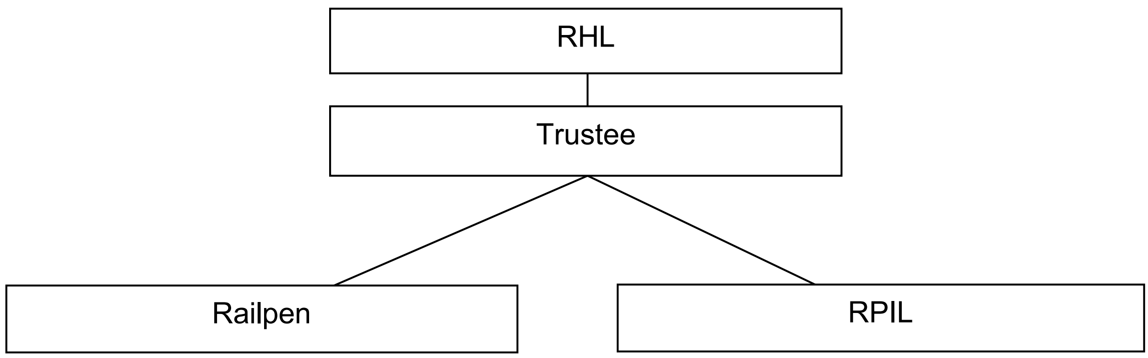
The Trustee is owned by RHL, a company limited by guarantee. Designated employers of sections in the Railways Pension Scheme ('RPS' or 'the Scheme'), Omnibus employers in the RPS, Industry Wide Defined Contribution ('IWDC') employers in the RPS, and the principal employers of the other schemes of which the Trustee is a trustee are all required to become a member of RHL. RHL is owned equally by its guarantor members, irrespective of size. Each member of RHL is committed to contribute a maximum of £1 to its liabilities if it is wound up.

The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives) of the schemes. The directors of RHL and the Trustee are the same.

There are 16 directors in total, eight elected by the members of RHL ('employer directors') and eight on behalf of the members of the railways pension schemes ('employee directors'). Six of the employee directors are nominated on behalf of employees and two on behalf of pensioners (including preserved members). Approximately, one third of the directors retire by rotation every two years. The term of office is six years.

Trustee Directors are non-executive and are entitled to emoluments which are disclosed in the financial statements of RHL.

The structure of the Trustee group as at 31 December 2023



Operating companies

The Trustee has two wholly-owned operating subsidiaries, Railpen and RPIL, to which it delegates the day-to-day operation of the railways pension schemes. Investment management of scheme assets is carried out by RPIL, which is regulated by the Financial Conduct Authority (‘FCA’). All other activities are carried out by Railpen.

Fund administration

An ongoing review of the Fund’s administration systems and processes is being undertaken. Some issues with a number of railways pension schemes’ member payments have been identified. These issues are still under internal review and cannot be quantified at this time. In addition, there may be regulatory reporting required, which is also currently under consideration.

Any corrections to member payments will be met from Fund assets and will be reported in the Fund’s financial statements. Any costs or losses (other than corrections of benefit payments already made to members) that arise in the remediation of these issues will be reported in the Fund administrator’s financial statements and these costs under certain circumstances will be recovered from the Fund’s assets. At the date of approval of these financial statements it is not possible to reliably estimate the potential value of any costs or losses.

Work is underway to formalise the approach to this work and engage with all relevant stakeholders.

Employer Director appointment procedure

The appointment procedure for Employer Directors is based on industry sub-sector constituencies. The nominating electoral groups and the number of directors to be appointed by each electoral group are set out in the table below:

Electoral Group	Number of Directors
Passenger train operating companies	3
Network Rail	2
Freight train operating companies and support services	2
All employers	1

The voting arrangements for the electoral groups reflect the schemes’ membership, while giving the most emphasis to active members. If there are more nominations than vacancies, voting within the electoral groups is on the basis of the number of employee members, preserved members and pensioners associated with each employer.

Each member of RHL has one vote for each active member and half a vote for each pensioner and preserved member in its schemes and sections. Voting in the ‘All Employers’ group is on the basis of one employer, one vote.

Employer Director appointment procedure (continued)

The table, below, shows the Employer Directors during 2023 and up to the date of signing of the financial statements, their date of retirement by rotation, and nominating constituency:

Name	Nominating Constituency	Date of retirement by rotation
Christine Kernoghan (Chair)	Passenger train operating companies	2028
Mark Engelbretson[1]	Network Rail	2024
Adam Golton	Passenger train operating companies	2026
Fatima Hassan	Network Rail	2026
Richard Jolly[2]	Network Rail	2030
Richard Jones	All employers	2028
Anjali Lakhani	Freight train operating companies and support services	2028
Richard Murray	Passenger train operating companies	2024
John Wilson	Freight train operating companies and support services	2026

1. Mark Engelbretson resigned from the Board on 1 December 2023.
2. Richard Jolly was appointed to the Board on 3 January 2024.

Employee Director appointment procedure

Nominations for each of the six Employee Directors to be appointed by the active members are sought from all of the railway trade unions, the British Transport Police Federation, and Pensions and Management Committees. Other organisations the directors consider to be representative of the employees may also be included.

Nominations for each of the two Employee Directors to be appointed by the pensioners (including preserved members) are sought from the British Transport Pensioners' Federation, the Retired Railway Officers' Society, the railway trade unions and the British Transport Police Federation. Other organisations the directors consider to be representative of the pensioners may also be included.

In all cases, if there are more nominations than vacancies, a secret ballot is held of all active members or pensioners (including preserved members), as appropriate, in the railways pension schemes. The successful nominees will be those with the most votes.

Employee Director appointment procedure (continued)

The table below shows the Employee Directors during 2023, their date of retirement by rotation, and nominating organisation:

Name	Nominating Constituency	Date of retirement by rotation
Iain Anderson[1]	Transport Salaried Staffs' Association	2030
Michael Cash	National Union of Rail, Maritime and Transport Workers	2028
Gerry Doherty[2]	Transport Salaried Staffs' Association	2024
Richard Goldson	Retired Railway Officers' Society	2026
David Gott	National Union of Rail, Maritime and Transport Workers and the Management Committee of the British Railways Superannuation Fund	2024
Charles Harding	Confederation of Shipbuilding and Engineering Unions	2026
Peter Holden	British Transport Pensioners' Federation	2026
Howard Kaye	Associated Society of Locomotive Engineers and Firemen	2028
Gary Towse	Management Committee of the British Railways Superannuation Fund	2028

1. Iain Anderson was appointed to the Board on 12 March 2024.
2. Gerry Doherty died while a member of the Board, on 3 September 2023.

Governance

The Trustee places great emphasis on maintaining high standards of fiduciary governance. Governance means having the people, structures and processes in place to provide the foundation for the efficient operation and effective decision-making of the Trustee Board.

All Trustee Directors must complete a Fit and Proper Person check prior to their appointment. This takes into account the individual's honesty, integrity and financial soundness, competence, and conduct, in line with guidance issued by the Pensions Regulator for schemes that are authorised master trusts. Directors make an annual declaration of their fitness and propriety, and the formal checks are repeated every three years and on reappointment to the Trustee Board.

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended up to 24 Board and Committee meetings in 2023, in addition to various workshops, strategy events, and training seminars.

Directors have a comprehensive training programme on appointment and throughout their tenure. They complete a Training Skills Analysis and a programme of training and workshops is provided, which is designed to support individuals and the Board as a whole, and to facilitate effective succession planning based on the Board's Skills Matrix. All Trustee Directors must achieve a minimum standard of Trustee Knowledge and Understanding which meets the Pensions Regulator's requirements, and are required to complete the Trustee Toolkit prior to appointment and at 3-yearly intervals. A wide range of training is offered by external providers and Railpen, including training on the unique characteristics and complexity of the railways pension schemes. To further support Trustee Directors, information relevant to their role is easily accessible to them electronically in one convenient place, alongside all Board and Committee papers.

Creation of the British Transport Police Authority

The principal employer of the Fund is the British Transport Police Authority, which was established by statute to supersede the Strategic Rail Authority ('SRA') with effect from 1 July 2004. The SRA was the principal employer for the period 1 February 2001 to 30 June 2004, superseding the British Railways Board ('BRB').

Exposure of investments

The railways pension schemes' assets are invested in a number of pooled investment vehicles that operate as internal unit trusts. These offer the schemes the ability to invest in a wide range of investments including UK and foreign equities, bonds, hedge funds, private equity, property and infrastructure.

Each of these types of investments has its own risks associated with it, therefore the asset classes that the schemes are invested in are closely monitored to ensure that assets are not exposed to unnecessary risk as a result of investment choices. Further details of pooled fund investment exposures can be found within the consolidated pooled fund accounts in Appendix C.

MANAGEMENT COMMITTEE REPORT

Responsibilities

The Trustee has delegated powers to the Management Committee ('the Committee') to make day-to-day management decisions. The Committee has in turn agreed to sub-delegate to Railpen many activities to ensure the smooth running of the Fund and these activities are covered in the Delegated Authorities Agreement. The Committee has agreed, through Railpen's 'Guide to Services', a Service Level Agreement, which sets out the scope of the service and the performance targets the Committee and members can expect.

Meetings

There were five meetings of the Committee in 2023. These took place on 10 January 2023, 21 March 2023, 13 June 2023, 21 September 2023 and 29 November 2023. All meetings were held virtually, using the Microsoft Teams video conferencing application, other than the meeting held on 13 June 2023 which was held at Railpen's office in London and on Microsoft Teams.

The Valuation Working Party did not meet in 2023.

Changes to Committee

There are 12 Committee members. Six members of the Committee are appointed by the principal employer, the British Transport Police Authority ('BTPA'), three members of the Committee are appointed by the British Transport Police Federation ('BTP Federation'), two members are elected by the pensioners and one is appointed by the Chief Constable after consultation with representatives of the ranks not represented by the British Transport Police Federation.

During the year, the following changes to the Committee membership took place:

- Mark Marshallsay was elected as Chair from January 2023;
- Emma Norman was elected Deputy Chair from January 2023;
- Martyn Ripley stepped down in November 2022, and Alan Pacey was elected to replace him in March 2023; and
- Rubeela Qayyum stepped down from the Committee and Sarah Church returned to the Committee to replace her in September 2023.

A list of the Committee members, as at 31 December 2023, is shown in the following table, together with details of the number of meetings, which each member attended during the year.

MANAGEMENT COMMITTEE REPORT (CONTINUED)

Committee members at 31 December 2023

Name	Appointing body	Appointment date	Number of meetings attended	Number of meetings eligible to attend during 2023
Ms Harriet Andrews	BTPA	December 2016	3	5
Mr Alistair Sutherland	BTPA	September 2022	2	5
Mrs Sarah Church	BTPA	September 2022	2	2
Mrs Emma Norman	BTPA	May 2016	5	5
Ms Rachael Etebar	BTPA	July 2019	4	5
Mr Stephen Field	BTPA	January 2008	5	5
Supt David Oram	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	September 2022	5	5
Mr Stuart Cowan	BTP Federation	September 2022	2	5
Mr Peter Kingham	BTP Federation	June 2020	4	5
Mr Mark Marshallsay	BTP Federation	June 2017	3	5
Mr John McBride	Pensioner elected	April 2022	4	5
Mr Alan Pacey	Pensioner elected	March 2023	3	3

Chris Welburn of Railpen, is Secretary to the Committee.

Committee members appointed by the BTPA remain in position until they resign or the BTPA terminates their appointment.

Committee members appointed by the BTP Federation remain in position until they resign, cease to be a member of the Fund or the BTP Federation terminates their appointment.

The Committee member appointed by the Chief Constable after consultation with the ranks not represented by the BTP Federation remains in position until they resign or cease to be a member of the Fund.

The pensioner-elected Committee members remain in position for a five year period, or until they resign or cease to be a pensioner of the Fund. Pensioner-elected Committee members may stand for re-election following five years in office.

MANAGEMENT COMMITTEE REPORT (CONTINUED)

Communications

The Committee is keen to ensure that members are kept up to date with news and developments, and to achieve this aim, it regularly reviews the communications plan. Annual Pension Estimates are sent to contributing members each year, usually in October, and these members also receive a 'Focus' newsletter three times a year. Pensioners receive the 'Penfriend' newsletter two times a year, in spring and winter. Members who no longer contribute but who have deferred benefits in the Fund, receive a yearly edition of 'Extra'.

To supplement these publications, a variety of useful information continues to be available at www.btppensions.co.uk, and members may always contact the Fund's administrators at:

Railpen
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

Members can phone the Customer Services helpline on 0800 012 1117 or email csu@railpen.com.

Membership

The total membership of the Fund increased during the year to 7,889.

	2023	2022
Active members	2,925	3,096
Pensioners	3,068	2,973
Dependent pensioners	453	441
Preserved members	1,443	1,356
Total membership at end of year	**7,889**	**7,866**

Financial information

During the year, the net return on investments of the Fund, as a whole, was a gain of £53.9m (2022: loss of £120.9m).

The Fund paid benefits of £66.2m in 2023 (2022: £62.0m) and received contributions of £34.6m (2022: £33.3m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £33.3m (2022: net withdrawal of £30.6m).

Actuarial valuation

The most recent valuation of the Fund was carried out at 31 December 2021 by the Fund Actuary Adam Stanley of XPS Pensions Group. This was completed and signed off on 29 March 2023. Information about the results of the valuation can be found in the report on Actuarial Liabilities on pages 52 to 53.

Safe custody of assets

The Trustee gives particular attention to the safekeeping of its assets, including the efficiency of transaction settlement, income collection, foreign exchange dealing and tax records. The appointed custodian supplies the Trustee with reports, attested by their external auditors, on the effectiveness of internal controls. Regular visits are made to the custodian and an independent custody-efficiency monitoring service is retained. Foreign exchange dealing is also monitored.

Operational risk

The Trustee was one of the first UK corporate trustees to introduce a risk management process. The risk management process, which has been reviewed during the year, identifies risks, assesses their potential impact and likelihood, and determines the appropriate action to reduce their likelihood and consequences.

Tax status

The Fund is a registered fund under the Finance Act 2004.

Eligibility

All police officers who are not within two years of their maximum pension age (60 or 65 depending on rank) when they join the service are eligible to join the Fund, if allowed by their contract of employment.

Transport Act 1980

The Transport Act 1980 provides financial support for the employer's historical obligations. These obligations are met by the payment to the Fund of a fixed proportion, determined by the Secretary of State, of the relevant obligations as they fall due. This proportion is 65.99% of supportable Fund expenditure as it occurs.

Historic obligations relate to preserved membership, which is membership prior to 14 September 1970, credited to members on joining the Fund at that time.

Pension increases

Pensions in the Defined Benefit sections increased by 10.1% with effect from 10 April 2023. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the government under the Pensions (Increase) Act 1971. This is based on the CPI inflation figure, which measures changes in the prices of goods and services, as at September 2022.

Benefit structure from April 2007

From 1 April 2007, a revised benefit structure was introduced for new members and is shown in the following table. Details of the old benefit structure are available on request from Railpen.

New members post 1 April 2007

Active member

Contributions

Contributions are based on pensionable salary, which is basic salary plus, where appropriate, pensionable allowances such as London Weighting.

Pensionable salary is re-assessed on the first Monday in January each year, based on the member's salary on the previous 1 November. Contributions cease when the first of the following occurs:

a) on leaving the Fund; or

b) at maximum pension age of 60 or 65 depending on rank.

Additional voluntary contributions ('AVC')

The AVC arrangements for the Fund, known as 'BRASS' and 'AVC Extra', are administered by Railpen. BRASS is open to all contributing 1970 Section members of the Fund who joined before 1 April 2007. AVC Extra is the only AVC arrangement for 1970 Section members who joined after 1 April 2007 and a second contribution top-up arrangement for members who joined prior to 1 April 2007 and who have maximised their BRASS contributions.

Death in service

Nominated dependants or personal representatives will receive:

A lump-sum death benefit of four times pensionable salary averaged over 12 months.

Plus

A dependant's pension of one half of the pension the member would have received had he/she retired due to incapacity at the date of death. Pensions for children may also be payable.

Full details of the provisions of the Fund can be found in the Trust Deed and Rules.

Leaving the Fund

When a member retires at or after age 55 he/she will receive

A pension of 1/70th of average pensionable salary for each year of membership, up to 35 years.

Plus

A tax-free lump sum of 4/70th of average pensionable salary during the last 12 months for each year of membership, up to 35 years. Lump sums can be converted into pension on a cost neutral basis.

And on death

A dependant's pension of one half the member's pension (before conversion of any lump sum). Pensions for children may also be payable.

When a member retires because of incapacity he/she will receive

Incapacity retirement benefits, with no reduction for early payment, can be granted at the Management Committee's discretion to members retiring on the grounds of incapacity who have completed at least five years' membership. The length of membership used to calculate the pension may also be enhanced in certain circumstances.

And on death

A dependant's pension of one half of the member's pension (before conversion of any lump sum). Pensions for children may also be payable.

When an immediate pension is not payable he/she will receive

If the member has two or more years' service, either:
A preserved pension and lump sum payable from age 65, or from age 55 at a reduced amount.
Or
A transfer value payment payable to another approved pension arrangement.

If the member has less than two years service:
A refund of contributions less tax and other deductions.

Transfer values

All transfer values out of the Fund are paid in full and are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996. Allowance is made in the calculation of transfer values for discretionary benefits payable upon early retirement, on the basis of the assumed future experience of members retiring early. There are no other discretionary benefits to be taken into account.

Full details of the provisions of the Fund can be found in the Trust Deed and Rules.

THE TRUSTEE INVESTMENT REPORT

Introduction

The Trustee is responsible for ensuring that suitable investment strategies are agreed for the Fund. The policies that guide how the assets of the Fund are invested are set out in the Statement of Investment Principles ('SIP'), which is shown in Appendix B. The Trustees have produced the SIP in accordance with section 35 of the Pensions Act 1995 (as amended) and subsequent legislation, including The Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"). No investments have been made over the year which are not in accordance with the SIP. A copy of the SIP is available on the member website: https://member.railwayspensions.co.uk/knowledge-hub/about-the-scheme/scheme-documents.

The mission of the Fund is to pay members' pensions securely, affordably and sustainably. To achieve these aims the assets of the Fund are invested to generate appropriate returns over the long-term.

Investment strategy is set taking account of, amongst other factors, the specific liability profile of the Fund. The Trustee has a committee, the Integrated Funding Committee ('IFC'), responsible for carrying out this work, sometimes working with a Pensions Committee where established, with delegated investment responsibilities.

The Trustee has two wholly owned operating subsidiaries, Railpen and RPIL, to which it delegates the day-to-day operation of the Fund.

Railpen Limited or 'Railpen' is a wholly-owned Trustee subsidiary and provides the schemes with a full range of administration and payroll services as well as communications, and technical support to name but a few.

Railway Pension Investments Limited or 'RPIL', is the Trustee's investment manager. RPIL is a company authorised by the Financial Conduct Authority (the "FCA"), wholly owned by the Trustee, and provides comprehensive investment management and fiduciary services for the Trustee.

Fund returns

The 1970 Contributory Section, with its liabilities predominantly in respect of serving members, has a large allocation to the Growth Pooled Fund, and smaller allocations to the Illiquid Growth Pooled Fund, the Private Equity Pooled Funds, the Long Duration Index Linked Pooled Fund, and the Long Term Income Pooled Fund. The investment return for the year was 2.7%. Over a three year period the investment return was 4.4% per annum, while over a 10 year time horizon the return was 7.3% per annum.

The other two sections are much more mature (i.e. their liabilities are in respect of pensioners and deferred pensioners). As a result, they have higher allocations to UK government bonds. The return for the 1970 Preserved Section was 3.8% for 2023. Over a three year period the investment return was -1.7% per annum, while over a 10 year time horizon the return was 3.4% per annum. The 1968 Section had a return of 0.4% in 2023, -7.0% per annum over three years and 3.7% per annum over 10 years. All returns are expressed net of fees and costs.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Investment management arrangements

The assets of the Fund are invested through a number of pooled investment funds managed by Railpen, each with a different risk and return profile. These funds are managed as internal unit trusts and each pooled fund is approved by HMRC. The Fund holds units in some or all of the pooled funds. The use of these pooled funds enables The Fund to hold a broader range of investments more efficiently than is possible through direct ownership.

The range of pooled funds allows tailoring to the needs and particular circumstances of the Fund.

In many cases the pooled funds are multi-asset, where the mix of asset classes can be varied according to market conditions and opportunities. They enable the Fund to hold a managed portfolio of assets rather than a fixed allocation. This should result in a less volatile return profile.

The Trustee recognises its legal duty to consider factors that are likely to have a financially material impact on investment returns over the period during which benefits will need to be funded by the Funds' investments. These factors include, but are not limited to, environmental, social and governance ('ESG') factors, including, but not limited to, climate change. The Trustee requires ESG factors including climate change are taken account of in the selection, retention and realisation of investments. In addition the Trustee requires that the quality of stewardship and ESG integration (including climate change) are taken into account when selecting Fund Managers, and to monitor relevant Fund Managers' stewardship and ESG integration (including climate change) during the investment period.

Non-financial matters may be considered on a case-by-case basis in relation to the selection, retention and realisation of investments where the Trustee has reasonable cause to believe that members would share concerns that such matters would be inconsistent with the values or good reputation of the Schemes and would not involve a significant financial detriment to the Schemes.

Each pooled fund has a return comparator and risk parameters within which returns are targeted. Within the pooled funds, Railpen is able to make use of internal and external fund management capabilities and employs both active and more passive implementation styles.

The use of external active management has declined substantially over the past decade. External fee structures for public markets have increasingly moved to flat fees with fewer performance related payments. In private markets, fees are being reduced through an increase in co-investments and bespoke arrangements. The combination of these factors has resulted in a significant reduction in expenses.

Within the Growth Pooled Fund, the allocation to equities was reduced and the allocation to US government bonds and global corporate bonds were increased following bond market falls over 2022. Absolute return assets were also increased and a new equity portfolio was added focusing on stocks in the energy sector, further increasing the diversification benefits of the Fund.

Within the Illiquid Growth Pooled Fund, capital was deployed across different asset classes, although deal activity was down on the previous year. The in-house team continued to manage distributions from legacy investments in the Private Equity Funds.

Investment management arrangements (continued)

The Long Term Income Pooled Fund also received distributions from its assets, and there were a number of redemptions. The fund has not made any purchases over the year, and has instead focused on asset management and in progress construction projects across the portfolio.

The De-Risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Non-Government Bond Pooled Fund, Long Duration Index Linked Pooled Fund, and Short Duration Index Linked Pooled Fund. A new Matching Short Maturing Fund was also set up during the year, with the first assets invested in December 2023.

Investment strategy

The IFC is responsible for setting the Fund's investment strategy. In setting strategies for the Fund, the profile of the liabilities, along with the covenant strength and views of the sponsoring employer, are taken into account as part of an integrated risk management approach to funding.

Furthermore, the Trustee sets principles for the key aspects of section investment strategy, taking into account covenant strength and maturity of pension liabilities. The IFC uses these principles in assessing and agreeing the investment strategy for each individual section. Railpen works with the IFC to agree investment strategies for the Fund.

Liquidity of investments

Investments described in the financial statements as 'quoted' or 'exchange traded' are either listed on a recognised investment exchange, or traded in a secondary market where prices are usually readily available from a broker, dealer, industry group or other pricing service, and where those prices are representative of actual market transactions on an arm's length basis. These investments are assumed to be realisable at accounting fair value although, on occasion, markets may experience reduced liquidity, in which case it may not always be possible to realise such assets at short notice at prices at least equal or close to accounting fair value.

Investments described as 'unquoted' in the financial statements – mainly property, private equity (including infrastructure), and OTC derivatives – are unlisted and for some, there is no organised public market. These investments are carried at estimated fair values in accordance with the Trustee's accounting policies, as set out in the notes to the financial statements. These asset classes are generally less liquid than quoted or exchange traded investments, either because of the lack of an organised public market, the nature of the instruments or contractual arrangements. For these reasons, it is not usually possible to realise part or all of such assets at short notice.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Economic commentary

Overall, global equity markets rose over 2023. Performance for the FTSE World Index (100% Developed Markets hedged to GBP) for the year ending 31 December 2023 was 22.3%. Developed markets outperformed emerging markets, as the latter was subdued by lacklustre growth in China.

In both the US and Europe, inflation came back down towards central bank targets in response to continued high interest rates. Although the high interest rates did not manifest into severe economic weakness, primarily due to the robust consumer demand, they were enough to create a series of bank runs early in the year. The pinnacle of this came in the US with the collapse of Silicon Valley Bank in March, whilst in Europe we witnessed the distressed purchase of Credit Suisse by UBS under the careful guidance of the European Central Bank and the Swiss government. Thanks to continued intervention by both monetary authorities and other large financial institutions, the fear of contagion from banking concerns was swiftly reduced.

In the US, the Federal Reserve benchmark rate was 5.25%-5.50% at the year end, up from 4.25%-4.5% a year earlier. Inflation has started to slow, reinforcing market expectations that the Fed had finished its rate hiking cycle and would cut rates in 2024. The prospects of a soft landing of the US economy remained likely with both economic growth and the US labour market remaining resilient. Over the year, there was growing excitement about the potential long-term impact from Artificial Intelligence (‘AI’) due to the latest release of ChatGPT. This led to major outperformance from growth stocks. The seven large tech constituents of the S&P500 helped the index record a +26% gain. By comparison, the equal-weighted S&P 500 was up by 14% with this relative underperformance of -12% by the broader index being the second worst in history; a -16% underperformance in 1998 during the dot.com bubble was the worst.

The European Central Bank (‘ECB’) deposit rate was 4% at the end of the year, an increase from 2% a year earlier. Some ECB speakers signalled rate cuts could be on the horizon in the latter half of 2024. The Euro Area began to see evidence of higher interest rates slowing the economy which resulted in inflation falling to levels not seen since the summer of 2021.

In the UK, the Consumer Price Index (‘CPI’) rose by 4.0% over the 12 months to December 2023, well down from the peak of 11.1% in October 2022, but above central banks’ 2% target. The Bank of England base rate was 5.25% marking five months since the last rate, but up from 3.5% a year earlier. Similarly to the Euro Area, the impacts of the rate hiking cycle have started to be seen in economic data with weak consumer spending and quarter-on-quarter economic growth.

High inflation and interest rates meant it was a difficult period for bond markets globally. Towards the end of the year weak economic data and signs of inflation falling has resulted in a shift in the interest rate outlook for 2024, meaning the market improved. Overall, the UK 10-year government bond yield fell to 3.5% to 3.7% over 2023, whilst the US 10-year government bond yield remained broadly the same, at 3.9%.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by RPIL, invests in a diversified mix of predominantly growth-focused assets. The asset allocation of the Growth Pooled Fund is flexible and will vary, taking into account changing market valuations, consistent with the Trustee's investment beliefs. The investment objective is to maximise risk-adjusted returns over the long term whilst targeting 70% of the total market risk of public equity. The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation was fairly unchanged at 70-75%. Other asset classes held within the Growth Pooled Fund include government bonds, corporate bonds, property and diversifying assets. The Growth Pooled Fund return in 2023 was 9.0%. Over a 3-year period, the Growth Pooled Fund returned 3.7% per annum.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation, and produced a return of 22.6% in 2023, and 8.1% per annum over a 3-year period. The Global Equity Pooled Fund has fixed weights in major geographic regions and produced a return for the year of 15.0% and 7.2% per annum over a 3-year period.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private market investments. It is made up of a series of sub-funds, each representing a different vintage year of private equity investment. In aggregate, the Private Equity Pooled Fund returned -10.9% in 2023, and 10.2% per annum over a 3-year period. The Private Equity Pooled Fund is closed to new investments. New investments in private markets are predominantly made within the Illiquid Growth Pooled Fund.

The Illiquid Growth Pooled Fund delivered a return of 0.5% for the year, and 17.7% per annum over a 3-year period.

The Long Term Income Pooled Fund delivered a return of -15.3% for the year, and -6.2% per annum over a 3-year period.

For the Private Equity, Illiquid Growth, and Long Term Income Pooled Funds, the unquoted nature of the underlying investments means there is often a significant time lag for revised information on underlying investments to flow through to the Pooled Fund valuation.

The De-Risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Non-Government Bond Pooled Fund, Long Duration Index Linked Pooled Fund, and Short Duration Index Linked Pooled Fund. A new Matching Short Maturing Fund was also set up during the year, with the first assets invested in December 2023. Performance for this fund will be reported in the financial statements next year.

The Government Bond Pooled Fund is a UK government bond portfolio, managed internally by RPIL on a buy and maintain basis. The Government Bond Pooled Fund returned 5.1% for the year, and -2.2% per annum over a 3-year period.

The Non-Government Bond Pooled Fund is managed on a buy and maintain basis by an external fund manager and returned 9.0% for the year, and -2.6% per annum over a 3-year period.

Investment performance (continued)

The Long Duration Index Linked Pooled Fund invests in UK inflation-linked government bonds and is managed internally by RPIL on a buy and maintain basis. The Fund returned -5.0% for the year, and -18.6% per annum over a 3-year period. Long-dated bonds were most impacted following the UK government's "mini-budget" in September 2022.

The Short Duration Index Linked Pooled Fund is managed internally by RPIL on a buy and maintain basis. The Fund returned 7.0% for the year, and 2.7% per annum over a 3-year period.

Information on the returns of all pooled funds can be found in Appendix C.

Voting and engagement

Voting rights are exercised and engagement activities undertaken in accordance with the global voting policy and current best practice, including the UK Stewardship Code. The Trustee believes that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively.

The global voting policy sets out expectations for issuers. Constructive engagement with portfolio companies and policy makers, alongside thoughtful voting, supports the Trustee's investment objectives.

Acting on the Trustee's behalf, RPIL is currently focused on the following stewardship priorities: climate change; workforce treatment; responsible uses of technology, and supporting more sustainable financial markets. The Trustee believes that these issues are stewardship priorities because they are financially material to all or a significant proportion of the Schemes' investments.

Relationship with asset managers

The investment of the assets within each Pooled Fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to RPIL, the internal manager for the railways pension schemes, or to external fund managers appointed by RPIL. The Investment Management Agreement sets out the parameters and policies within which RPIL operates.

The investment performance of each Pooled Fund is measured against an agreed objective and the objective and investment guidelines for each Pooled Fund are set out in the Pooled Fund Policy document and Pooled Fund Directive document. The investment arrangements are overseen by an RPIL Committee, the Asset Management Committee ('AMC'), who ensure adherence to the Trustees' views.

Investments within the pooled funds are considered in terms of the most efficient way to access desired return drivers. As part of this process, the Trustee recognises that control of costs is important in contributing to good investment returns, and regularly reviews performance and costs, both internal and external (including transaction costs) in conjunction with net of fees performance figures for the pooled Funds. Fund managers are encouraged to take a long-term approach to investing in order to align with the Trustees' investment beliefs. AMC monitors the performance of RPIL against long-term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's beliefs. RPIL is responsible for monitoring the performance of the internal and external fund managers against long-term performance objectives and compliance with operating parameters.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Relationship with asset managers (continued)

RPIL also regularly reviews and monitors the contractual arrangements with external fund managers, to ensure that the arrangement meets the investment objective, aligns with the Trustee's investment views and role as a responsible investor. This includes the fund managers' approaches to stewardship and environmental, social and governance ('ESG') integration, including climate change. Investee companies are also engaged with to improve their performance. For external fund managers, portfolio turnover is assessed on a strategy basis, to ensure it is in line with expectations. Fees, including incentive fees (where appropriate) are negotiated and performance is assessed net of fees.

RPIL and the external fund managers have discretion in timing the realisation of investments within parameters stipulated in the relevant appointment documentation.

Securities lending

Securities lending forms part of the arrangements sanctioned by the regulatory authorities to maintain an orderly and more liquid securities market. Subject to the agreements in place and the constraints on certain portfolios, the custodian is able to make a proportion of securities they hold available for lending to securities houses with short-term requirements. The lending does not impact on the fund managers' investment activities. In place of the lent securities, the pooled funds receive collateral in the form of other securities and/or cash that meet standards set on behalf of the Trustee. For any cash received as security, the Agent Lender arranges for these to be reverse repurchased, and replaced by the appropriate securities.

As a result of operating these securities lending arrangements, the pooled funds receive revenues. The custodian also operates indemnification programmes which protect the pooled funds against defaulting borrowers. The pooled funds retain economic exposure to the lent securities, for example by receiving dividends, but loses voting rights temporarily. The Trustee retains the right; however, to recall securities if an important vote is scheduled. A permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Scheme are not included in the lending programme.

Government support

The Transport Act 1980 provides financial support for the BRB's historical obligations. These obligations are met partly in cash and partly by means of substitution orders from the Government.

Self-investment

The Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 require investments to be diversified so that the failure of one does not affect the security of members' benefits as a whole. Investments in employers' businesses are also restricted to avoid the prospect of the employees losing their jobs and part of their pensions at the same time, should their employer's business fail.

Investment decisions on the purchase and sale of employer-related investments are taken by investment managers acting within discretions given to them by the Trustee.

RPIL regularly monitors investment manager activity to ensure that statutory limits on self-investment are not breached.

BRASS AVC investments (excludes IWDC and DC arrangement)

The Fund's AVC investments in the DC Pooled Fund as at 31 December 2023, was £6.8m (2022: £6.8m).

The AVC arrangements for the Fund, known as 'BRASS' and 'AVC Extra', are administered by Railpen. BRASS is open to all contributing 1970 Section members of the Fund who joined before 1 April 2007. AVC Extra is the only AVC arrangement for 1970 Section members who joined after 1 April 2007 and a second contribution top-up arrangement for members who joined prior to 1 April 2007 and who have maximised their BRASS contributions.

The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk, and in setting the range of investment options, the Trustee took into account that members face various risks in retirement provision and planning.

The overall objective of the Trustee is to provide a range of funds and lifestyle strategies suitable for members to invest their AVC contributions.

The Trustee has made three lifestyle options available to members. One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range, and is designed to be appropriate for a typical member.

These lifestyle options offer a changing asset mix over time designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from a return seeking fund, which aims for long-term growth in excess of inflation, to lower risk funds as a member approaches their target retirement age. The lifestyle options available are the Flexible Drawdown Lifestyle, the Full Cash Withdrawal Lifestyle and the Annuity Purchase Lifestyle.

The Full Cash Withdrawal Lifestyle is the default option for BRASS, while the Flexible Drawdown Lifestyle is the default option for AVC Extra.

Seven self-select funds are also available: the Global Equity Fund, Long Term Growth Fund, Socially Responsible Equity Fund, Corporate Bond Fund, UK Government Fixed-Interest Bond Fund, UK Government Inflation-Linked Bond Fund, and the Deposit Fund.

The Trustee may from time to time change the range of funds made available to the members.

BRASS AVC investments (excludes IWDC and DC arrangement) (continued)

The investment comparators for the investment funds in the Fund Range are shown in the table below:

Fund	Comparator
Long Term Growth Fund	UK CPI plus 4% p.a.
Global Equity Fund	FTSE World Index (developed market investments currency hedged into UK Sterling)
Socially Responsible Equity Fund	MSCI WORLD SRI Select Reduced Fossil Fuel Index (in US dollars)
Corporate Bond Fund	Bloomberg Barclays Global Aggregate Corporate Index (overseas investments currency hedged into UK Sterling)
UK Government Fixed-Interest Bond Fund	FTSE Actuaries UK Conventional Gilts Over 15 years Index
UK Government Index-Linked Bond Fund	Bloomberg Barclays UK Government Inflation-Linked Over 15 years Index
Deposit Fund	1 Month Sterling Overnight Index Average (SONIA)

2023 TCFD Report

In line with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021, and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Amendment, Modification and Transitional Provision) Regulations 2022 the 2023 TCFD Report for the BTPFSF can be found within the RPTCL[1] TCFD Report 2023, available at https://www.railpen.com/knowledge-hub/reports/rptcl-2023-taskforce-on-climate-related-financial-disclosures/.

The RPTCL TCFD Report 2023 is a report containing climate-related financial disclosures relating to the railways pension schemes (including the BTPFSF), produced in line with relevant statutory guidance and the recommendations of the Taskforce on Climate-related Financial Disclosures. Please note that Railpen's website is occasionally down for maintenance. If for whatever reason the above link isn't working, a copy can be obtained by emailing press.office@railpen.com.

Custody arrangements

The law of trust imposes a fiduciary duty on trustees to safeguard assets and this has been reinforced by the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has appointed custodians to hold the assets, including cash, which make up the various quoted securities portfolios managed by the investment fund managers including RPIL. This is in accordance with the Pensions Act 1995, which requires trustees, rather than the employer or the fund manager or some other party, to make the appointment.

The custodians are responsible for the administration and safekeeping of the assets. Safekeeping can be defined as the preservation of assets under a system of control that ensures that assets are only released with proper authorisation, and that the custodian's clients' investments are legally segregated from those of the custodian.

[1] Railways Pension Trustee Company Limited, the corporate Trustee of the BTPFSF.

Custody arrangements (continued)

Core administrative functions performed by the custodians include the following:

- settlement of transactions
- registration and safekeeping
- collection of income (dividends and interest) arising from investments
- tax recovery
- processing corporate actions, including proxy voting where applicable
- reporting
- cash management
- foreign exchange, and
- appointing and operating through sub-custodians in overseas markets

Other arrangements which seek to ensure asset safety, and to protect evidence of title, are in place for certain asset classes such as hedge funds and property. In the case of property, freehold and leasehold property is normally registered at HM Land Registry, where appropriate, and copies of all title documents are held by the Trustee's property lawyers.

In the case of investments managed by US fund of hedge fund managers, the Trustee has appointed BNY Mellon as the independent fund administrator to ensure that underlying hedge fund entitlements are properly monitored and accounted for, through effective and rigorous reporting and controls.

As part of the services provided to the Trustee, Railpen reviews the effectiveness of custody arrangements on a regular basis. This includes monitoring the efficiency of transaction settlement, income collection, tax recovery, foreign exchange performance and the appointment and management of overseas sub-custodians. The verification of assets is also conducted by reference to independent records held by the custodians. Great emphasis is placed on asset safety.

In addition, all custodians appointed by the Trustee are required to publish an AAF 01/06, ISAE 3402 or similar document in other jurisdictions. This is a report on the custodian's internal controls, which is made available to third parties, and is reviewed by the custodian's reporting accountant, in accordance with guidance issued by the Audit and Assurance faculty of the ICAEW in its technical release AAF 01/06 'Assurance reports on internal controls of service organisations made available to third parties', or ISAE 3402 (formerly SAS70, as amended following the introduction of the Sarbanes-Oxley Act of 2002, the US equivalent issued by the Auditing Standards Board of the American Institute of Certified Public Accountants ('AICPA') as a Statement on Auditing Standards).

Although not a regulatory requirement, this constitutes best practice and the Trustee will not appoint a custodian that does not produce a report of this type.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Sustainable ownership

The Trustee, on behalf of the Fund, has a long history as an active and engaged shareholder, with a strong heritage in sustainable ownership. Trustees of UK occupational pension schemes are required by law to address in their SIP how they consider factors that are likely to have a financially material impact on investment returns, including environmental, social and governance (‘ESG’) factors. This includes the policy directing the exercise of rights attached to investments including voting rights as well as engagement with issuers of debt and equity.

Sustainable ownership is Railpen’s approach to incorporating sustainability considerations into the investments decisions we take on behalf of our beneficiaries. This is underlined by the Trustee’s related Investment Belief:

“Incorporating and acting upon climate risk and other environmental, social and governance factors is a significant driver of investment outcome and part of our fiduciary duty. Environmental, social and governance (‘ESG’) factors affect corporate financial performance, asset values and asset-liability risk.”

Our sustainable ownership activities span three key areas:

- ESG integration
- active ownership, and
- the climate transition

Integration in portfolio management

We believe that ESG factors have a bearing on investment outcomes. ESG factors can affect business fundamentals and, as a result, asset values. It is important for investment managers to consider the magnitude, nature, timing, and likelihood of the ESG risk associated with an asset or portfolio of assets through rigorous analysis and cross-team collaboration.

Railpen’s investment processes integrate ESG into the portfolios we manage on behalf our beneficiaries. This is a joint endeavor for the Sustainable Ownership and Investment Management teams. Analysis of a particular company can result in a number of decisions:

- to invest (or not) in the company
- to hold and engage to improve ESG performance, or
- to sell a security, where the ESG risk proves to be unmanageable

We believe that incorporating ESG into our investment process increases our chances of achieving our mission to pay members’ pensions securely, affordably and sustainably.

Active ownership

As a responsible asset owner, we believe that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. Thoughtful voting alongside constructive engagement, either directly or collectively, with portfolio companies supports our objective of enhancing the long-term investment returns for our beneficiaries.

Sustainable ownership (continued)

Active ownership (continued)

Our global voting policy reflects Railpen's four key corporate governance themes:

- Corporate culture and purpose
- board composition and effectiveness;
- remuneration; and
- shareholder rights, risk and disclosure.

It also outlines our expectations of our portfolio companies on core sustainability themes, including cybersecurity, workforce engagement and voice, climate disclosure and both board and workforce diversity, and how we consider voting where our expectations are not met.

Railpen is a lead participant in a range of investor networks, alliances and trade bodies, such as the UK Investor Forum, the Pensions and Lifetime Savings Association ('PLSA'), the UN-supported Principles for Responsible Investment ('UNPRI'), the Workforce Disclosure Initiative ('WDI') and Climate Action 100+. We also work towards creating a supportive regulatory and policy environment for sustainable ownership. By working with policymakers and other leading investors, including bondholders, we can exert more influence on the issues that we care about.

The Climate Transition

As long-term investors, we monitor risks and opportunities over the timeframe we will be paying members' pensions. We expect the companies we invest in to also take a long-term strategic view of potential risks and opportunities. In particular, we recognise that this long-term investment horizon exposes members' savings to the impacts of climate change. In 2023, we focused on applying our climate assessment framework to key emitters and reviewing our Net Zero Engagement Plan. We are working to achieve net zero both through decarbonizing our investment portfolio (primarily through effective climate stewardship, but also excluding companies where necessary) and investing in climate solutions.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Sustainable ownership (continued)

Pooled fund equity holdings

The largest 10 direct equity holdings within the pooled fund investments as at 31 December 2023 were as follows:

	£m
RELX PLC	190.3
Microsoft Corp	188.8
Novo Nordisk A/S	184.5
Accenture PLC	181.8
L'Oreal SA	176.6
ServiceNow Inc	159.9
Taiwan Semiconductor Manufacturing Co Ltd	153.3
Amazon.com Inc	152.9
Atlas Copco AB	150.7
Meta Platforms Inc	141.0

More detail on our sustainable ownership activities is contained in our Sustainable Ownership Review, which can be found at www.railpen.com/investing/responsible-investing/.

For and on behalf of the Trustee:

Christine Kernoghan
Chair, Trustee Company
27 June 2024

STATEMENT OF TRUSTEE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

(i) show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Fund, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Fund and financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

Opinion

We have audited the financial statements of the British Transport Police Force Superannuation Fund ("the Fund") for the year ended 31 December 2023 which comprise the Fund Account and the Statement of Net Assets (Available for Benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 December 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below.

We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Fund, and as it has concluded that the Fund's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Fund and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, the Audit and Risk Committee and inspection of policy documentation, as to the Fund's high-level policies and procedures to prevent and detect fraud, including the Railpen internal audit function, and the Fund's channel for "whistleblowing", as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, Audit and Risk Committee and other committee meeting minutes and the Fund's breach log.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of Level 3 investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and from inspection of the Fund's regulatory and legal correspondence and discussed with the Trustee and its delegates the policies and procedures regarding compliance with laws and regulations.

As the Fund is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Fund's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Fund's registration. We identified the following areas as those most likely to have such an effect: pensions legislation, data protection legislation, anti-money laundering and recognising the financial and regulated nature of the Fund's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 48 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's Report, the Report on actuarial liabilities, the Summary of contributions, the Actuarial certification of the schedule of contributions, the Implementation Statement and the Taskforce on Climate-Related Financial Disclosure report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND (CONTINUED)

Trustee's responsibilities

As explained more fully in its statement set out on page 31, the Fund Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Fund, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditors-responsibilities-for-the-audit/

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund Trustee, for our audit work, for this report, or for the opinions we have formed.

Iryndeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Contributions and benefits			
Members' contributions	**4**	14,181	13,625
Employers' contributions	**4**	19,812	19,011
Benefit support	**4**	650	701
Individual transfers in		669	637
		35,312	**33,974**
Pensions		(54,869)	(50,606)
Lump-sum retirement benefits		(10,411)	(10,290)
Individual transfers out		(440)	(744)
Death benefits		(392)	(23)
Payments to and on account of leavers		(61)	(285)
		(66,173)	**(61,948)**
Administrative expenses	**5**	(939)	(651)
PPF levies		(1,482)	(1,995)
Total withdrawals		**(68,594)**	**(64,594)**
Net withdrawals from dealings with members		**(33,282)**	**(30,620)**
Returns on investments			
Change in market values of investments	**6**	53,603	(120,887)
Interest on cash deposits		268	58
Net returns on investments		**53,871**	**(120,829)**
Net increase/(decrease) in the Fund during the year		20,589	(151,449)
Net assets at the start of the year		1,602,609	1,754,058
Net assets at the end of the year		**1,623,198**	**1,602,609**

The accompanying notes numbered 1 to 12 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the Fund.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Investment assets			
Pooled funds	**6**	1,608,235	1,589,101
AVC investments	**6**	6,813	6,809
Cash and cash instruments	**6**	8,461	6,996
Total investments		**1,623,509**	**1,602,906**
Current assets	**8**	438	635
Current liabilities	**9**	(749)	(932)
Net assets at the end of the year		**1,623,198**	**1,602,609**

Approved by the directors of the Trustee Company on 27 June 2024.

Christine Kernoghan
Chair, Trustee Company

Richard Goldson
Director and Chair, Audit and Risk Committee

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits, which fall due at the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 52 to 53 and should be read in conjunction with these financial statements.

The accompanying notes numbered 1 to 12 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the Fund.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and the Statement of Recommended Practice, Financial Reports of Pension Schemes ('the SORP').

The Trustee considers the going concern basis to be appropriate and these financial statements have therefore been prepared on this basis. In considering going concern, the Trustee has reviewed the capital liquidity and the financial position of the Fund including future plans.

The reassessment was completed with reference to the Fund's investment and contributions income, benefits paid and return on investments. The Fund receives investment income from underlying pooled fund investments, which are structured in a way that mitigates the risk of exposure to significant market volatility. The sponsoring employer is a government body, classed as an essential service provider. As such, the risk that the employer fails to make contributions payments on time is extremely low. Benefits payable are modest in relation to Fund assets.

Railpen, which acts as the Fund administrator has been separately assessed as a going concern. The Trustee is confident that both the Fund and Railpen will have sufficient funds to continue to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements. Additionally, the Trustee has confirmed that it will make the necessary funding available to Railpen should it be unable to meet its liabilities for any reason. On this basis, the financial statements have been prepared on a going concern basis.

2. Identification of financial statements

The Fund is established as Trust under English law. The address for any enquiries about the Fund can be found on pages 2 to 3.

3. Accounting policies

The financial statements have been prepared on an accruals basis. The Fund's functional and presentation currency is pound sterling.

The principal accounting policies of the Fund are as follows:

Investments

Investments are included in the audited financial statements at the year-end at fair value (unless explicitly stated), using the following valuation bases:

The majority of the assets of the Fund are invested in a portfolio of pooled funds, which operate as internal unit trusts for the railways pension schemes under the control of the Trustee. Pooled fund unit holdings are valued on the basis of the unit prices of the units held by the Fund in each pooled fund at the year end. Unit prices reflect the valuations of the underlying assets held by the pooled funds and include income receivable on investments held. Further details of the pooled fund investment accounting policies are set out in the pooled fund accounts in Appendix C.

3. Accounting policies (continued)

Change in market value of investments

Change in market value mainly comprises gains and/or losses on investments arising in the year and reinvested investment income.

Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled funds, reflected in the unit prices and reported within change in market value.

Transaction costs arising from the underlying investments of the pooled funds are reflected in the unit prices and reported within the change in market values.

Realised and unrealised gains and losses on investments, including income receivable, are dealt with in the pooled fund accounts in the year in which they arise and are reflected in the pooled fund unit prices.

Contributions

Member normal contributions are accounted for when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.

Members' additional voluntary contributions and BRASS matching employer contributions are accounted for when deducted from members' pay.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Payments receivable under the Transport Act 1980 are accounted for as they become payable from the Secretary of State. Amounts receivable as benefit support to extinguish future liabilities under the Transport Act 1980 are accounted for when the future liability is discharged.

Payments to members

Benefits are accounted for in the period in which they fall due for payment. Where a member has choice, benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the Lifetime or Annual Allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

Under auto-enrolment, employers' may auto-enrol or contractually-enrol eligible employees into the Fund. The employees can then opt out of the Fund if they wish within one month of being auto-enrolled. Opt outs are accounted for when the Fund is notified of the opt out.

3. Accounting policies (continued)

Administrative expenses

Expenses are accounted for on an accruals basis. The Fund bears all the costs of administration. Direct costs are charged to the Fund to which they relate. Indirect costs are allocated between Funds based on an allocation methodology agreed by the Trustee.

Interest on cash deposits

Interest is accrued on a daily basis.

Pension Protection Fund levies

PPF levies are accounted for in the year in which they fall due.

Transfer values

All transfer values are determined on the advice of the Fund Actuary. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged.

Tax

The British Transport Police Superannuation Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation, except for certain withholding and capital gains taxes relating to overseas investment income and capital gains. Tax charges are accrued on the same basis as the investment income to which they relate.

4. Contributions receivable

	2023 £000	2022 £000
Members' contributions:		
Normal	13,204	12,688
Additional voluntary contributions	977	937
	14,181	**13,625**
Employers' contributions:		
Normal	19,812	19,011
	19,812	**19,011**
Benefit support:		
Government support	644	696
Transport for London support	6	5
	650	**701**
	34,643	**33,337**

Included within members' normal contributions is £11,071k (2022: £10,478k) that represents salary sacrifice contributions paid in by the Employer.

5. Administrative expenses

	2023 £000	2022 £000
Pensions administration	436	358
Actuarial fees	298	120
Trustee governance	77	58
Legal fees	27	16
Other professional fees	83	84
Audit fees	18	15
	939	**651**

‘Pensions administration’ expenses cover the processing of member and pensioner transactions and preparation of financial statements and other reports. These activities are carried out by Railpen, and are allocated according to the membership of each scheme or section of the railways pension schemes.

Administrative expenses do not include investment management fees and costs, which are deducted from the unit prices of pooled funds and disclosed separately in the pooled fund accounts in Appendix C.

6. Investments

(a) Value of investments

	Value at 31 December 2022 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 December 2023 £000
Pooled Funds					
Growth	956,616	-	(32,412)	83,767	1,007,971
Illiquid Growth	230,299	1,948	-	(5,579)	226,668
Long Duration Index Linked Bond	157,810	240	(3,812)	(8,165)	146,073
Long Term Income	136,777	(1)	-	(8,260)	128,516
Private Equity	93,234	143	(3,120)	(9,798)	80,459
Short Duration Index Linked Bond	13,620	3,715	(1,029)	981	17,287
Cash Fund	101	710	(18)	3	796
Infrastructure	392	-	-	73	465
Government Bond	252	-	(256)	4	-
	1,589,101	**6,755**	**(40,647)**	**53,026**	**1,608,235**
BRASS and AVC Extra	6,809	1,792	(2,365)	577	6,813
	1,595,910	**8,547**	**(43,012)**	**53,603**	**1,615,048**
Cash and cash instruments	6,996				8,461
	1,602,906				**1,623,509**

The BRASS and AVC Extra arrangements are invested within the DC Pooled Fund.

The Long Term Income Pooled Fund valuation has been impacted, as at 31 December 2023, as a result of an ongoing exercise to evaluate expected remediation works cost estimates, required to address fire safety issues associated with its ground rents investments. As a result of these issues, the Long Term Income Pooled Fund is currently closed for client trading. Further detail is included in note 1.5 of Appendix C.

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the market value of investments in the table above. Although income is not distributed, the pooled fund regulations allow the Fund to extract its share of pooled fund income at no cost by selling units at zero spread. The income withdrawn from the pooled funds in this way can then be used to pay benefits.

Investment administration activities include the cost of selecting and monitoring the investment managers and custodians and the preparation of pooled fund accounts. These activities are carried out by Railpen and RPIL and the costs are reflected in the unit prices.

6. Investments (continued)

(a) Value of investments (continued)

Further analysis of investments, charges and fees for each pooled fund is provided in an extract in the pooled fund accounts in Appendix C. The percentages of the pooled funds' assets that relate to the Fund investments are shown in the table below:

	% of Pooled Fund owned 31 December 2023	% of Pooled Fund owned 31 December 2022
Pooled Funds		
Long Term Income	10.1	10.1
Illiquid Growth	6.6	6.6
Long Duration Index Linked Bond	5.5	8.4
Short Duration Index Linked Bond	4.9	12.8
Growth	4.7	4.6
Private Equity	4.5	4.4
Infrastructure	3.1	3.1
Cash	1.7	0.1
Government Bond	0.0	0.0

The total value of the pooled funds used in the percentage calculations only include Fund investments in the pooled funds, and so exclude cross held investments owned by the Growth and Defined Contribution pooled funds.

(b) Investments fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets and liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

The Fund's investment assets have been fair valued using the above hierarchy levels as follows:

6. Investments (continued)

(b) Investments fair value hierarchy (continued)

At 31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled Funds				
Growth	-	1,007,971	-	1,007,971
Illiquid Growth	-	-	226,668	226,668
Long Duration Index Linked Bond	-	146,073	-	146,073
Long Term Income	-	-	128,516	128,516
Private Equity	-	-	80,459	80,459
Short Duration Index Linked Bond	-	17,287	-	17,287
Cash	-	796	-	796
Infrastructure	-	-	465	465
	-	**1,172,127**	**436,108**	**1,608,235**
BRASS and AVC Extra	-	6,813	-	6,813
Cash and cash instruments	8,461	-	-	8,461
	8,461	**1,178,940**	**436,108**	**1,623,509**

At 31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled Funds				
Growth	-	956,616	-	956,616
Illiquid Growth	-	-	230,299	230,299
Long Duration Index Linked Bond	-	157,810	-	157,810
Long Term Income	-	-	136,777	136,777
Private Equity	-	-	93,234	93,234
Short Duration Index Linked Bond	-	13,620	-	13,620
Infrastructure	-	-	392	392
Government Bond	-	252	-	252
Cash	-	101	-	101
	-	**1,128,399**	**460,702**	**1,589,101**
BRASS and AVC Extra	-	6,809	-	6,809
Cash and cash instruments	6,996	-	-	6,996
	6,996	**1,135,208**	**460,702**	**1,602,906**

The above analysis has been performed with reference to the nature of the pooled funds in which the Fund is invested (i.e. unauthorised, unquoted funds), and not by reference to the underlying investments of the pooled funds. Details of the underlying pooled funds' assets and liabilities are provided in Appendix C.

6. Investments (continued)

(c) Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits, which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee through regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the pooled funds' exposures to credit and market risks are set out in Appendix C.

(d) Concentration of investment: Fund investments include the following which represent more than 5% of the total value of the net assets of the Fund:

	2023 £000	% of total net assets	2022 £000	% of total net assets
Growth	1,007,971	62.1	956,616	59.7
Illiquid Growth	226,668	13.9	230,299	14.4
Long Duration Index Linked Bond	146,073	9.0	157,810	9.8
Long Term Income	128,516	7.9	136,777	8.5
Private Equity	80,459	5.0	93,234	5.8

7. AVC investments

The Trustee holds assets invested separately from the main Fund to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. AVC arrangements are invested within the DC Pooled Fund.

8. Current assets

	2023 £000	2022 £000
Amounts due from employer	4	32
Benefit support due	62	66
PPF levies paid in advance	329	495
Administrative expenses paid in advance	43	42
	438	**635**

Contributions due from the employer were paid after the Fund year end in accordance with the due date in the Schedule of Contributions in force at the year end.

9. Current liabilities

	2023 £000	2022 £000
Taxation and social security	607	476
Investment creditor	-	4
Benefits payable	35	338
Other creditors	107	114
	749	**932**

10. Related party transactions

The Trustee and its subsidiaries, Railpen and RPIL, provide services to the Fund. The charges payable, and those of external service providers, are detailed in note 5. As at 31 December 2023, current liabilities included a liability of £103,585 in respect of these charges (2022: a liability of £110,245).

As at 31 December 2023, two directors of the Trustee are members of the Fund, and one is also a non-executive director of Railpen. No other directors of Railpen or RPIL are members of the Fund. Contributions are paid in accordance with the Schedule of Contributions. The directors receive benefits on the same basis as other members of the Fund. Certain directors of the Trustee and its subsidiaries receive remuneration, which is disclosed in the audited financial statements of those companies. The Fund bears its share of this remuneration through recharges, which form part of ‘Trustee governance’ expenses in note 5.

11. Employer-related investments

There was no self-investment at any time during the year, or during the previous year. Investment securities issued by HM Government are excluded from the definition of employer-related investments for the purposes of these audited financial statements.

12. Contingent liabilities

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the Fund should be amended to equalise pension benefits for men and women, in relation to guaranteed minimum pension benefits. A further judgement was handed down on 20 November 2020, in relation to equalisation of historic transfer values paid out. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. Under the rulings, schemes are required to backdate benefit adjustments and top up historic transfer values paid out in relation to GMP equalisation and provide interest on the backdated amounts. The Trustee's professional advisers have confirmed that the required increase in pension obligations is not material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

An ongoing review of the Fund's administration systems and processes is being undertaken. Some issues with a number of railways pension schemes' member payments have been identified. These issues are still under internal review and cannot be quantified at this time. In addition, there may be regulatory reporting required, which is also currently under consideration.

Any corrections to member payments will be met from Fund assets and will be reported in the Fund's financial statements. Any costs or losses (other than corrections of benefit payments already made to members) that arise in the remediation of these issues will be reported in the Fund administrator's financial statements and these costs under certain circumstances will be recovered from the Fund's assets. At the date of approval of these financial statements it is not possible to reliably estimate the potential value of any costs or losses.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

Statement about contributions

We have examined the Summary of contributions payable under the schedules of contributions to the British Transport Police Force Superannuation Fund ("the Fund") in respect of the scheme year ended 31 December 2023 which is set out on pages 49 and 50.

In our opinion contributions for the Fund year ended 31 December 2023 as reported in the Summary of contributions and payable under the schedules of contributions have in all material respects been paid:

- From 1 January 2023 to 29 March 2023 at least in accordance with the schedule of contributions certified by the Actuary on 13 December 2021 and;
- Subsequently at least in accordance with the schedule of contributions certified by the Actuary on 30 March 2023.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 31, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of members of the scheme and for monitoring whether contributions are made to the Fund in accordance with the schedules of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules of contributions to the Fund and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Iryndeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR

Statement of Trustee's responsibilities in respect of contributions

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for monitoring that contributions are made to the Fund in accordance with the schedules.

Trustee's Summary of Contributions payable under the schedules in respect of the Fund year ended 31 December 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Fund under the schedules of contributions certified by the Actuary on 13 December 2021, in respect of the Fund year ended 31 December 2023. The Fund Auditor reports on contributions payable under the schedules in the Auditors' Statement about Contributions.

During 2023, there was one instance of late payment of contributions with a total value of £1.4k, which represents less than 0.01% of contributions payable under the schedules of contributions. The amount was paid one day after the due date. We were not required to report these cases to the Pensions Regulator and the auditor has not qualified their Statement about Contributions in respect of these.

Contributions payable under the schedules in respect of the Fund year	**2023 £000**
Member:	
Normal contributions	13,204
Employer:	
Normal contributions	19,812
Contributions payable under the schedules (and reported on by the Fund auditor)	**33,016**

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR (CONTINUED)

Reconciliation of contributions

Reconciliation of contributions payable under the schedules of contributions reported in the financial statements in respect of the Fund year:

	2023 **£000**
Contributions payable under the schedules (as above)	33,016
Other contributions payable under Fund rules:	
Members' AVCs	977
Government support	644
Transport for London support	6
Total contributions reported in the financial statements	**34,643**

Signed for and on behalf of the Trustee on 27 June 2024.

Christine Kernoghan
Chair, Trustee Company

ACTUARY'S CERTIFICATE

Actuary's certification of schedule of contributions

Name of fund: British Transport Police Force Superannuation Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2021 to continue to be met for the period for which the schedule is to be in force.

2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles prepared on 29 March 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Adam Stanley
Fellow of the Institute and Faculty of Actuaries
Scheme Actuary
XPS
Tempus Court
Onslow Street
Guildford
GU1 4SS

30 March 2023

REPORT ON ACTUARIAL LIABILITIES (Forming Part of the Trustee's Annual Report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the British Transport Police Authority, as set out in the Statement of Funding Principles. This is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out, as at 31 December 2021. The three sections of Fund were assessed separately and a summary of the results are set out below:

1970 Contributory Section

The value of the Technical Provisions was: £1,671 million
The value of the assets at that date was: £1,722 million

1970 Preserved Section

The value of the Technical Provisions was: £12.6 million
The value of the assets at that date was: £20.5 million

Note that the value of the Technical Provisions shown above is after making allowance for the expected Transport Act receipts.

1968 Section

The value of the Technical Provisions was: £1.9 million
The value of the assets at that date was: £2.8 million

As at the date of the valuation, the surplus was sufficient to cover the relevant proportion of future pension increases, as required under Section 56 of the Transport Act 1980.

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount rates: these were set by assessing the returns expected with a probability of 60% using a stochastic model and based on an agreed investment portfolio for each section.

- **1970 Contributory section:** different rates applied before and after retirement:
  - Before retirement: 100% of assets assumed to be invested in return seeking assets giving a discount rate of 5.2% per annum at 31 December 2021.
  - After retirement: 65% of assets assumed to be invested in return seeking assets and 35% in matching assets, giving a discount rate of 3.7% per annum at 31 December 2021.

Significant actuarial assumptions (continued)

- **1970 Preserved section:** 100% of assets assumed to be invested in matching assets giving a discount rate of 0.3% per annum at 31 December 2021.

- **1968 Section:** 42.5% of assets assumed to be invested in return seeking assets and 57.5% in matching assets, giving a discount rate of 1.6% per annum at 31 December 2021.

Future Consumer Prices inflation: derived as 0.2% per annum above the Bank of England's long-term target of 2.0% per annum, as at 31 December 2021.

Pension increases: in line with the assumption for future Consumer Prices inflation.

Pay increases: general pay increases of 1.0% per annum above the future Consumer Prices inflation plus a promotional salary scale. Allowance is made for agreed short term pay increases.

Mortality after retirement: in line with S3PA base tables with mortality rates 1% lower than the S3PA tables for males and 2% lower than the S3PA tables for females to apply in 2013. Improvements in longevity have been allowed for from 2013, in line with the CMI 2021 projections, with a long-term rate of improvement of 1.5% per annum.

GLOSSARY OF COMMON TERMS

Abbreviation	Description
AAF	Audit and Assurance Faculty
AICPA	American Institute of Certified Public Accountants
AMC	Asset Management Committee
AVC	Additional Voluntary Contribution
AVC Extra	AVC arrangement for RPS
BRASS AVC investments	AVC arrangement for RPS
BRB	British Railways Board
BTP Federation	British Transport Police Federation
BTPA	British Transport Police Authority
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
DB	Defined Benefit
DC	Defined Contribution
DC Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DWP	Department for Work and Pensions
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
Fund	British Transport Police Force Superannuation Fund
FX	Foreign exchange
GMP	Guaranteed Minimum Pension
ICAEW	Institute for Chartered Accountants in England and Wales
IFC	Integrated Funding Committee
ISAE	International Standard on Assurance Engagement
IWDC	RPS Industry Wide Defined Contribution Section
LIBOR	London Interbank Offered Rate
Omnibus	Section open to employers with fewer than 50 employees
OTC	Over the counter
Pensioners’ Federation	British Transport Pensioners’ Federation
PLSA	Pensions and Lifetime Savings Association
PPF	Pension Protection Fund
Railpen	Railpen Limited
RHL	Railtrust Holdings Limited
RPIL	Railway Pension Investments Limited
RPS	Railways Pension Scheme
RPTCL	Railways Pension Trustee Company
SIP	Statement of Investment Principles
SORP	Statement of Recommended Practice
SRA	Strategic Rail Authority
TCFD	Taskforce on Climate-related Financial Disclosures
Trustee	Railways Pension Trustee Company
UNPRI	UN-supported Principles for Responsible Investment
WDI	Workforce Disclosure Initiative

APPENDICES

APPENDIX A

IMPLEMENTATION STATEMENT (forming part of the Trustee Company Annual Report)

Introduction

Railways Pension Trustee Company Limited is the trustee body (the 'Trustee') for the railways pension schemes (the 'schemes') namely: the Railways Pension Scheme, British Railways Superannuation Fund ('BRSF'), British Transport Police Force Superannuation Fund ('BTPFSF') and BR (1974) Fund.

The Schemes are occupational pension schemes providing defined benefit ('DB') and defined contribution ('DC') benefits. The RPS is comprised of separate sections, including the Industry-Wide Defined Contribution Section ('IWDC'). The IWDC Section is the authorised DC Master Trust of the Railways Pension Scheme for rail industry employees. Other than AVCs, it is the only section in the Scheme that provides DC benefits.

The Trustee maintains a combined Statement of Investment Principles ('SIP') that covers the DB and DC benefits for the railways pension schemes.

For schemes that provide DC and DB benefits, the Implementation Statement needs to include the following information:

- description of any review of the SIP during the period covered by the Statement, including an explanation of any changes to the SIP. If the last review was not within the period covered by the Statement, it must include the date of last SIP review
- details of how and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year, and
- description of voting behaviour (including the "most significant" votes by, or on behalf of, the Trustee) and any use of a proxy voter during the year

This Implementation Statement is included in the Fund's Annual Report and Audited Financial Statements for the year ended 31 December 2023.

The Trustee's latest review of the SIP

The SIP was not reviewed over 2023. The last review was undertaken in 2022, and the new SIP was adopted by the Trustee on 8 December 2022. The current version of the SIP is available on the RPS website, at:
https://member.railwayspensions.co.uk/knowledge-hub/about-the-scheme/scheme-documents

The previous SIP was in force from 17 September 2020. The main changes were due to:

- the two operating subsidiaries becoming Railpen and RPIL
- the new investment strategy framework
- updated internet links to reflect the new website and updated documents on the website
- changes to the investment risk governance processes
- consolidation of the environmental, social and governance ('ESG') wording with the wording on Stewardship, and
- the investment fund, Lifestyle and default strategy changes within the DC and AVC arrangements

How the SIP has been followed during the year

In the opinion of the Trustee, the SIP has been followed during the year. This is detailed below.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

The types of investments to be held by the Scheme and the balance between different types of investments

Defined benefit

The SIP sets out the investment objectives for the schemes and sections, and states how these are implemented using the Trustee's pooled funds.

Due to the different maturity profiles of the liabilities of the individual DB schemes and sections, the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies will vary widely. Investment objectives are therefore set separately for each DB scheme and section, with a consistent framework used for evaluation.

The investment framework takes into account risk and return needs (to meet funding objectives), and maturity, covenant and liquidity needs. This helps to set ranges for diversified growth and defensive assets for each scheme and section. The framework outlines broad section groupings (effectively grouped by covenant strength, funding level and the level of section maturity) and suggests investment strategy ranges for each grouping.

The Trustee's pooled funds are used to construct each investment strategy agreed under the framework. The intention is to accommodate the different investment requirements of the DB schemes and sections. Each pooled fund has distinct return, risk and liquidity characteristics and is either multi-asset or single-asset class by design. The Trustee recognises that the use of a range of traditional and alternative asset classes, with distinct return drivers, may offer diversifying characteristics.

The investment of assets within each pooled fund, including day-to-day investment decisions, is delegated under an Investment Management Agreement to RPIL, the internal manager for the schemes, or to fund managers appointed by RPIL (together the 'fund managers'). The investment arrangements are overseen by the Asset Management Committee ('AMC'), which ensures adherence to the Trustee's investment policy. Railpen supplies personnel and infrastructure to RPIL, to enable it to manage the schemes' assets.

The Trustee is satisfied that RPIL has the appropriate knowledge and experience for managing the investments of the schemes. RPIL carries out its role in accordance with the criteria for investment set out in 'Investment Regulations', the principles contained in the SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee. The Trustee maintains oversight through regular meetings with the Chair of the AMC and updates from RPIL officers, and remains satisfied with the implementation of the investment policy.

Defined contribution

For DC and AVC arrangements, the Trustee recognises that individual members have differing investment needs and that these may change during the course of their working lives. The Trustee provides a range of funds and Lifestyle arrangements, suitable for members to invest their contributions into. For members who do not wish to make their own investment choice, the Trustee makes a default Lifestyle option available.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

The types of investments to be held by the Scheme and the balance between different types of investments (continued)

The Trustee is comfortable with the performance of the investment funds, and that the performance of the default investment arrangements is consistent with the aims and objectives set out in the SIP.

A review of the DC fund range was completed in 2020, and implemented in 2022. This resulted in changes to the default investment strategies, alternative Lifestyle arrangements, and the range of self-select funds. A full investment strategy review took place again in 2023, with implementation due in 2024.

Risks - including how they'll be measured and managed - and the expected return on investments

The Trustee recognises that there are various investment and operational risks to which any pension scheme is exposed, and gives qualitative and quantitative consideration to such risks.

A number of steps are taken to manage these risks, including:

- maintaining a Trustee risk register
- an Integrated Funding Committee ('IFC') with specific responsibilities, including agreeing integrated funding plans for each scheme and section, using the investment strategy framework, and monitoring performance against their agreed funding plans
- an Audit and Risk Committee with specific responsibilities, including review of financial control and risk management systems
- a Defined Contribution Committee ('DCC') to ensure appropriate management and governance of AVC and DC arrangements. This includes oversight of investment performance and reviewing communications and investment options, as appropriate
- appointing a global custodian to hold assets. RPIL will monitor the custodian's service provision and credit-worthiness
- appointing the Asset Management Committee ('AMC') with specific responsibilities, including oversight of the management of the pooled funds, and
- the establishment of the Railpen Enterprise Risk Committee, and the Investment Risk Committee, to oversee monitoring of operational and investment risks, respectively

For DB schemes and sections, expected investment return is considered. This takes into account risk and affordability, making use of the pooled fund range, to accommodate individual scheme and section requirements. The expected return of the proposed investment strategy is judged over the long-term, and evaluated with reference to the financial assumptions adopted by the Trustee. The technical provisions funding basis, used in triennial valuations, is considered with reference to these expected returns.

For the DC and AVC arrangements, the Trustee's objective is to make a range of funds available, that are suitable for members to invest their contributions into. The aim of the default arrangements is to generate long-term growth in excess of inflation, over members' working lifetimes.

Risks - including how they'll be measured and managed - and the expected return on investments (continued)

The performance of each scheme and section, and the investment performance of the portfolios of RPIL and the fund managers, are measured for the Trustee. Investment performance of each scheme and section is monitored by RPIL and reported to the IFC, the Pensions Committees (where appropriate) and to the relevant employers.

The AMC monitors the performance of RPIL against long-term performance objectives and compliance with operating parameters, to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPIL is responsible for monitoring the performance of the fund managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs.

The realisation of investments and monitoring of costs

RPIL and the fund managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. These are within parameters stipulated in the relevant appointment documentation and product particulars. This includes the power to rebalance funds from available cash, or make transfers in order to keep within stipulated asset allocations or restrictions.

The Trustee recognises that strict control of costs is important in contributing to good investment returns. RPIL gives full transparency to the Trustee on the underlying costs comprising the annual management charges, including transaction costs incurred by the funds.

Sustainable Ownership governance and Trustee framework

The next section of this Implementation Statement focuses on how, and the extent to which, the schemes' policies on stewardship have been followed during the Scheme year. We will describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year, stating any use of the services of a proxy voter.

The Trustee delegates investment powers to RPIL under the terms of the Investment Management Agreement ('IMA'), which sets out the parameters and policies within which RPIL operates. The Trustee reviews and monitors performance (and fees), to ensure that the activities of RPIL continue to be aligned with the Trustee's investment policy. The Trustee also recognises its legal duty and responsibility for the stewardship, environmental, social and governance ('ESG') integration and climate change activities undertaken by RPIL and selected fund managers on its behalf. Accordingly, it engages closely with the RPIL Sustainable Ownership team on these issues, including how the team engages with external Fund Managers.

Last year's Implementation Statement described how the Trustee updated its SIP to better reflect the stewardship priorities which RPIL, on the Trustee's behalf, is focused on. These were: climate change; workforce treatment; responsible uses of technology; and supporting more sustainable financial markets. The Trustee continues to believe that these are stewardship priorities because they are financially material to all, or a significant proportion of, the schemes' investments. Each year, RPIL and the Trustee jointly issue an annual report on stewardship activities, that seeks to achieve compliance with the UK Stewardship Code.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Sustainable Ownership governance and Trustee framework (continued)

The previous Implementation Statement noted that the Trustee worked with RPIL on a set of Investment Beliefs that could better reflect changes in its approach to investment. Several Investment Beliefs were relevant to RPIL's work on sustainable ownership, helping to ensure this work is undertaken in members' best interests, particularly the following:

Investment Belief 4 - Incorporating and acting upon climate risk and other environmental, social and governance factors is a significant driver of investment outcome 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. RPIL 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, whilst positively contributing to the world our members retire into.

2023 was the second year of implementing these Investment Beliefs. The Trustee agrees with RPIL's assessment that the beliefs have been effective in supporting sustainable ownership to serve members' best interests. These are demonstrated by the positive impacts outlined in the table below:

Investment Belief (excerpt)	2023 RPIL impact and progress
"Well-informed and financially material ESG analysis"	▪ Launched Sustainable Investment Insights programme ▪ More regular formal and informal catch-ups between the Sustainable Ownership and Fundamental Equities teams
"Societal and systemic risks, such as climate change"	▪ Led authorship of an ICGN Viewpoint (guidance) on "Systemic stewardship and public policy" (launched in 2023) ▪ New collaborative engagement launched on worker voice and inclusion ▪ New thematic voting lines in Voting Policy update for 2024
"Capital allocation by investors and corporates makes a difference"	▪ Launched Energy Transition Portfolio ▪ Further refined controversial weapons and climate exclusions processes ▪ 2023 round of engagements in governance and conduct exclusions process
"Positively contributing to the world our members retire into"	▪ Clarified outcomes-focused approach to engagement and voting ▪ Reconsidered the landscape for stewardship database and tracking tools

The Trustee believes that it is important to engage regularly with RPIL, as it directly manages most of the schemes' asset managers. This ensures that the Trustee's beliefs are appropriately implemented in a way that aligns with their objectives.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Sustainable Ownership governance and Trustee framework (continued)

In 2023, the Trustee worked with the RPIL team to undertake two half-day training sessions. In May 2023, the first session was a deep-dive on climate change, building on previous 2022 sessions on this topic. Topics covered included: a refresher on the TCFD regulations, an overview of the key aspects of the 2023 TCFD report and ‘stewardship for net zero’. This explained how to drive good outcomes for members, and engaged companies on topics like the transition to net zero. The Head of Responsible Investment from a peer scheme spoke to the Trustee, to provide an additional perspective on climate risk in a pensions context. In December 2023, the second deep dive focused on ‘stewardship on social issues’, to ensure that the Trustee was fully informed of the latest developments of the government’s Taskforce on Social Factors. The session included an interactive role-playing exercise for the Trustee, in which they worked through a social issues engagement challenge together. This helped the Trustee understand the judgement calls the Sustainable Ownership team make regularly in company engagements, showing which stewardship tools should be used and when. The Trustee agrees that both these training sessions effectively supported it in being able to challenge RPIL on its work on material climate and social issues.

This engagement, education and training builds on the regular updates from the Chair of the AMC, as well as regular updates the Trustee receive from its legal and investment advisers, on regulatory updates and requirements.

In 2023, members of the Trustee Board and RPIL worked together on the third iteration of the member-focused Sustainable Ownership Review, published in October 2023. This was the second SO Review, incorporating feedback on members’ views towards sustainable ownership. The Trustee believes that communicating to members about sustainable ownership can help encourage member engagement with their pensions more generally, and that doing so is in members’ best interests.

The Trustee is satisfied that RPIL is taking an approach to sustainable ownership that aligns with its own and in the best interests of the members of the railways pension schemes. It’s noted that RPIL, and individuals in the Sustainable Ownership team, won several awards in 2023 for work in this space, including:

- DB Investment Innovation of the Year (team)
- Pension Team of the Year (team)
- Financial News 50 Rising Stars of Fund Management (individual)
- Top 50 Most Influential in European Sustainable Finance (individual)
- Top 30 ‘Ones to Watch’ in the City (individual)
- Simon Fraser Stewardship Award (individual)

ESG integration

In the updated SIP, it’s explained that the Trustee recognises its legal duty to consider factors that are likely to have a financially material impact on investment returns, over the period during which benefits will need to be funded by the schemes’ investments. It’s also explained that these factors include, but are not limited to, environmental, social and governance factors, including climate change and the Trustee’s other thematic priorities, as outlined previously.

The Trustee has ensured that RPIL is aware of its views on the materiality of ESG factors to the portfolio, not only in RPIL’s own in-house sustainable ownership approach, but also in its selection, monitoring of and engagement with any external fund managers.

ESG integration (continued)

The Trustee also expects that RPIL will provide regular reporting on its ESG integration activities to the Board. The dedicated Sustainable Ownership reports, issued quarterly to the Trustee Board, have been helpful in ensuring the Trustee can more effectively monitor and understand the work that RPIL is undertaking, and the impact achieved on its behalf. This is important to ensure the Trustee feels comfortable that ESG integration and active ownership activities are genuinely driving long-term value for members.

Although the Trustee's preference is for engagement over divestment, it recognises that there are certain companies where the ESG risk is so fundamental to a company's business model or approach, that the risk of being invested is unmanageable, and so the company should be excluded from the investment universe. The Trustee is comfortable with RPIL's ongoing approach to exclusions on the basis of:

- a company's contribution to climate change and the risk of stranded assets (particularly firms with a certain proportion of revenues deriving from thermal coal or tar sands)
- ongoing poor governance or instances of egregiously poor conduct, or
- involvement in the manufacture and production of indiscriminate weaponry

The first two factors have financially material relevance, while the last exclusion list on controversial weapons reflects reputational risk factors. In 2023, the RPIL team worked on updating and automating the controversial weapons and climate exclusions approaches, to ensure the process continues to align with market best practice and better reflects the evolving data landscape, as well as the Trustee's approach to ESG risk. 2023 also saw the second implementation of the new, refined governance and conduct exclusions approach.

The Trustee is comfortable with the work undertaken to improve RPIL's exclusion approaches, which will help RPIL more efficiently protect and enhance the value of members' savings. The case study below from the latest Stewardship Report gives an example of the impact of the governance and conduct exclusions process.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

ESG integration (continued)

	Implementing the updated Governance and Conduct Zero-Weight process in 2023
Issue	RPIL's Governance and Conduct Zero-Weight ('Gov Z-W') process aims to identify companies, whose governance and behaviour are of particular concern. The aim is to avoid or mitigate severe financial risks. The process helps identify those companies with governance 'red flags' and where it's thought these governance risks may crystallise in the future.
Objective	The Gov Z-W process is used to exclude companies due to governance and conduct concerns, and also as a mechanism to drive positive change through engagement.
Approach and rationale	RPIL has run the Gov Z-W process every year since its inception in 2017, with the exception of 2021 when the approach was reviewed. In 2022, the Sustainable Ownership team presented eight companies to the Investment and Risk Committee with a recommendation for either continuing to exclude, or newly excluding. These were approved and the exclusions implemented. In 2023, RPIL decided to focus on the 2022 excluded and watchlist companies rather than conducting a whole new screening process. This allowed a greater focus on analysis and potential engagement with the 13 companies of most concern. Following the closure of the engagement period, RPIL considered the factors below when deciding whether to escalate to exclusion: ● The company's willingness to engage in constructive dialogue ● The company's efforts to remediate or mitigate the issue(s), and evidence to support this ● The extent to which the company is an outlier among industry peers ● If relevant, the company's effectiveness in dialogue with affected stakeholders ● If relevant, the company's decision to exit from a controversial business division
Outcome and next steps	Companies that have been excluded in a previous Gov Z-W cycle can be reinstated in the portfolio if they're willing to begin a dialogue and can show an improved approach to managing the issues that triggered their exclusion. This motivates them to make the necessary changes. Because of the positive steps they took, RPIL reinstated two companies: an American technology company and a South Korean listed manufacturing company. RPIL's recommendations were proposed and discussed as a team, and approved by the Investment Risk Committee. The team communicated the outcomes, and the rationales for the agreed course of action to the companies involved.

The case study below provides further details of the removal of one of these companies and gives comfort that the RPIL exclusions process does not just help protect members from companies with unmanageable ESG risk, but also acts as a useful engagement tool to achieve progress on material issues.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

ESG integration (continued)

	Reinstatement after an exclusion through the Governance and Conduct Zero-Weight (Gov Z-W) process
	RPIL recognises that the Gov Z-W process can be a highly motivational tool for encouraging companies. Excluded companies are eligible to be re-included in the portfolio if the process shows the company is willing to have an open dialogue and can demonstrate an improved approach to managing the governance or conduct issues that triggered the exclusion. In 2023, in light of improvements made, RPIL recommended removing two companies from the exclusions list. The companies were told the reasons for the decision, to help them understand the precise nature of the team's concerns. One of these companies was a large US technology firm.
Issue	The company sells computing equipment, data storage solutions and software. RPIL initially excluded it through the Gov Z-W process in 2022 after finding extensive governance and conduct red flags. These included a dual-class share structure, a lack of company responsiveness and engagement with shareholders, and allegations of forced labour. RPIL's attempts to engage with the company were substantially unsuccessful. They only submitted high level responses after the deadline, in a way that did not alleviate the concerns about their commitment to meaningful improvement on severe governance issues.
Approach	In 2023, RPIL focused on the 2022 excluded and watchlist companies, rather than conducting a broader screening process. This allowed a greater focus on analysis and potential engagement for the companies of greatest concern. RPIL contacted the US tech company again to talk about its progress, and found a new willingness to engage. Follow-up analysis found significant improvements to its governance arrangements including increased independence on the Nominations and Remuneration Committees and the appointment of a Lead Independent Director.
Outcome and next steps	RPIL makes decisions about a company's exclusion (or reinstatement) based on many variables. It incorporates intelligence from engagements, research, and analysis. RPIL considers the level of progress made, and whether there's a credible commitment to further improvements in the future. Based on the findings, RPIL decided to remove the company from the exclusions list. RPIL informed the company of the decision, and explained the rationale for doing so.

In 2023, the Trustee continued to build upon its focus on climate change. As is set out in the SIP and in the Investment Beliefs, the Trustee recognises climate change as a financially material issue across both its assets and its liabilities. The Trustee has been supportive of RPIL's 2023 work to apply its proprietary climate risk framework to key emitters across the portfolio and review its Net Zero Engagement Plan. This tool will support RPIL to achieve its net zero commitment by 2050 or sooner.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

ESG integration (continued)

In 2023, RPIL also launched an Energy Transition Portfolio (‘ETP’). The Trustee recognises that RPIL can influence for a Paris-aligned transition not just through its influencing, but also through its capital allocation. The case study below gives more details of the work undertaken on the ETP in 2023.

	Launching the Energy Transition Portfolio (‘ETP’)
Issue	Energy security is vital to the future of society and, while work is undertaken to develop the renewable infrastructure necessary to support current and future energy needs, our communities are still fundamentally reliant on traditional energy supplies. Commodities - the raw materials used in manufacturing - that enable the energy transition, have insufficient or tight supply, while demand continues to grow. This is also potentially the case for commodities that are being displaced as part of the transition. Because of this, it’s very likely these commodities will command high prices throughout an economic cycle. This in turn benefits the cash flows of a range of companies linked to these commodities. The Trustee recognises that it can use both capital allocation and its influence as a shareholder to invest in companies that can aid the energy transition. RPIL can help these companies understand the case for investing their improved cash flows in establishing higher ESG standards and achieving better outcomes for people and the planet.
Objective	To launch a portfolio that invests in companies that are well-positioned to help progress the transition to a Paris-aligned world, and who could also benefit from RPIL’s influence as engaged, proactive and climate-experienced investors.
Approach	After in-depth analysis of possible portfolio companies, and discussions about the best approach to take during 2022, RPIL launched a new, actively-managed Energy Transition Portfolio (‘ETP’) in 2023. This new portfolio invested across a range of energy, utilities and materials. ETP was designed to take a thoughtful, active, and engaged approach to the critical sectors targeted by this portfolio (namely energy, utilities and materials). RPIL’s portfolio management and Sustainable Ownership teams agreed to work even more closely together to assess and engage with each company, focusing on credible climate transition plans and meaningful investor-investee dialogue. ETP also invested in a relatively concentrated pool of holdings. This is because RPIL believe that, by limiting the number of holdings, it can develop meaningful engagement with companies. RPIL can support them with their transition plans and hold them to account, using the full range of tools available to the Sustainable Ownership team.
Outcome and next steps	RPIL can engage with and influence companies’ transition plans, and hold them to account for their commitments and targets. Investments in the Energy Transition Portfolio provide diversified returns for railways pension scheme members and look to support the transition to net zero. RPIL will continue to proactively use the full range of stewardship tools, to try to encourage these companies to support the transition to a Paris-aligned world.

The Trustee’s approach to climate change will be reported in more detail in the 2023 RPS Taskforce on Climate-Related Financial Disclosures (‘TCFD’) report.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

ESG integration (continued)

Non-financial matters

In the SIP, it's stated that non-financial matters will be considered on a case-by-case basis. This is in relation to the selection, retention and realisation of investments, where there is reasonable cause to believe that members would share concerns that such matters would have a materially detrimental impact on the good reputation of the schemes, and potentially lead to a material risk of financial detriment to the schemes.

Member views

The 16 members of the Trustee Board are nominated by the members and employers of the schemes and have a broad understanding of member views. The Pensions and Management Committees, which have been implemented by around a quarter of sponsoring employers, are another key forum for understanding the member perspective.

Over 2023, RPIL's Sustainable Ownership team discussed its work with some of these committees, as well as with its Sustainable Ownership Client Forum ('SOCF'), to complement the interaction with Pensions Committees. The SOCF consists of 10 Pensions Committee members, and two Trustee Directors are invited to each meeting. The agenda for each meeting is put together by the Sustainable Ownership team, based on interest from SOCF members. The 2023 meetings included presentations on: RPIL's approach to investing in infrastructure and how ESG considerations are integrated; the importance of equal voting rights and RPIL's work to set up and chair the Investor Coalition for Equal Votes ('ICEV'); RPIL's approach to voting for impact and the importance of diversity, equity and inclusion to Railpen's stewardship work with portfolio companies. The Trustee Directors present at SOCF meetings use these as an additional opportunity to gain comfort around the effectiveness of RPIL's approach to sustainable ownership.

The Trustee was pleased to note RPIL's 2023 work on a dedicated member engagement and communications programme. This programme built upon findings from both the 2021 and 2022 member surveys that asked members for i) their ESG priorities, and ii) how they would like to be communicated with on sustainable ownership work. The Trustee gains comfort that RPIL is committed to listening to member views through its 2022 SO Member Review (published in 2023), specifically designed in response to member feedback. It provides case studies on issues members said they cared most about (in order: workforce treatment, climate change, fair pay and biodiversity). In many ways, RPIL's work already reflects the issues that members care about. RPIL continues with its annual member engagement survey (the last undertaken in November 2023) and to work hard to reach out to, and hear from, those members who are not already engaged with ESG issues. The Trustee believes that RPIL's extensive work in this space will further enhance the two-way dialogue on sustainable ownership issues, in a way that boosts member engagement and helps improve long-term outcomes.

RPIL worked hard to get a wide range of members to respond to the 2023 member survey launching an email campaign to 5,000 randomly selected members, of all categories. RPIL welcomed the fact that this tripled the number of responses normally received. This increase in feedback gave greater insight from members who are less engaged with ESG. The findings showed that:

- 54% of members were familiar with the term 'sustainable ownership'. This is a drop from the previous year (74%) but may be due to a larger response from less engaged members.
- 58% of members were aware that Railpen is a leader in sustainable ownership.

Member views (continued)

- priority ESG issues had changed, with climate change dropping down the list. The top area of concern was RPIL's approach to social issues (such as labour rights), while governance concerns came next.

RPIL has confirmed that it will incorporate these findings into future communications to members on sustainable ownership.

Voting and engagement policy

The Trustee delegates the exercise of voting rights and engagement activity to RPIL, as part of the delegation of its investment powers. The discharge of voting rights is managed by RPIL's in-house Sustainable Ownership team, according to agreed policies that seek to hold companies to account, against best-practice standards of corporate governance.

The Trustee strongly believes that thoughtful voting, alongside constructive engagement, can influence corporate behaviour in a way that is in line with beneficiaries' best interests. This is why it 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. Voting was gradually phased in across all developed markets and the policy is to vote the entire equity portfolio globally.

Over the last few years, RPIL has continued to internalise the management of assets, including much of the listed equity portfolio. This has built on the principles established by the Trustee in the Investment Transformation Programme undertaken in 2013-15, which included ensuring greater internal control of stewardship decisions and voting activities. Where there are listed equity holdings in mandates or funds that are externally-managed, the Trustee appreciates that RPIL, as far as possible, seeks to direct votes or influence the voting approach.

In the table below, segregated portfolios and pooled funds are distinguished as different investment arrangements, which will offer different opportunities for the Trustee to be able to direct the voting policy. In segregated portfolios, the Trustee owns the investments and can dictate the voting policy, whereas in pooled funds, the Trustee will generally have less direct influence on how the manager votes.

There was only one new mandate formally launched in 2023: a £2bn mandate to manage a liquid multi-asset credit strategy with Neuberger Berman. The mandate will focus on investments across a broad range of credit sectors, covering both the investment grade and non-investment grade spaces. Although consideration was given on how best to integrate the Trustee's ESG objectives more broadly, as primarily a fixed income mandate, this is of limited relevance from a voting perspective. However, RPIL's Sustainable Ownership team will continue to engage with Neuberger Berman, to understand how to best leverage the relationship, to achieve the Trustee's broader stewardship objectives.

As described in last year's Implementation Statement, RPIL - on behalf of the Trustee - negotiated with Legal and General Investment Management ('LGIM') the ability to direct the votes on its UK holdings, despite being in a pooled arrangement. The Trustee continues to be supportive of this arrangement, recognising that the RPIL Sustainable Ownership and Investment Management teams have extensive UK expertise and that as a UK pension scheme, the Trustee has a particular interest in exercising its influence as a steward over its UK holdings. The Trustee also welcomes RPIL's commitment to raising the possibility of extending its voting control in the pooled funds with this manager, in light of recent market developments in this space.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting and engagement policy (continued)

Manager	Pooled or Segregated	Voting approach
Legal and General (Passive Equity)	CSUF/Pooled	RPIL directs all UK votes; LGIM Voting Policy ex-UK
Baillie Gifford (Regional emerging markets equities)	Segregated	RPIL directs all votes

Engagement

The Trustee delegates engagement activities to RPIL (as well as the exercise of voting rights attached to investments), which includes (but is not limited to) engagement with the fund managers, investee companies and other stakeholders about performance, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee and the AMC regularly review RPIL's engagement activity through the reporting arrangements and opportunities for discussion outlined previously. They are satisfied with the approach RPIL takes to its individual and collective engagement activity. The case studies below, provided by RPIL as part of a joint Stewardship Report with the Trustee, give additional comfort that RPIL is effectively undertaking engagement. This helps achieve real long-term value for members on the Trustee's stewardship priorities, including workforce issues and climate change.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

Amazon | Using engagement to promote improvements in sustainability reporting	
Issue	RPIL believes that direct and targeted engagement can produce tangible and positive results. One example is the feedback we gave Amazon on its 2021 Sustainability Report. Amazon is held in RPIL's actively managed strategy, through its Fundamental Equity portfolios. Due to the size of RPIL's holding, and the complexity of ESG risks that Amazon faces, RPIL has been in dialogue with the company over many years on how it manages and reports on financially material issues. RPIL's analysis of the company's Sustainability Report covered how useful it was for investors, where its strengths lay, and where RPIL saw areas for improvement. Social issues, particularly the 'Worth of the Workforce', remain a focus of RPIL's engagement. These issues are financially material to Amazon's operations and align closely with RPIL's thematic priorities. Therefore, that is where the review was concentrated.
Objective	RPIL set an engagement objective to support Amazon in developing areas of disclosure where it expected to see improvements. For instance, health & safety, and employee engagement. RPIL's specific aims were to encourage: 1. An explicit link between financially material ESG issues and the company's strategy 2. More easily trackable progress against targets, for example through publication of comparative year-on-year statistics 3. Improved balance and transparency, such as lessons the company has learned
Approach	RPIL thoroughly reviewed Amazon's Sustainability Report, benchmarking it against the approaches of other portfolio companies. RPIL also took the critique from other institutional shareholders into account. RPIL provided overarching thoughts and section-by-section recommendations to be shared with the ESG Engagement and Reporting teams. The feedback covered Amazon's performance in: ● Respecting human rights ● Employee benefits ● Diversity, Equality & Inclusion ● Employee engagement ● Safety, health and wellbeing ● Building a supply chain that puts people first ● Corporate governance ● Advocacy and public policy ● Partnerships

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

<table>
<tr>
<td>Outcome and next steps</td>
<td>Outcome

RPIL was pleased to see that many of its recommendations were reflected in Amazon's 2022 Sustainability Report (published in 2023). The following outcomes align with the specific disclosure objectives RPIL set:

1. Linking material ESG issues to value and strategy: the report included enhanced introductions on the importance of each ESG issue and how it relates to Amazon's strategy
2. Making progress against goals easier to track: Amazon included statistics on its supplier monitoring, along with its progress towards targets from the Upskilling Report. It also added details of its progress with diversity, equity and inclusion goals. Finally, it quantified its human rights impacts, however these were difficult to contextualise without a supply chain map or sense of scale
3. Improving balance and honesty: RPIL saw this done successfully in the supplier assessment section, but continues to feel that Amazon's approach to freedom of association could be more balanced. This was reflected through RPIL's vote for a shareholder resolution requesting an independent assessment of freedom of association and collective bargaining policies at Amazon's 2023 AGM

Next steps

Following discussions, RPIL was invited to give feedback on the 2022 report. It recognised the progress made, but in RPIL's view, there are still some areas for improvement. For example, more case studies to show Amazon's approach in practice, and enhanced disclosure on fatalities in the reporting year.

RPIL initially discussed these points with the Amazon team before sending its full review. RPIL will assess progress when the next report is published, and look forward to continuing the constructive dialogue.</td>
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APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

Listed equities | Teleperformance escalation	
Issue	Teleperformance is a global leader in outsourced digital integrated business services. Late in 2022, Time Magazine made allegations about poor worker conditions in the part of the business that moderates highly egregious content. Three weeks later, in November, the Colombian Government announced an investigation into the company via Twitter. The result was a fall in the share price of almost 34% before trading was suspended. Teleperformance categorically denied the claims. Similar allegations had been made before - and disproved. All the same, the company announced its exit from its moderation business, in response to investor demands.
Objective	RPIL's engagement focused on gaining a deeper understanding of material risks to the business and encouraging a strengthened approach to risk management.
Approach	After engaging with the company, RPIL considered that the allegations were potentially overblown, and the initial share price response was an overreaction. RPIL welcomed management's decision to exit the controversial business areas given it was not being adequately rewarded for the reputational risk it was shouldering on behalf of clients. RPIL welcomed the management's response after this transpired. RPIL also welcomed the fact that Teleperformance signed a global agreement with UNI Global (a global union representing more than 20 million workers in the services sectors in 150 countries), on working conditions. This agreement covered all the company employees. The agreement allowed Teleperformance to re-engage with Ultra-Claro, UNI Global's Colombian affiliate, so it could negotiate a local agreement with them. RPIL had previously spoken to UNI Global multiple times in recent years about workforce relations and conditions.
Outcome and next steps	Shares recovered to 90% of their pre-Colombia investigation announcement levels soon after. However, Teleperformance unexpectedly decided to resume full-service content moderation in March 2023. When this happened, RPIL worked to understand the rationale and assess whether there were enough safeguards in place to prevent further allegations. Following Teleperformance's announcement to acquire content moderator Majorel, RPIL engaged with it to discuss its perceived pivot away from its core strategy. RPIL questioned how much due diligence into Majorel's workforce relations had been carried out before the acquisition. The responses RPIL got from the company did not give comfort that this risk was being managed appropriately. RPIL therefore decided to divest from the company. Shortly after divesting, Teleperformance's share price fell approximately 30%, before falling even further towards the end of 2023.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

The Trustee is supportive of the approach taken by RPIL in becoming a signatory to the UK Stewardship Code, engaging with its external fund managers to encourage them to adopt practices in line with the spirit of this Code. The Trustee is pleased that in 2023, RPIL remained a signatory to the UK Stewardship Code and that its reporting continues to receive ongoing positive reception by peer investors, as well as civil society stakeholders. This includes the Stewardship Report being used as an example of international best practice by the Australian Council of Superannuation Investors ('ACSI') and RPIL being asked to present to Australian pension funds on how to produce engaging, member-useful reporting. The Trustee also commends the ongoing repurposing of the material contained in this report for different audiences, including Pensions Committees and members (through the Sustainable Ownership Review).

The Trustee expects RPIL to continue to use its influence, both directly and in collaboration with other investors and organisations, with companies and policymakers to support long-term value creation across the portfolio, in the interests of members. The Trustee welcomes RPIL's commitment to engage with companies both on stock-specific ESG issues and on thematic or system-wide areas of concern. While the continued focus on engagement with its largest holdings is recognised, the Trustee is supportive of RPIL's shift in recent years to dedicating greater resource to thematic stewardship across four priority areas. These are: Worth of the Workforce; Responsible Technology; Sustainable Financial Markets; and The Climate Transition. These align with the Trustee's own stewardship priorities, as articulated in the most recent update to the SIP.

As RPIL's assets under management continue to grow, the Trustee believes that engaging on system-wide issues, which affects the whole portfolio, reflects RPIL's role as a universal owner of assets. As well as the stock-specific case studies above, the Trustee gains comfort from some of the outcomes already achieved by RPIL's 2023 collaborative engagement and thematic work, as detailed in its latest Stewardship Report and the case study below.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

The Investor Coalition for Equal Votes ('ICEV') | Progress in 2023	
Issue	Pushing back against dual-class share structures ('DCSS') and unequal voting rights at portfolio companies is key to improving corporate governance standards and ensuring investors like RPIL have a safety net to hold company management to account, where necessary, by exercising effective stewardship through voting. RPIL previously reported on work to launch the Investor Coalition for Equal Votes ('ICEV') in summer 2022, with the Council of Institutional Investors and several US pension funds, to fight back against unequal voting rights at companies. Primarily, this was in the US and UK (reflecting RPIL's portfolio allocation). This issue is complex, multi-layered and has been entrenched for decades in certain jurisdictions.
Approach and rationale	ICEV considers the issue of unequal voting rights to be a system-wide topic. It aims to shape the mood-music, for the regulators whose actions can either help or hinder unequal voting rights. ICEV also aims to influence companies at a point in their life-cycle where they are still open to conversations on their capital structure (i.e. before they obtain a public listing). To these two ends, it made the following progress in 2023: ● Shaping the mood-music: Welcoming new members to ICEV, growing its AUM. This included its first asset manager member, and a growing membership outside of the US and UK into the rest of Europe. ICEV continues to speak with prospective members ● Spreading the message: Caroline Escott, Chair of ICEV and Senior Investment Manager at Railpen, spoke at conferences and to the press, including the Financial Times, the Times and Reuters about the importance of ICEV and its mission. ● Publishing a well-received, policymaker-dedicated report: The research report, produced with Chronos Sustainability - *Undermining the Shareholder Voice: The Rise and Risks of Unequal Voting Rights* - summarises some research into the implications of dual-class share structures, for companies' financial performance. It also explores several recent case studies of controversies at companies with dual-class shares The report sets out recommendations to support the phase out of dual-class share structures and mitigate the risks around their use. These recommendations are tailored to different financial market participants, including companies considering an initial public offering ('IPO'), company advisers, fellow investors, stock exchanges and index providers, as well as policymakers and regulators

Engagement (continued)

	● Responding to the FCA Consultation CP23/10: Primary Markets Effectiveness Review: ICEV's response focused on the issue of dual-class share structures, explaining why it supports a 'one share, one vote' structure with supporting academic research linking to the companies' financial performance ● Influencing pre-IPO companies: Speaking to company advisors about ICEV and obtaining the commitment of eight advisers to flag ICEV to their clients ● Agreeing an escalation approach for advisors who have been unwilling to speak to ICEV: This will help ICEV to apply a consistent approach to help reach those advisors who have so far been unwilling to engage, including whether public escalation might be a suitable tactic ● Deciding on a new engagement approach for 2024: A new set of targets was established for the second phase of engagements with pre-IPO companies, given the likely changes to the IPO market in 2024 As part of this, it was decided to widen the scope of ICEV's engagement targets to increase the chance of its voice being heard. ICEV chose to widen the scope both in terms of the number of companies targeted and the people contacted at each company, deciding to include board members and board observers for the first time
Outcome and next steps	In light of the complexity of the issue and the entrenched nature of some of the interests of financial market participants, ICEV is likely to be a multi-year and multi-phase engagement. Its plans for 2024 include: ● Executing its 2024 engagement plan. This includes reaching out to its second group of pre-IPO companies, and following up with advisors it hasn't yet spoken to, considering escalation where this might be effective ● Using the momentum of the report published in 2023 with Chronos Sustainability (referred to previously) to carry on spreading the word of ICEV and its mission, including: o Producing a dedicated ICEV website o Continuing to grow ICEV's membership ● Continuing to be proactive on policy engagement in priority markets. This will include advocating for disclosure-based policies around voting outcomes where this makes sense, but only as a fallback position where dual-class share structures are allowed

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

The Trustee welcomes RPIL's commitment to playing a leadership role in the industry, where they feel there is a case for further action to be taken on a material issue. In 2023, this included launching the Workforce Directors Coalition ('WDC') and providing guidance for firms on how to incorporate the worker voice in Board-level decisions more effectively. RPIL also continued to chair the Institutional Investors Group on Climate Change ('IIGCC') Bondholder Stewardship Working Group and was asked to be (appointed in Q1 2024) Co-Chair of the FCA's Vote Reporting Group, which seeks to improve the quality of reporting of vote information, by asset managers to asset owners.

The Trustee also recognises engagement with policymakers as an important part of thematic stewardship. This is to ensure the implementation of system-level solutions, to system-level challenges such as climate change, dual-class share structures, or income inequality. The Trustee is pleased that RPIL continues to actively participate in policy debates on issues that are material to the portfolio and aligned with core engagement themes. In 2023, this included active participation in the government's Occupational Pension Stewardship Council ('OPSC'), where RPIL is part of the core Engagement Group and continues to chair one of the sub-committees, as well as feed into the sub-group's work on member engagement. RPIL also submitted responses to consultations, including the FCA's paper CP23/10, on changes to the UK equity listings rules regime and the Financial Reporting Council's ('FRC's) Review of the UK Corporate Governance Code.

We receive additional comfort regarding the thoughtfulness with which these policy interventions were undertaken on the Trustee's stewardship priorities, as shown in the case study from RPIL below.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

RPIL's work on workforce issues in 2023	
Issue	Evidence shows that a committed, motivated and fulfilled workforce is fundamental to a company's long-term business success. However, there's a lack of clear and consistent disclosure on workforce issues, particularly on issues like worker voice and mental health (both of which are increasingly important given the worldwide upheaval to working practices and employee wellbeing in recent years).
Objective	RPIL's work in this area goes back several years. For 2023, it decided to focus on three key areas and issues which it considers to be most in need of dedicated action: 1. Addressing the lack of consistent and co-ordinated focus on workforce (and broader social) issues from some companies in the institutional investor community. These issues are material to every portfolio company in an investment universe 2. Encourage the International Sustainability Standards Board ('ISSB') to consider workforce issues in their sustainability-related financial reporting standards 3. Tackle the narrow approach to workforce engagement, including misperceptions around the appropriate role of a workforce director - a board director appointed from the wider workforce.
Approach and rationale	RPIL met its three objectives in 2023 by: **1.** Working with the Taskforce on Social Factors ('TSF') to help raise standards amongst pension schemes on workforce issues. The TSF was set up to help scheme trustees consider and incorporate material social issues into their investment decision-making. RPIL worked with the TSF to produce draft guidance for the industry on how to consider social factors, apply best practice and raise standards. The final guidance was published in Q1 2024 and included two case studies from Railpen on its work on social issues **2.** Responding to the ISSB's consultation to encourage them to consider workforce issues. RPIL's response also stressed the importance of using double materiality to assess sustainability risks, rather than single materiality **3.** Launching the Workforce Directors Coalition, and publishing its Workforce Inclusion and Voice: investor guidance on workforce directors. Some of RPIL's portfolio companies asked it to give them guidance on the investor perspective on workforce directors specifically. RPIL worked with academics, investors and companies who already had a workforce director to produce this guidance. It contains practical steps for companies on how to incorporate the worker voice at board-level, including with workforce directors. As well as exploring worker voice mechanisms more generally, the guidance provides: ● Insights into the benefits of workforce directors ● Examples of 'what good looks like' regarding the role, recruitment and retention ● Valuable case studies We lead the Workforce Directors Coalition that launched this guidance. The coalition of investors and pension schemes look after £1.5tn assets under advice. Each investor has signed the investor statement on workforce directors. RPIL also looked to engage with companies and interested groups, for example, by speaking to a group of FTSE 350 NEDs

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

Outcome and next steps	RPIL's guidance on workforce directors landed particularly well and had good traction in the industry. Although it has resulted in fewer company engagements than desired, RPIL plans to escalate the practice during voting season by, for example, asking questions at AGMs and using its voting powers. The TSF guidance published also received good feedback. In 2024 RPIL intendsw to help the Taskforce raise awareness of this guidance across the industry.

Voting

The Trustee believes that exercising a vote, to offer either support or sanction, is one of the most powerful stewardship tools available to investors. The Trustee receives regular information on voting activity from RPIL and is comfortable with the approach that its specialist team takes to exercise votes directly across all internally managed mandates for listed equities. As far as possible, the specialist team seeks to direct or influence voting in externally managed mandates. RPIL's votes are exercised in line with the Voting Policy, however, the team also uses its professional judgement and intelligence on individual voting decisions.

In 2023, RPIL updated its Voting Policy to better align its voting with engagement priorities on dual-class share structures, fair treatment of suppliers, appropriate incentivisation of senior executives and ensuring a 'Just Transition'. The Trustee supports these developments, which also align with - and help further support progress with - our stewardship priorities outlined in our SIP.

RPIL voting policy update for 2024 onwards

Every year, RPIL's Sustainable Ownership team leads a post-season Voting Policy review, with a view to defining the implementation for the following cycle.

Updates to each year's Voting Policy are informed by the following inputs:

- the list of observed issues and suggestions from the recent AGM season
- any changes in RPIL's thematic engagement priorities
- updates to the benchmark positions of RPIL's proxy advice providers, and
- market developments and trends

The proposals, if taken forward, may require a change to the text of the Voting Policy and/or a change to the underlying Voting Policy application. We then publish the updated text on the Railpen website and send it on to external managers and largest direct holdings, requesting a pre-AGM meeting to discuss voting priorities.

The Global Voting Policy for 2024 onwards was reviewed in Q3 of 2023. Further details on priority engagement and voting priorities are outlined in the following excerpt from RPIL's 2024 Global Voting Policy:

RPIL voting policy update for 2024 onwards (continued)

IFRS reporting

Although we recognise that good disclosure does not necessarily equate to good practice on financially material issues, we think that clear, consistent information is fundamental to supporting a positive investor – company dialogue. From this year, we will be asking companies to use the International Financial Reporting Standards' ('IFRS') S1 and S2 disclosure requirements on sustainability and climate-related risks as a minimum and not a maximum.

Executive remuneration (and workforce engagement)

We know that portfolio companies appreciate as much clarity as possible around our approach to executive pay. This year, we have added further detail to our Policy, clarifying that we want to see long-term incentives that are genuinely long-term and highlighting the importance of broader workforce engagement during the pay-setting process.

Dual-class 'enablers'

As you'll be aware from our previous Voting Policies, we think that differential voting rights dilute the ability of independent shareholders to effectively engage with companies, which is why we set up the now $2.5 trillion Investor Coalition for Equal Votes in 2022. From 2024, we will be strengthening our voting sanctions at companies with existing dual-class share structures and with a sunset clause of 20 years or longer from IPO, as well as for directors of companies that list from 2024 with an insufficiently short time-based sunset clause (voting against these individuals at any company where they hold a board seat).

The just transition

Although we have previously considered just transition issues in our engagements with companies, this year we ask companies to note that our expectations are shaped around the seven-point framework produced by the Grantham Research Institute on Climate Change and the Environment. As well as incorporating this framework into our assessment of climate transition plans and disclosures, we will consider supporting resolutions that encourage better disclosure of just transition considerations as well as those which ask for better management of associated risks and opportunities.

Most significant votes

RPIL has collected information on the most significant votes undertaken on its behalf by the following:

- **RPIL** - the bulk of voting in respect of listed equity (and any other voting, where it occurs) is implemented by RPIL's in-house team.

- **LGIM (Passive Equity Fund)** - for ex-UK votes only as RPIL has the facility to exercise proxy voting rights for UK holdings directly.

RPIL has also considered input from its managers regarding what they consider to be most significant in the light of not only RPIL's Voting Policy, which was agreed for the Scheme, but also external managers' own Voting Policies.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes (continued)

In determining what might constitute a most significant vote, RPIL considers criteria provided by the PLSA in its Vote Reporting Template, as well as its own. These may include:

- votes in companies where RPIL holds over 5%, or the equivalent local reporting trigger
- votes at companies where the vote was escalated to the RPIL Chief Investment Officer ('CIO') for decision
- votes on issues which have the potential to substantially impact financial or stewardship outcomes
- votes against the Report and Accounts/Chair of the Board
- votes aligned with RPIL's priority corporate governance or sustainability themes. For 2023, this included:
    - workforce treatment and voice
    - remuneration, including fair pay
    - auditor tenure, remuneration and approach to climate accounting
    - Board composition and diversity
    - climate disclosure and targets, and
- votes on high-profile shareholder or management resolutions

The Trustee is comfortable that this approach reflects its own understanding of what might constitute a most significant vote. It will continue to engage with RPIL on voting priorities in 2023, to ensure they continue to support value creation in members' interests. We have also selected those votes from external managers that we consider to be most significant from the Scheme's perspective.

We also welcome RPIL's work to engage with LGIM in 2023 (following on from their engagement with LGIM in 2022), to ensure that LGIM understands the Trustee's voting priorities, and to deliver voting information in a timely manner. We understand that progress has been made, although there is room for further discussion. The fact that RPIL is co-Chair of the FCA's Vote Reporting Group gives the Trustee additional comfort that RPIL is well-placed to improve the reporting received from external managers over time.

Voting behaviour

Due to the number of holdings RPIL owns, the team is unable to attend every company shareholder meeting to cast votes. RPIL therefore votes by proxy through the Institutional Shareholder Services ('ISS') voting platform, 'Proxy Exchange'.

RPIL does consider the recommendations provided by ISS in making its voting decision, as well as research and information from other providers, including:

- Glass Lewis
- Eumedion
- MSCI
- ACSI
- Carbon Tracker
- The Transition Pathway Institute
- Climate Action 100+
- The Workforce Disclosure Initiative ('WDI')
- Rathbones' 'Votes Against Slavery' initiative, and
- CCLA's Mental Health Benchmark

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour (continued)

However, RPIL makes all voting decisions and the Sustainable Ownership team works with the Investment Management team to apply professional judgement and intelligence, recognising that the situation at a given company can be nuanced. RPIL also uses the intelligence it gains from individual meetings and engagements with the company, to feed into the final voting decision.

RPIL puts its own custom Voting Policy in place with specific voting instructions for the proxy provider, to apply to all markets globally. The Trustee was pleased to note that the 2023 update to the Voting Policy (which has been implemented in voting decisions from January 2024 onwards) included new lines reflecting our own stewardship priorities. These are based on our understanding of the material risks across the portfolio. We note that RPIL also engages with ISS' and other providers' consultations on voting guidelines, to raise standards across the industry.

The Trustee is comfortable that RPIL takes a robust approach to voting, in a way that is aligned with engagement objectives and expertise, voting beliefs and objectives, and those ESG issues that are most material to the portfolio and beneficiaries' outcomes. The Trustee particularly welcomes the fact that RPIL does not look to 'follow the herd' on voting decisions, using its judgement to vote for, or against, a resolution where its proxy advisers may recommend an alternative voting decision.

Although it is too simplistic to equate a vote against management with effective stewardship and robust voting approaches, the Trustee was particularly pleased to note that:

- RPIL continues to use its voting rights to vote against executive remuneration packages where the quantum and approach were insufficiently aligned with the long-term interests of shareholders and other stakeholders
- RPIL demonstrated significant levels of support for shareholder resolutions which sought to ensure better disclosure and activity, on issues such as climate change, fair pay, and diversity, equity and inclusion ('DEI'), and
- RPIL looked to use all its ownership rights, not just the right to vote, to try to influence better corporate behaviour, on issues that align with the Trustee's stewardship priorities - as demonstrated here in the Most Significant Vote case studies on Alphabet and AbbVie

The Trustee is prepared to challenge RPIL's voting activity and approach on issues that are material to our members, although, to date, we have not felt the need to do so in a substantive way. The Trustee continues to monitor RPIL's voting activity through the regular reporting we receive and looks forward to further conversations on the evolution of RPIL's voting approach in 2024.

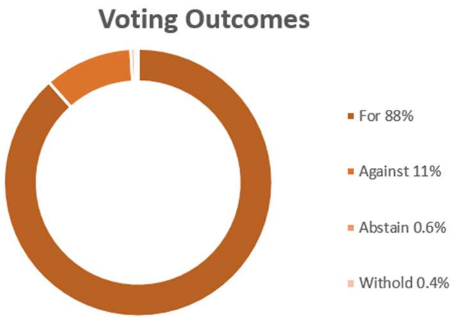
2023 Voting statistics

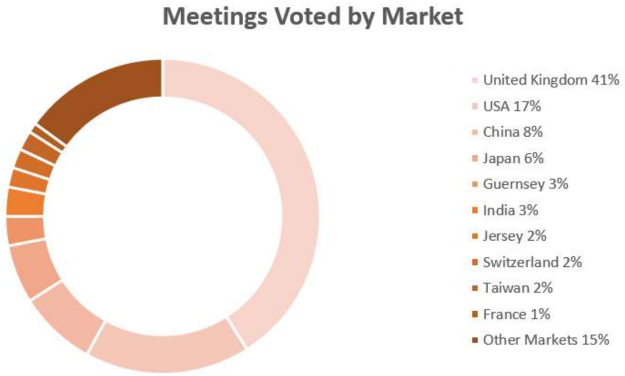
Number of meetings voted	1,479
Percentage of meetings voted	99.7%
Percentage of meetings with at least one vote against, withheld or abstained	56.2%

APPENDIX A (CONTINUED)

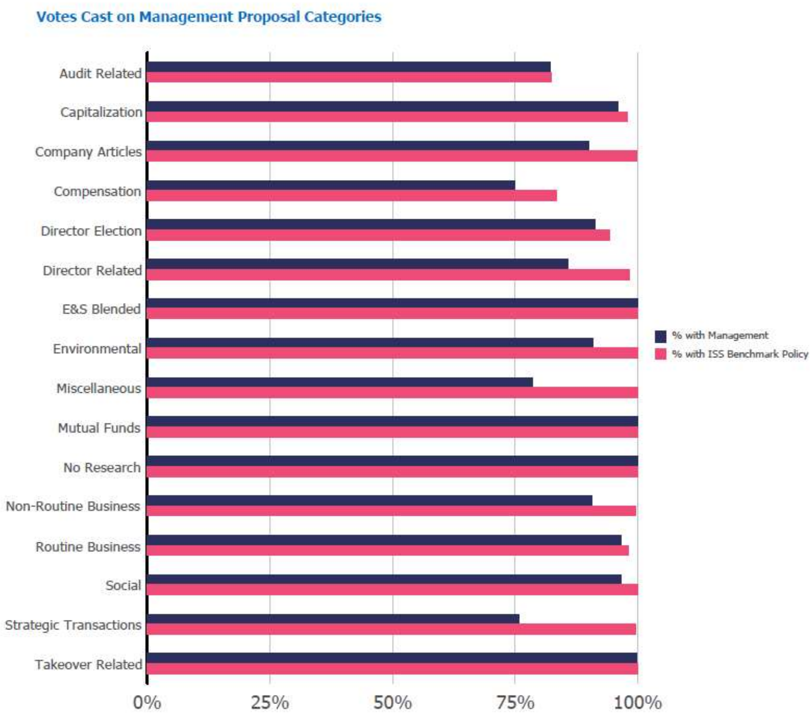
IMPLEMENTATION STATEMENT (CONTINUED)

2023 Voting statistics (continued)





- 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 75% of votes followed management recommendations.
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.

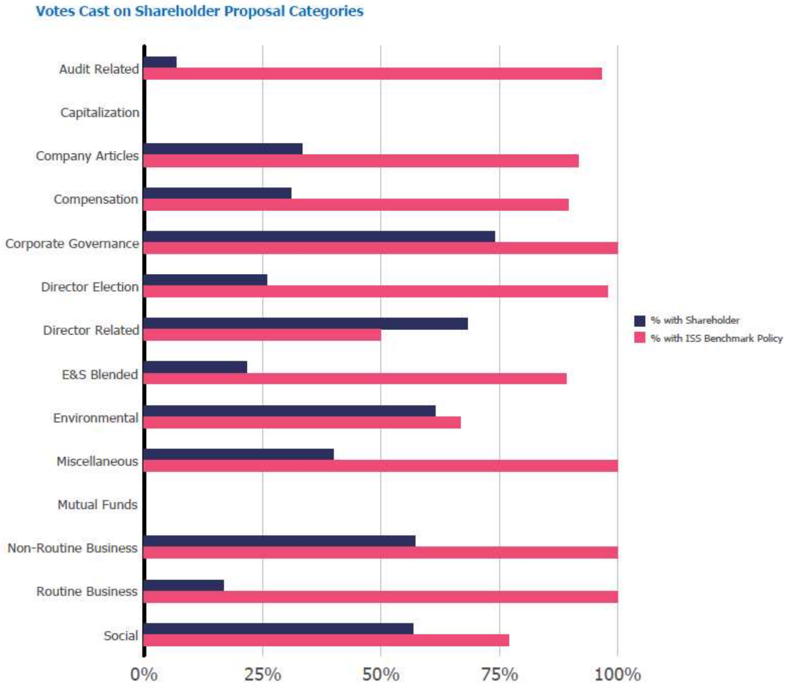


APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

2023 Voting statistics (continued)

- Comparing the votes cast 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 74% and the lowest level of support for shareholder proposals related to Audit Related, with 7% of proposals supported.
- Across categories, votes cast on shareholder proposals show the closest alignment to the ISS Benchmark Policy guidelines.



Most significant votes - RPIL

For ease of reading, the Trustee has decided to group the following 'Most Significant Votes' by company. In a couple of instances, several votes cast pertained to a specific issue at a particular company. This means that, although there are nine RPIL case studies below, they cover 12 'Most Significant Votes' undertaken by RPIL in 2023. The team has also deliberately chosen to feed through some votes on the same issues at the same companies, as reported on in previous Implementation Statements. We agree with RPIL in their assessment that doing so helps readers to understand the progress of voting (often as part of a broader engagement journey), on the most material issues at priority companies.

When reading the below, it should be noted that where a resolution fails to garner a simple majority of votes cast, it will usually fail. If it obtains more than 50% of the votes cast, it will usually pass. The level of impact the result has will vary, according to various factors, e.g. whether the vote was binding or advisory.

Where RPIL discuss whether an issue is a priority for members, it is based on the feedback garnered from its 2021, 2022 and 2023 member engagement programme discussed above and in the 2023 Stewardship Report.

<u>**Case Study: Givaudan SA | Board diversity and composition**</u>

What the vote was about:

1) Re-election of the Chair of the Nominations Committee

Size of Holding (£): 118 million

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board composition and accountability

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

Issue: Givaudan is a holding in RPIL's Fundamental Growth Portfolio ('FGP'), this portfolio is a low turnover, concentrated global equity portfolio with limited geographical, sector and benchmark constraints. It consists of well-managed, innovative companies that benefit from favourable structural growth trends. RPIL has been in dialogue with the company for many years on its long-term growth. Due to the retirement of a female board member and election of male board member Mr Guidetti in 2023, the percentage of women on the Board of Directors (Board) decreased to 28.57% (from 33.33%). This falls marginally below RPIL's expectation for the Swiss market, and required an explanation as to why the target of 30% had not been met under Swiss law. The Board communicated that it was actively searching for a further female member to restore the balance. As of March 2023, the Board planned to propose a female candidate at the next Annual General Meeting ('AGM').

Objective: Over the past few years, a focus of RPIL's voting and engagement has been to improve gender equality on company boards. Where this is not possible at the time of the vote we expect adequate disclosure as to how the company will improve this. If the company does not meet the standards outlined in RPIL's Voting Policy and have not explained why, Railpen may withhold support on the Chair of the Nomination Committee or relevant directors.

Approach: RPIL shared its Voting Policy in advance of Givaudan's AGM, which confirmed its position on Board-level diversity. Taking into account the company's plans to address the imbalance, we voted in favour of the re-election of the Chair of the Nomination Committee. As Givaudan is part of the Fundamental Growth Portfolio and therefore a long-term investment, we prioritise informing them of RPIL's voting rationale.

Why most significant?

- Links to the Sustainable Financial Markets Trustee stewardship priority
- Large holding in the Fundamental Growth Portfolio (and therefore the potential material impact on financial or stewardship outcomes).

Outcome and next steps: Only 8.2% voted against the re-election of the Chair of the Nomination Committee, which RPIL believes reflects the Company's responsiveness to shareholder concerns. RPIL decided to monitor Givaudan's progress in implementing its proposed changes prior to the 2024 AGM. Although the company has not yet identified a suitable candidate for the Board, RPIL remains reassured that the Chair of the Nomination Committee is actively working to address this. RPIL also notes the presence of a senior leader diversity metric within the CEO's Long-Term Incentive Plan, which indicates broader efforts to improve diversity within the company.

Case Study: Air Liquide | Climate Transition Plans | 03 May 2023

What the vote was about:

1) Approve Financial Statements and Statutory Reports

Size of holding (£): 13m

Link to Trustee's Stewardship Priorities? Yes – Climate and Nature

Is the issue a 'top 5' member priority? Yes – Climate Change

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

Issue: Air Liquide is an industrial gases company based in France. RPIL identified Air Liquide as a key emitter as part of its Net Zero Engagement Plan. Therefore, RPIL became a contributing investor of the CA100+ group that has been in dialogue with the company for five years.

Objectives: RPIL wanted to send a signal to Air Liquide that it was not meeting its expectations, nor those of the CA100+ leads. These expectations centred around the fact that the company had not disclosed the key quantitative assumptions it used in its materiality assessment of climate risk, nor its scenario analysis.

Approach: RPIL's 2023 Voting Policy stated that it expects its portfolio companies – particularly those in highly carbon-intensive sectors – to appropriately incorporate material information about climate-related issues into their overall disclosures, both financial and non-financial. If a company's disclosures fail to meet its expectations, it may vote against the Chari, the director it deems responsible, or the Report and Accounts.

As Air Liquide is one of the top emitting companies in the portfolio, RPIL sought reassurance that their financial accounts were consistent with their transition plan. The CA100+ group welcomed the inclusion of a climate risk narrative in the 2021 Accounts and in the 2022 Key Audit Matters, alongside broader discussions around lobbying and strategy. However, Air Liquide still did not disclose the estimates and quantitative assumptions that led to the company's materiality assessment of climate risk.

Although the absence of this quantitative disclosure is not out of line with the market, RPIL factored in the length of this collaborative engagement, clear guidance given by the group, and the materiality of climate risks to the chemical sector.

Because of these gaps, and in alignment with the lead CA100+ investor's pre-declaration, RPIL decided to abstain on the approval of the financial statements and statutory reports. RPIL did not vote against the Report and Accounts, nor the director it deems responsible, in recognition of the company's ongoing willingness to engage in constructive dialogue and the progress it has made.

Why Most Significant:

- Links to the Climate and Nature Trustee stewardship priority

Outcome and next steps: The level of dissent against the approval of the financial statement was 0.2%. It is too early to assess the effect of its abstention, and the CA100+ group's signal, because it needs to wait for the next set of accounts to be published. However, Air Liquide remains engaged, and the group continues to discuss progress against its priorities. RPIL will remain a supporting investor as part of CA100+. It looks forward to monitoring Air Liquide's progress on climate-aligned accounts.

Case Study: Unilever | Remuneration | 03 May 2023

What were the votes about:

1) Remuneration Report
2) Re-elect chair of Remuneration Committee

Size of Holding (£): 54 million

Link to Trustee's Stewardship Principles? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board Composition

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

Issue: Unilever is a holding in RPIL's Quantitative Strategies portfolio, this portfolio is managed by Railpen's Public Markets team. The team manages fully systematic strategies ranging from long only & market neutral equity portfolios, through to multi-asset diversifying funds using risk-based allocation techniques. The incoming CEO's salary had been set higher than that of his predecessor. It is significantly higher than the salary received in his current role and that of UK peers. Unilever had not provided compelling justification for this remuneration package.

Objective: A key focus of RPIL's voting focuses on remuneration, which it considers to be a vital way of ensuring senior executives are both accountable to, and aligned with the interests of, shareholders.

Approach: RPIL's voted against the remuneration report, as well as the Director it deemed responsible, to express its dissatisfaction regarding the lack of justification for the increased CEO salary. RPIL wanted to encourage Unilever to provide further disclosure on how this increase in salary is aligned with performance, the experience of shareholders and wider employees, as well as how it is designed to drive long-term strategic success.

Why most significant?
- Links to the Sustainable Financial Markets Trustee stewardship priority

Outcome and next steps: 58% of shareholders voted against the remuneration report and nearly 16% voted against the Chair of the Remuneration Committee. Unilever's pay practices will continue to be monitored. In 2024, Unilever has been selected as a focus company for its dedicated UK-focused stewardship initiative. It will engage with Unilever on its approach to remuneration, as well as other material issues and consider how this engagement influences its voting activity at the 2024 AGM.

Case Study: AbbVie | Cybersecurity | 05 May 2023

What was the vote about:

1) Vote to elect the Chair of the Audit Committee

Size of Holding (£): 133 million

Link to Trustee's Stewardship Priorities? Yes – Responsible Technology

Is the issue a 'top 5' member priority? No – but cybersecurity is a top 10 issue for members

Issue and objective: AbbVie is a health and pharmaceutical company in RPIL's Quantitative Strategies portfolio. It identified concerns with AbbVie's approach to cybersecurity (including its disclosures), which were compounded by the company's high-risk exposure to the issue. In light of the materiality of data security to the company, RPIL have been engaging with them – as lead engager – over the last few years, to request additional information on their approach to cybersecurity governance and practice as part of the Cybersecurity Coalition led by Royal London Asset Management ('RLAM').

Cybersecurity threats can cause substantial damage to companies through operational disruption, loss of revenue, fines and reputational harm. RPIL therefore sought reassurance that cybersecurity risks were being managed appropriately.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

Approach: Following Railpen's initial unsuccessful attempts to engage with AbbVie, Railpen previously voted against the election of the Chair of the Audit Committee, who is responsible for oversight of risks, including cybersecurity. RPIL informed the company in advance of its vote. RPIL had also previously escalated to ask a question at the AGM on AbbVie's approach to cybersecurity and to request a meeting. RPIL thinks that AGM questions can be a powerful way to raise awareness of an issue with a company and more broadly.

Further to RPIL's AGM question, AbbVie agreed to the meeting request. RPIL met with subject matter experts and gained reassurance on the areas identified for discussion. In advance of the AGM, AbbVie published its latest proxy statement, which included an update of the director biographies, to flag where there was relevant cybersecurity experience and new emphasis on the Board's active role in reviewing AbbVie's cybersecurity risks. RPIL welcomed this and subsequently voted in favour of electing the Chair of the Audit Committee at the latest AGM.

Why most significant:

- Links to the Responsible Technology Trustee stewardship priority

Outcome and next steps: 99.7% of shareholders voted in favor to elect the director. RPIL was happy to see that progress had been made on AbbVie's cybersecurity disclosure. Continued monitoring will take place to ensure that they continue to disclose their cybersecurity risk management. Areas of improvement still remain, particularly around due diligence when undertaking acquisitions, and RPIL will look for improvements in this area before considering how to vote at their 2024 AGM.

<u>Case Study: Partners Group AG | Auditor rotation | 24 May 2023</u>

What was the vote about:

1) Ratify the Auditors

Size of Holding (£): 41 million

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? No

Issue: Partners Group AG is part of RPIL's Fundamental Equity Portfolio, this portfolio is focused on companies with high barriers to entry and sustainable competitive advantage. RPIL believes that frequent rotation of the audit firm is a necessary ingredient for ensuring the independent judgement and professional scepticism necessary to a robust external audit. RPIL's long-established view has been to vote against a company's auditors, when they have held the same post in excess of 15 years.

Objective: Previously, RPIL had been engaging with Partners Group to outline its perspective on auditor tenure, amongst other subjects. RPIL had taken the time to suggest solutions, providing perspectives gathered from its engagements with other companies similar to Partners Group. RPIL wanted to ensure that it voted in a way which would allow it to continue to support its engagements with the company.

Approach: Although engagement was constructive in the first two years, RPIL did not feel able to support on key votes at the 2021 and 2022 AGMs. It had previously exercised votes against the appointment and remuneration of the auditor. This led to a discussion with both former and new Board directors on audit in late 2022. RPIL was delighted that they committed to put the audit firm out to tender in the near future at this meeting.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

At the time of the 2023 AGM, the audit firm had still been in place for longer than RPIL's agreed threshold, so its policy dictated that RPIL vote against the ratification of the auditors. However, RPIL voted in favour of ratifying the company's auditors. Not only was this due to the positive commitment made to tendering in RPIL's meeting, but they also made this commitment in writing, in the proxy statement produced in advance of the 2023 AGM.

Why most significant:
- Links to the Sustainable Financial Markets Trustee stewardship priority

Outcome and next steps: 94.2% of shareholders voted in favor of the auditor. RPIL will continue to engage with the company to support them, by providing an investor perspective, throughout the tendering process.

Case Study: McDonald's | Workforce treatment | 25 May 2023

What the vote was about:

1) Elect Director Christopher Kempczinski

Size of Holding (£): 31 million

Link to Trustee's Stewardship Priorities? Yes – Worth of the Workforce

Is the issue a 'top 5' member priority? Yes – Fair Treatment of Workers

Issue: McDonald's is a holding in the Quantitative Strategies portfolio. The U.S. Department of Labour ('DOL') fined three McDonald's franchisees after an investigation determined that hundreds of children were working there in violation of federal labour laws. There were ongoing concerns about the lack of response to what appeared to be systemic sexual harassment issues in the UK and the US.

Objective: Railpen considers that fair treatment of workers is fundamental to ensuring a fulfilled, motivated and engaged workforce, that is vital for sustainable financial performance. RPIL was concerned at the systemic nature of the sexual harassment issues at McDonald's and what RPIL felt was a lack of accountability taken by senior management on this issue.

Approach: Although RPIL did not have capacity to engage specifically on this in advance of the 2023 AGM, RPIL voted against the re-election of the CEO in light of the serious nature of the issue and what it deemed to be a requirement for senior-level accountability.

Why most significant?
- Links to Worth of the Workforce Trustee Stewardship Priority

Outcome and next steps: 99.3% of shareholders voted for the election of the CEO. Although the majority of shareholders do not seem to share RPIL's concerns (or have made their views heard through exercising their vote), RPIL will continue to monitor the progress on workforce treatment. This includes seeking to engage with them as part of RPIL's Workforce Directors Coalition ('WDC'). RPIL believes that, given the serious nature of these issues and the lack of concrete information about how McDonald's is seeking to act on the concerns of employees on this basis and other issues, they should be considering appointing a workforce director to their Board.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

Case Study: Amazon | Freedom of association and working conditions | 24 May 2023

What the vote was about:

1) Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining
2) Commission a Third Party Audit on Working Conditions

Size of Holding (£): 157 million

Link to Trustee's Stewardship Priorities? 1) Yes – Worth of the Workforce 2) Worth of the Workforce

Is the issue a 'top 5' member priority? 1) Yes – Fair treatment of workers 2) Yes – Fair treatment of workers

Issue: Amazon is held in Railpen's actively managed strategy through the Fundamental Growth Portfolio. RPIL has been in dialogue with the company over many years, on its long-term growth prospects and competitive positions across retail, cloud and advertising, as well as on material ESG issues. Social issues, such as working conditions, have been a focus of RPIL's engagement and the company often faces several shareholder resolutions on social topics at its AGMs.

Objective: RPIL recognises that workforce treatment issues can be highly emotive, given the importance of the topics under discussion. Although RPIL is an advocate of direct dialogue between management (and the Board) and workers, there can be benefits in asking an independent and expert third party to assess the situation at a particular company and provide their perspective, as to both root causes and possible remedies. As workforce issues are highly material to Amazon, RPIL considers such information to be potentially useful.

Approach: RPIL engaged with Amazon in advance of the AGM to understand their perspective both on these resolutions specifically and on engagement with the workforce overall. RPIL was encouraged to hear how they had acted upon workforce concerns on issues, including fair pay, but given the ongoing issues around unionization, RPIL thought further information from an impartial third party would be helpful. RPIL therefore voted in favour of both shareholder resolutions, sent Amazon its guidance on *Worker Inclusion and Voice* (how to meaningfully incorporate the worker voice into Board-level discussions) and committed to engage with them further on this issue in the future.

Why most significant?

- Links to Worth of the Workforce Trustee stewardship priority

Outcome and next steps: 34.6% of shareholders were in favour of the shareholder resolution to 'commission third party assessment on a Company's commitment to Freedom of association and collective bargaining'. 35.2% of shareholders were in favour of the 'Commission a third party audit on working conditions' vote. These are significant levels of support and RPIL will engage with Amazon to understand how they have responded to the results.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Most significant votes – RPIL (continued)

Case Study: Airbnb | Unequal voting rights | 01 June 2023

What the vote was about:

1) Elect Director Nathan Blecharczyk
2) Elect Director Alfred Lin

Size of Holding (£): 16 million

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board Composition and Shareholder Rights

Issue/Objective: Airbnb is a holding in RPIL's Quantitative Strategies portfolio and has dual-class share structures (or unequal voting rights). In 2022, RPIL launched the Investor Coalition for Equal Votes ('ICEV'), to fight back against unequal voting rights, at companies primarily in the US and the UK and supplement its company-specific engagement.

Approach: In 2023, RPIL continued to make it a priority within its voting and engagement to tackle unequal voting rights. This included its work both with ICEV and with individual companies in its portfolio that have unequal voting rights – such as Airbnb. RPIL therefore decided to 'withhold' its support for the two directors due to the dual class share structure and long sunset clause, amongst other governance concerns at Airbnb.

Why most significant?

- Links to Sustainable Financial Markets stewardship priority

Outcome and next steps: 98.6% of shareholders were in favour of voting to re-elect the directors. RPIL will continue to try to engage with the company on dual class share structures and raise awareness of ICEV with them. If engagement is not successful, RPIL may consider escalation if it feels that this may be effective and also implemented broader updates on unequal voting rights to its 2024 Global Voting Policy update, which will come into force on 1 January 2024.

Case Study: Capita PLC | Workforce directors | 11 May 2023

What the vote was about:

1) Elect Janine Goodchild as Director

Size of Holding (£): 2 million

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board Composition and Accountability, Workforce Treatment

Most significant votes – RPIL (continued)

Issue: Capita PLC is a holding in RPIL's LGIM portfolio. An engaged workforce and including the worker's perspective in strategic decision-making and the corporate governance processes, is fundamental to the long-term success of companies. RPIL believes in appointing one or more workforce directors, as it has the potential to create value for the company, by improving the cognitive diversity of a Board and improving decision-making. Workers feel that they have a say in the running of the company, which makes them feel more engaged and have a greater sense of trust and co-ownership. An engaged workforce is financially material to long-term company performance.

Capita PLC is one of the few UK companies to have workforce directors on its Board. Previously they had two, including one who sat on the Remuneration Committee ('RemCo'). However, investors have previously voted against the reappointment of the Remuneration Committee workforce director due to what RPIL considered overly rigid concerns about its independence. This means that, for the 2023 AGM, Capita had only one workforce director.

Objective: RPIL was keen to understand how Capita approaches workforce directors and to offer support if it was felt investors were not approaching the vote in a holistic and thoughtful way.

Approach: During the 2023 AGM season, RPIL launched practical guidelines for companies on how to take a meaningful approach to incorporating the worker's voice at Board-level, including the potential use of workforce directors.

At its 2023 AGM, Capita wanted to appoint a workforce director to its Audit Committee. Although not RPIL's ideal use of a workforce director (with a preference for fully independent Audit Committees), given the rationale provided by Capita and RPIL's willingness to support one of the few UK companies committed to workforce directors, RPIL decided to vote in favour of the election of the workforce director. A meeting was not possible ahead of the AGM, so RPIL's vote was the first opportunity it had to directly share its view, although RPIL's guidance had also been sent to Capita before the AGM.

Why most significant?

- Links to the Worth of the Workforce Trustee stewardship priority

Outcome and next steps: 95% of shareholders voted in favour of the re-election of Janine Goodchild. RPIL used its vote as an opportunity for engagement, aiming to further its understanding of Capita's perspective and consider what more it could do to align with its position on best practice. Unfortunately Capita's workforce director stepped down at the end of 2023.

RPIL plans to further engage to find out why. Its sense is that perhaps investors did not fully appreciate the benefits of Capita's approach to workforce directors and there may be learning for its Workforce Directors Coalition (WDC) in future company engagements.

Voting behaviour and most significant votes – external managers

RPIL, on the Trustee's behalf, has also collected information on the most significant votes undertaken by LGIM. Prior to collecting this information, RPIL informed the external managers of those key themes and issues which were considered to be 'most significant' by RPIL. It also directed them to the PLSA's Vote Reporting Template. RPIL always notifies the manager of its definition of 'Most Significant Votes' on the Trustee's behalf, several months in advance of the deadline for the information. This is in addition to sending LGIM the updated Global Voting Policy in the December before the next AGM season, which offers an even earlier indication of RPIL and the Trustee's engagement and voting priorities.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour and most significant votes – external managers (continued)

The following Most Significant Votes represent RPIL's choice, on the Trustee's behalf, of what it considers to be the most significant votes exercised by its external asset managers, from the choices presented to us.

LGIM

Due to the number of holdings LGIM owns, the team is unable to attend every company shareholder meeting to cast votes. LGIM therefore votes by proxy through the ISS voting platform 'Proxy Exchange'.

The Trustee is confident that the level of oversight exercised by RPIL over LGIM's approach to stewardship and engagement, which includes regular meetings and liaison on RPIL's key engagement themes and Voting Policy lines, is appropriate to the mandate and arrangement. We believe that activities where LGIM and RPIL jointly engage, for instance, on issues such as climate through Climate Action 100+, are an additional demonstration of the alignment of voting approach.

LGIM told RPIL in a dedicated meeting on sustainable ownership in 2023, that it would aim to work closely with its clients in the future on topics of shared interest, including dual-class share structures. It also noted that it would be open to collaboration in the future, including on potential co-filing of resolutions. RPIL, on behalf of the Trustee, will continue to engage with LGIM to better understand its approach to stewardship. In particular, how it i) tracks engagement progress and monitors outcomes and ii) how it seeks to make full use of all its stewardship tools on priority issues and with key holdings.

LGIM publishes an annual Active Ownership report which, together with the intelligence from RPIL's engagements with LGIM, and quarterly updates provided to the Sustainable Ownership team, provides additional comfort to the Trustee that our external manager's approach to voting and engagement is aligned with our priorities on issues such as climate change and fair treatment of the workforce. We particularly welcome its future plans to contribute to public policy discussions, and to focus on the issue of unequal voting rights, which closely aligns with the Trustee's priority stewardship issues and thinking, regarding effective ways of influencing system-level risk, as discussed previously.

In response to RPIL's information request on Most Significant Votes, LGIM provided the information tabulated below.

LGIM North America Index Fund

Investment Manager Name	Legal and General Investment Management
Fund Name	North America Equity Index Fund
Fund Code	S
Quasar Code	2241
Fund of Fund Structure	Yes
Scheme Year End Date	2023-12-31
Start of Reporting Period	2023-01-01
End of Reporting Period	2023-12-31

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour and most significant votes – external managers (continued)

What was the total size of the fund as at 2023-12-31?	£21,878,943,114	Weekly close price series
What was the number of equity holdings in the fund as at 2023-12-31?	615	

How many meetings were you eligible to vote at over the year to 2023-12-31?	648	
How many resolutions were you eligible to vote on over the year to 2023-12-31?	8760	
What % of resolutions did you vote on for which you were eligible?	99.70%	
Of the resolutions on which you voted, what % did you vote with management?	65.54%	
Of the resolutions on which you voted, what % did you vote against management?	34.46%	
Of the resolutions on which you voted, what % did you abstain from?	0.00%	
In what % of meetings, for which you did vote, did you vote at least once against management?	97.69%	
Which proxy advisory services does your firm use, and do you use their standard Voting Policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom Voting Policy with specific voting instructions.	
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	28.96%	

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour and most significant votes – external managers (continued)

LGIM Railways Passive Equity Pooled Fund ('PAPF')

Investment Manager Name	Legal and General Investment Management
Fund Name	Railways (PAPF)
Fund Code	32705-003
Quasar Code	
Fund of Fund Structure	Yes
Scheme Year End Date	2023-12-31
Start of Reporting Period	2023-01-01
End of Reporting Period	2023-12-31

What was the total size of the fund as at 2023-12-31?	£260,639,093.56
What was the number of equity holdings in the fund as at 2023-12-31?	2652
How many meetings were you eligible to vote at over the year to 2023-12-31?	3056
How many resolutions were you eligible to vote on over the year to 2023-12-31?	37,828
What % of resolutions did you vote on for which you were eligible?	99.91%
Of the resolutions on which you voted, what % did you vote with management?	78.93%
Of the resolutions on which you voted, what % did you vote against management?	20.94%
Of the resolutions on which you voted, what % did you abstain from?	0.13%
In what % of meetings, for which you did vote, did you vote at least once against management?	75.55%
Which proxy advisory services does your firm use, and do you use their standard Voting Policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom Voting Policy with specific voting instructions.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	15.39%

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour and most significant votes – external managers (continued)

<u>LGIM vote: Amazon.com, Inc – PAPF</u>

What the votes were about: Report on Media and Adjusted Gender/Racial Pay Gaps

Size of holding in fund (£): 9.6 million

Link to Trustee's stewardship priorities? Yes – Worth of the Workforce

Is the issue a member priority? Yes – Fair Pay

Approach: A vote in favour (against management) was applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as RPIL believes cognitive diversity in business - the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds - is a crucial step towards building a better company, economy and society.

LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.

Why most significant:

- Links to the Worth of the Workforce Trustee stewardship priority
- Also a large holding in the Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes)

Outcome and next steps: The issue failed to pass with 29% support. LGIM will continue to engage with the company and monitor progress.

<u>LGIM vote: Alphabet Inc. – PAPF</u>

What the votes were about: Approve Recapitalisation Plan for all Stock to Have One-vote per Share

Size of holding in fund (£): 10.9 million

Link to Trustee's stewardship priorities? Yes – Sustainable Financial Markets

Is the issue a member priority? Yes – Board Accountability

Approach: A vote in favour (against management) was applied as LGIM expects companies to apply a one-share-one-vote standard.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority
- Also a large holding in the Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes)

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour and most significant votes – external managers (continued)

Outcome and next steps: The issue failed to pass with 30.7% shareholder support (though this result should be considered in the context of the unequally weighted voting rights structure). LGIM will continue to monitor the Board's response to the high level of support received for this resolution.

LGIM vote: Meta Platforms, Inc. – North America Equity Index Fund

What the votes were about: Elect Director Mark Zuckerberg

Size of holding in fund (£): 396 million

Link to Trustee's stewardship priorities? Yes – Sustainable Financial Markets

Is the issue a member priority? Yes – Board Accountability

Approach: A vote against was applied (against management) as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. A vote against was also applied because LGIM supports the equitable structure of one-share, one-vote. LGIM expects companies to move to a one-share-one-vote structure, or to provide shareholders a regular vote on the continuation of an unequal capital structure. Withhold votes were also warranted for Mark Zuckerberg, the owner of the supervoting shares.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority
- Also a large holding in RPIL's Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes)

Outcome and next steps: The vote failed to pass with 9.1% of shareholders voting against (though this result should be considered in the context of the unequally weighted voting rights structure). LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

External manager accountability

RPIL is responsible for ensuring that the fund managers invest scheme assets in line with the Trustee's investment policy and that the fund managers' stewardship, ESG (including climate change) and responsible investment policies (where relevant), align with the Trustee's own policies. This includes assessing how the relevant fund manager makes investment decisions based on the medium to long-term financial and non-financial performance of investee companies and engages with investee companies to improve their performance.

In 2023, RPIL continued to apply its updated Manager Assessment Framework (as discussed in previous Implementation Statements) to external managers, across private markets and infrastructure. The case study below provides an example of this work. The Trustee believes that this is a helpful example that demonstrates how the Framework was applied in a way that will help drive long-term value for beneficiaries.

APPENDIX A (CONTINUED)

IMPLEMENTATION STATEMENT (CONTINUED)

External manager accountability (continued)

Private markets | RPIL's ESG due diligence on a manager	
Issue	In 2023, RPIL was given the opportunity to invest in a middle market private equity fund, targeting controlling investments in companies across Europe in a range of sectors. RPIL invested in two previous versions of the fund, and its last assessment of the manager's approach to ESG, in May 2019, had been positive. However, it wanted to deepen its understanding of their approach with an updated assessment.
Objective	As with all investment opportunities in its private markets portfolio, it aimed to assess this fund to make sure ESG risks were identified and appropriately managed in the investment process.
Approach	Because the fund invests in a range of sectors, its assessment focused on the consistent application of the investment approach and governance of ESG at the fund. It found the manager's overall approach had not changed significantly since its last assessment. ESG factors, including company values, were still built into the investment process at every stage, including origination, due diligence, value creation and exit. It were also pleased to see some positive additions: ● A materiality assessment and an impact assessment carried out by the investment team ● Extra steps being taken, post-investment, to improve ESG at portfolio companies. This included setting some common targets and expectations of company boards, as well as additional reporting ● Final screening of ESG outcomes at exit to understand their impact RPIL was also satisfied with examples provided of previous investments where the process, from pre-investment due diligence to exit, had been faithfully executed. It could see that material ESG considerations were being assessed and addressed, particularly around governance. These investments also featured in value creation case studies.
Outcome and next steps	RPIL concluded that the fund's approach to ESG risk management met Railpen's expectations of external managers. It followed up with a meeting with the Head of Sustainability to validate its assessment. RPIL also agreed to meet regularly to monitor their approach and share best practice.

The Trustee regularly discusses RPIL's approach to external managers and it is comfortable that the actions taken align with its beliefs in this regard.

Stock lending

The Trustee believes 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. Funds participate in various stock-lending programmes administered by RPIL.

The stock lending programme is governed by RPIL's 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.

RPIL's participation is subject to an overriding requirement that:

- no more than 90% of its 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
- in addition, RPIL 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
- RPIL also has a standing instruction in place for a full recall of all Japanese stock out on loan ahead of the voting season, and
- as Eumedion members, RPIL recalls its 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

RPIL has a policy whereby it automatically recalls all of its Fundamental Growth Portfolio holdings, in advance of every annual, special or extraordinary meeting. This enables RPIL to use the full weight of its vote and influence on companies where there is a significant proportion of assets and where, consequently, there is significant value-at-risk. There are daily checks on RPIL's total exposure and weekly reports from the Investment Operations team to the Sustainable Ownership team. This supports RPIL in monitoring what shares are out on loan and therefore what voting rights can be exercised at any given time.

APPENDIX B

STATEMENT OF INVESTMENT PRINCIPLES (Forming Part of the Trustee's Annual Report)

Introduction

1. Railways Pension Trustee Company Limited is the trustee body (the "Trustee") for the railways pension schemes listed in Schedule 1 (the "Schemes") and for each separate Section within the Railways Pension Scheme (a "Section"). The Trustee notes that it is required to produce and maintain a SIP to outline its investment principles and policies ("investment policy") for each Scheme under law – the Trustee considers each Scheme individually and collectively and this document represents the combined SIP for the Schemes.

2. The Schemes are occupational pension schemes providing defined benefit ("DB") and defined contribution ("DC") benefits. The main body of the SIP relates to DB and DC elements of the Schemes (unless otherwise stated), whereas Schedules 2 and 3 apply to the DC elements only.

3. The Trustee has, following consultation with the employers, drawn up this SIP to comply with the requirements of the Pensions Act 1995 (as amended) and subsequent legislation, including The Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"). The Trustee has received written advice from the Trustee's wholly owned subsidiary, Railway Pension Investments Limited ("RPIL"), before adopting this SIP. The Trustee has two wholly-owned operating subsidiaries, Railpen Limited ("Railpen") and RPIL, to which it delegates the day-to-day operation of the Schemes.

Responsibilities and Process

4. The Trustee is responsible under the Pensions Act 1995 for determining the overarching investment principles used across the Schemes. These are outlined in this document, and supporting documents which can be found online at https://www.railpen.com/investing/. Investment strategy for the DB elements of each Scheme and/or Section is set taking account of, amongst other factors, the funding level and specific liability profile of that Scheme and/or Section. The Trustee has a sub-committee, the Integrated Funding Committee ("IFC"), responsible for carrying out this work. The performance objectives and asset allocation strategies for each Scheme and/or Section are included in their respective individual Investment Policy Document. See Schedules 2 and 3 for details of the Trustee's investment strategy in respect of the Schemes' DC elements.

5. In the case of Sections where the employer has elected to establish a "Pensions Committee", and those Schemes where a Management Committee has been established, the power to set investment strategy lies with the committees (with the exception at the time of adoption of this SIP, of the British Transport Police Force Superannuation Fund, RPS Govia Thameslink Railway Section and RPS London Overground Section). In the case of these committees, the Trustee retains legal responsibility for implementation of investment policy and ensuring that any policy adopted and set out in the relevant Investment Policy Document complies with the statutory requirements. This function has been delegated in turn by the Trustee to RPIL.

6. The SIP is reviewed following each triennial actuarial valuation and following any significant change in investment policy. The Trustee will consult with the relevant employers about any changes to the SIP. However, the employers have agreed that where changes are proposed to any specific Investment Policy Document, the Trustee only needs to consult with the employers which participate in the Scheme and/or Section to which that Document relates.

Investment Beliefs

7. The Trustee has agreed core beliefs that set out a clear view on investment philosophy and Scheme governance. These beliefs are used to inform the investment process used across the Schemes. The Trustee reviews the Investment Beliefs annually and they are available to view online at https://www.railpen.com/investing/how-we-invest/beliefs/.

Investment Objectives

8. The Trustee's mission is to pay members' pensions securely, affordably and sustainably. It achieves this through investing the assets of each Scheme and each Section in a way that enables them to be used to pay the benefits promised when they fall due, whilst balancing this against the cost that must be met by the employers and members.

9. To facilitate achieving this objective, the Trustee adopts an integrated approach to covenant, funding and investment policy in respect of the Scheme's DB elements. Due to the different maturity profiles of the liabilities of the individual Schemes and Sections, along with the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies and therefore expected investment returns will vary widely. Investment objectives therefore have to be set separately for each Scheme and/or Section, with a consistent framework used for evaluation. The agreed investment strategy framework takes into account risk, return needs (to meet funding objectives), maturity, covenant and liquidity needs, to enable ranges to be set for diversified growth and defensive assets for each Scheme and/or Section.

10. The investment strategy framework outlines the expected investment strategy for each Scheme and broad Section groupings (effectively grouped by covenant strength and how mature a Section is classified as). The individual components of the framework are considered as follows:

    10.1. The framework is formulated in terms of time to how mature a Section is classified as, using the following phases:
    - Non-maturing;
    - Semi-mature (over 15 years to significant maturity);
    - Mature (10 to 15 years to significant maturity);
    - Very mature (less than 10 years to significant maturity);
    - At long-term goal.

    10.2. **Non-maturing Sections:** the framework focuses on achieving appropriate risk-adjusted returns to meet each section's investment and funding objectives, and bears in mind contribution rate affordability.

    10.3. **Maturing Sections:**

    10.3.1. The framework assumes buyout is the long-term goal for maturing non-Covenant 1 Sections.

    10.3.2. Allocations to illiquid assets are reduced as Sections mature whilst targeting higher levels of interest rate and inflation hedging.

    10.3.3. The framework assumes that Sections de-risk as they become more mature.

    10.3.4. At the point of being fully funded on a low dependency basis the framework reflects a "buyout-ready" investment strategy, with assets expected to be invested such that there is high resilience to investment risk and low (but not zero) dependency on the Employer.

Investment Objectives (continued)

11. Within the framework, asset allocations are expressed as ranges, providing a helpful guideline whilst also encouraging Section-specific advice. The return on the portfolio, in aggregate, will take into account the discount rate adopted for funding purposes for the respective Scheme and/or Section.

Management of Pooled Funds

12. The Trustee is responsible for investing the Scheme's assets in the best interests of members and beneficiaries and it exercises its powers of investment in accordance with the trust deed and rules of each Scheme and applicable law.

13. The Schemes and Sections invest in a number of HMRC approved pooled funds (the "Pooled Funds") operated by RPIL on behalf of the Trustee. These funds are used to construct each investment portfolio agreed under the investment strategy framework and are intended to accommodate the differing investment requirements of the Schemes and Sections.

14. As such, each Pooled Fund has distinct return, risk and liquidity characteristics and is either multi-asset or single-asset class by design. The Trustee recognises that the use of a range of traditional and alternative asset classes with distinct return drivers may offer diversifying characteristics. Accordingly, the default offering is to use predominantly multi-asset Pooled Funds which invest in a wide range of assets and strategies. However, Pensions Committees and/or employers can request to make use of other Pooled Funds offered by the Trustee consistent with the agreed investment strategy. The investment performance of each Pooled Fund is measured against an agreed objective and the objective and investment guidelines for each Pooled Fund are set out in the Pooled Fund Policy document and Pooled Fund Directive document.

15. Under the investment strategy framework, the proportion of the Scheme and/or Section assets to be held in a particular Pooled Fund is not fixed and may, therefore, be changed from time to time by the Trustee (or Railpen Limited under delegated authority) in order to comply with the framework in the manner the Trustee considers appropriate. Where the rules of a Scheme or a Section require the investment policy to establish the proportion of Scheme and/or Section assets to be held in each of the Pooled Funds, that policy will be recorded in the relevant Investment Policy Document.

16. The Trustee regularly reviews the Pooled Fund range and is free to change the range of Pooled Funds, the associated objectives and investment guidelines from time to time, as it considers appropriate, in accordance with the rules of the Schemes.

17. The investment of the assets within each Pooled Fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to RPIL, the internal manager for the railways pension schemes, or to fund managers appointed by RPIL (together the "Fund Managers"). The Investment Management Agreement sets out the parameters and policies within which RPIL operates.

18. The investment arrangements are overseen by the Asset Management Committee (AMC) (a Committee within RPIL) who ensure adherence to the Trustee's investment policy. More information on the delegated structure can be found at https://www.railpen.com/about-us/our-governance/.The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPIL continue to be aligned with the Trustee's investment policy.

Management of Pooled Funds (continued)

19. In turn, RPIL is responsible for ensuring that the Fund Managers invest scheme assets in line with the Trustee's investment policy and that the Fund Managers' approaches to stewardship and environmental, social and governance (ESG) integration, including climate change, align where relevant with the Trustee's investment beliefs and with the Trustee's own approaches to stewardship and ESG integration (including climate change), which are detailed below. This includes assessing how the relevant Fund Manager makes investment decisions based on the medium to long-term financial and non-financial performance of investee companies and engages with investee companies to improve their performance.

20. RPIL reviews and monitors the contractual arrangements with Fund Managers, including their remuneration and length of appointment, on at least an annual basis through relationship meetings and investment reporting to ensure that they are consistent with the Trustee's investment policy and that Fund Managers' investment decisions and approach are aligned with the Trustee's investment policy and role as a responsible investor. More information on how RPIL ensures that remuneration structures are aligned with the long-term perspective of beneficiaries can be found within our Voting Policy reports on the Railpen website: https://www.railpen.com/knowledge-hub/reports/.

21. The Trustee is satisfied that RPIL has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in "Investment Regulations", the principles contained in this SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee.

22. The multi-asset Pooled Funds are managed in accordance with the Investment Risk Guiding Principles and Risk Limits, agreed on a regular basis with the AMC. The single-asset Pooled Funds are managed to specific objectives with permitted tolerances. Where relevant, RPIL and the Fund Managers are responsible for deviations from agreed asset allocations within delegated authority limits. Active management is not used by default but will be considered when it is judged to be the most efficient implementation of a given strategy.

23. RPIL and the Fund Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation, the Pooled Fund Policy document and Pooled Fund Directive. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions.

24. In addition to the Pooled Funds, the Schemes and Sections may invest assets with an insurance company regulated by the Prudential Regulation Authority in order to accomplish a transfer of risk.

Performance Measurement

25. The performance of each Scheme and/or Section, and the investment performance of the portfolios of RPIL and the Fund Managers, are measured for the Trustee. Also, investment performance of each Scheme and/or Section are monitored by RPIL and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employers. AMC monitors the performance of RPIL against long-term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPIL is responsible for monitoring the performance of the Fund Managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs.

Risk Management

26. The Trustee recognises that there are various investment and operational risks to which any pension scheme is exposed, and gives qualitative and quantitative consideration to such risks. A number of steps are taken to manage such risks including:

    26.1. maintaining a Trustee risk register;

    26.2. an Integrated Funding Committee with specific responsibilities including agreeing integrated funding plans for each Scheme and/or Section, using the investment strategy framework (as described in paragraphs 9, 10, 11 and 15), and monitoring performance against their agreed funding plans;

    26.3. an Audit and Risk Committee with specific responsibilities including review of financial control and risk management systems;

    26.4. appointing a global custodian to hold assets and RPIL monitoring the custodian’s service provision and credit-worthiness;

    26.5. appointing the AMC with specific responsibilities including oversight of the management of the Pooled Funds;

    26.6. the establishment of the Railpen Enterprise Risk Committee and the Investment Risk Committee to oversee monitoring of operational and investment risks respectively.

Defined Contribution Assets

27. The Schemes provide DC benefits in the form of additional voluntary contributions (“AVCs”) in the defined benefit Sections and the Industry-Wide Defined Contribution (“IWDC”) Section, a standalone DC Section of the Railways Pension Scheme. The IWDC Section is the authorised master trust within the Railways Pension Scheme. The Trustee is responsible for investing DC assets in the best interests of members and beneficiaries, providing appropriate fund choices and ensuring good value for members. The Trustee’s strategy and approach to the DC elements are set out in Schedules 2 and 3, to the extent they differ to the Scheme’s DB elements.

28. The range of funds made available for the DC fund arrangements is reviewed regularly and may be changed by the Trustee from time to time in accordance with applicable rules of the Schemes. The intention is to ensure an investment philosophy consistent across both defined benefit and defined contribution arrangements to the extent possible.

29. Further information on AVC Funds can be found in Schedule 2 and further information on the IWDC Section can be found in Schedule 3.

Costs

30. The Trustee recognises that strict control of costs is important in contributing to good investment returns. As such, RPIL and Railpen are asked to ensure that all aspects of cost from the responsibilities and mandates exercised by those involved in the investment process, both internal and external, are kept under regular review. The aim is to implement Scheme and/or Section strategy in the most efficient manner possible, using internal resources wherever appropriate. Investments within the Pooled Funds are considered in terms of the most efficient way to access desired return drivers. As part of this process, fees payable to external Fund Managers and costs relating to the investment, management, custody and realisation of Pooled Fund assets are kept under regular review.

STATEMENT OF INVESTMENT PRINCIPLES (CONTINUED)

Costs (continued)

31. RPIL and Railpen give full transparency to the Trustee on the underlying costs making up the annual management charges including, but not limited to, investment management costs, internal staff costs, legal costs and IT costs. The Trustee also monitors the level of transaction costs incurred by the funds on a yearly basis. These costs include, but are not limited to, broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty. More information on the breakdown of costs can be found in the annual report and accounts published on the Railpen website https://www.railpen.com/knowledge-hub/reports/.

32. The Trustee does not have a target portfolio turnover range but instead reviews costs in conjunction with net of fees performance figures for the Pooled Funds and Fund Managers are encouraged to take a long-term approach to investing in order to align with the Trustee's investment beliefs and investment policy.

Environmental, Social and Governance (including climate change) integration and Stewardship (including engagement and voting)

33. The Trustee recognises its legal duty to consider factors that are likely to have a financially material impact on investment returns over the period during which benefits will need to be funded by the Schemes' investments.

34. These factors include, but are not limited to, environmental, social and governance (ESG) factors, including, but not limited to, climate change.

35. The Trustee requires RPIL and Fund Managers to take account of ESG factors including climate change in the selection, retention and realisation of investments. In addition the Trustee requires RPIL to take into account the quality of stewardship and ESG integration (including climate change) when selecting Fund Managers, and to monitor relevant Fund Managers' stewardship and ESG integration (including climate change) during the investment period.

36. The Trustee will continue to monitor and assess ESG factors (including climate change) and the risks and opportunities arising from them, as follows:

    36.1. the Trustee will undertake annual training on ESG considerations in order to understand fully how ESG factors including climate change could impact investments;

    36.2. the Trustee will require RPIL and Fund Managers to provide regular information on their approaches to stewardship and ESG integration (including climate change).

37. The Trustee believes that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. It signals its expectations to, and seeks to influence, companies through RPIL's stewardship activities, including engagement and voting.

38. The Trustee expects RPIL to exercise rights attaching to investments and to undertake engagement activities in accordance with RPIL's global voting policy and current best practice, including the UK Stewardship Code.

39. RPIL's global voting policy sets out expectations for issuers. Constructive engagement with portfolio companies and policy makers, alongside thoughtful voting, supports the Trustee's investment objectives.

Environmental, Social and Governance (including climate change) integration and Stewardship (including engagement and voting) (continued)

40. Acting on the Trustee's behalf, RPIL is currently focussed on the following stewardship priorities: climate change; workforce treatment; responsible uses of technology, and; supporting more sustainable financial markets. The Trustee believes that these issues are stewardship priorities because they are financially material to all or a significant proportion of the Schemes' investments.

41. RPIL and the Trustee jointly issue an annual report on stewardship activities which seeks to achieve compliance with the UK Stewardship Code. RPIL, on behalf of the Trustee, engages with external Fund Managers to encourage them to adopt practices in line with the spirit of this Code as appropriate. Compliance with the UK Stewardship Code can be found on the Railpen website at https://www.railpen.com/knowledge-hub/reports.

Non-financial matters

42. Non-financial matters may be considered on a case-by-case basis in relation to the selection, retention and realisation of investments where the Trustee has reasonable cause to believe that members would share concerns that such matters would be inconsistent with the values or good reputation of the Schemes and would not involve a significant financial detriment to the Schemes.

43. The Trustee will review its policy on non-financial matters in conjunction with its regular review of the SIP.

Adopted by the Trustee on 8 December 2022

Schedule 1: Railways Pension Schemes

This Schedule lists the Schemes for which the Railways Pension Trustee Company Limited is the Trustee:

Railways Pension Scheme ("RPS")
British Railways Superannuation Fund ("BRSF")
British Transport Police Force Superannuation Fund ("BTPFSF")
BR (1974) Fund

Schedule 2: Additional Voluntary Contribution ("AVC") Funds

1. Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ("SIP") adopted by the Railways Pension Trustee Company Limited ("the Trustee") for the railways pension schemes (the "Schemes"), as amended from time to time. Items in the SIP which also apply to the AVC funds include the majority of the requirements of section 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005. This Schedule covers any additional requirements of the Investment Regulations in respect of the AVC funds which are not covered in the main body of the SIP.

The main AVC arrangement is open to all contributing members of the defined benefit Sections of the Railways Pension Scheme and is known as BRASS. It is also open to members of the British Transport Police Force Superannuation Fund who joined before 1 April 2007, and eligible members of the British Railways Superannuation Fund.

AVC Extra is the second contribution top-up arrangement for contributing members of the defined benefits Sections (other than the Network Rail Section) of the Railways Pension Scheme and members of the British Transport Police Force Superannuation Fund who joined before 1 April 2007. It is also open to members of the British Transport Police Force Superannuation Fund who joined after 1 April 2007 as their main AVC arrangement.

2. Objective

The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk.

The overall objective of the Trustee is to provide a range of funds suitable for members to invest their AVC contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

In setting the range of investment options, the Trustee took into account that members face various risks in retirement provision and planning.

3. Investment strategy

The Trustee considered a range of asset classes and associated expected returns and volatility of returns, the suitability of styles of investment management, and the need for diversification.
The suitability of various lifestyle arrangements were also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, which aim to reflect various retirement options. These options offer a changing investment programme designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from a higher-risk fund into lower-risk funds as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

3. Investment strategy (continued)

The Defined Contribution Committee ("DCC") of the Trustee Board was established to ensure appropriate management and governance of the BRASS, AVC Extra, and Industry-Wide Defined Contribution Section arrangements. Specific responsibilities of the DCC include oversight of investment performance and reviewing communications and investment options as appropriate.

4. Fund choices

The following "self-select" funds are available to all BRASS and AVC Extra members:

- Long Term Growth Fund
- Global Equity Fund
- Socially Responsible Equity Fund
- Corporate Bond Fund
- UK Government Fixed-Interest Bond Fund
- UK Government Index-Linked Bond Fund
- Deposit Fund

The BRASS and AVC Extra arrangements also offer three lifestyle options:

- Annuity Purchase Lifestyle
- Flexible Drawdown Lifestyle (the default option for AVC Extra)
- Full Cash Withdrawal Lifestyle (the default option for BRASS)

The fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPIL where possible.

Further information and factsheets for the BRASS and AVC Extra funds (including their asset allocation, risks and returns) can be found on the Railways Pensions website at https://member.railwayspensions.co.uk/in-the-scheme/brass/my-fund-choices.

5. Default arrangements

The aim of the default arrangements for each of the BRASS and AVC Extra arrangements is to generate long-term growth in excess of inflation over members' working lifetimes.

The BRASS arrangement is a "top-up" or additional benefit to the main Scheme DB benefit, and as such the default aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The "at retirement" portfolio has been constructed on the basis that BRASS members are expected to draw their benefits as cash. The asset allocation de-risks to a 10% allocation in the Long Term Growth Fund, a 75% allocation in the UK Government Fixed Interest Gilt Fund and a 15% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in BRASS.

The AVC Extra arrangement is a further "top-up" arrangement, and as such the default invests in the Long Term Growth Fund in the earlier years. The "at retirement" portfolio has been constructed on the basis that AVC Extra members are expected to flexibly draw their benefits. The asset allocation de-risks to a 25% allocation in the Long Term Growth Fund, a 50% allocation in the UK Government Fixed Interest Gilt Fund and a 25% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in AVC Extra.

5. Default arrangements (continued)

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) of BRASS and AVC Extra at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the IWDC Section.

6. Fund annual charges

The Fund Managers, RPIL and Railpen levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the BRASS and AVC Extra arrangements including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation although this is not guaranteed over any given period;

- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;

- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;

- Risk of underlying Fund Managers and/or RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL and the Fund Managers on a regular basis; and

- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.

Schedule 3: Industry-Wide Defined Contribution Section

1. Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ("SIP") adopted by the Railways Pension Trustee Company Limited ("the Trustee") for the railways pension schemes (the "Schemes"), as amended from time to time. Items in the SIP which also apply to the AVC funds include the majority of the requirements of section 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005. This Schedule covers any additional requirements of the Investment Regulations and the Pensions Act 2004 in respect of the Industry Wide Defined Contribution Section ("IWDC Section") which are not covered in the main body of the SIP.
The IWDC Section is the authorised DC master trust of the Railways Pension Scheme for rail industry employees and, other than AVCs, it is the only Section in the Scheme which provides money purchase benefits.

2. Objective

The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk.

The overall objective of the Trustee is to provide a range of funds suitable for members to invest their contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

In setting the range of investment options, the Trustee took into account that members face various risks in retirement provision and planning.

3. Investment strategy

The Trustee considered a range of asset classes and associated expected returns and volatility of returns, the suitability of styles of investment management, and the need for diversification. The suitability of various lifestyle arrangements were also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, which aim to reflect various retirement options. These options offer a changing investment programme designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from a higher-risk fund into lower-risk funds as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee ("DCC") of the Trustee Board was established to ensure appropriate management and governance of the DC Schemes' arrangements. Specific responsibilities of the DCC include oversight of investment performance and reviewing communications and investment options as appropriate.

4. Fund choices

The following "self-select" funds are available to all members of IWDC Section:

- Long Term Growth Fund
- Global Equity Fund
- Socially Responsible Equity Fund
- Corporate Bond Fund
- UK Government Fixed-Interest Bond Fund
- UK Government Index-Linked Bond Fund
- Deposit Fund

The IWDC Section also offers three lifestyle options:

- Annuity Purchase Lifestyle
- Flexible Drawdown Lifestyle (the default option)
- Full Cash Withdrawal Lifestyle

The fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPIL where possible.

IWDC Section funds (including their asset allocation, risks and returns) can be found on the Railways Pensions website at https://member.railwayspensions.co.uk/in-the-scheme/paying-into-iwdc/invest-in-your-future.

5. Default arrangement

The aim of the default arrangement is to generate long-term growth in excess of inflation over members' working lifetimes.

The IWDC Section may be a members' main form of retirement saving and so the Long Term Growth Lifestyle as the "default arrangement" aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The "at retirement" portfolio has been constructed on the basis that DC members are expected to flexibly draw their benefits. The asset allocation de-risks to a 25% allocation in the Long Term Growth Fund, a 50% allocation in the UK Government Fixed Interest Gilt Fund and a 25% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the AVC funds.

6. Fund annual charges

The Fund Managers, RPIL and Railpen levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the IWDC Section including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation, although this is not guaranteed over any given period;

- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;

- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;

- Risk of underlying Fund Managers and/or RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL and the Fund Managers on a regular basis; and

- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every three years or more frequently if appropriate, and without delay after any significant change in investment policy.

APPENDIX C

POOLED FUND ACCOUNTS

This appendix represents a consolidated summary of the Annual Report and non-statutory audited accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2023. These non-statutory accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and with the guidance set out in the Statement of Recommended Practice (the 'SORP').

These non-statutory financial statements have been prepared at the request of the Trustee. The pooled funds are Common Investment Funds, in which only the railways pension schemes can invest. They are set up and operated under regulations approved by HMRC and the Trustee. Although there is no legal requirement to obtain audited accounts for the pooled funds in isolation, the accounts are included in the Scheme financial statements in order to satisfy the disclosure requirements of the SORP, and therefore must comply with the disclosure requirements of the SORP. The Railways Pension Trustee Company Limited Pooled Funds' non statutory accounts are prepared and audited as a separate document, in order to provide a basis for the preparation of the Scheme financial statements, and are approved by the Audit and Risk Committee.

The Trustee places significant emphasis on maintaining high standards of fiduciary governance, and regards the annual audit of the pooled funds as a key component in the furthering of this aim. In addition to providing assurance that the non-statutory financial statements are fairly stated, the audit process assesses and improves internal systems and controls, which are of critical importance to the fulfilment of the Trustee's responsibilities, for the effective investment and safeguarding of members' assets. The audit is deemed central to the credibility of the Railways Pension Scheme, with its significant membership-base, and provides reassurance in the context of the funds' scale and their material impact on the Scheme financial statements.

The total valuation of the pooled assets, as at 31 December 2023, was £34,564m (2022: £33,584m). There are in addition £1,176m (2022: £1,019m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £35,740m (2022: £34,603m).

The pooled funds operate as internal unit trusts. They comprise a key element of the arrangements that the Trustee has put in place for the investment of schemes' and sections' assets and provide the railways pension schemes with a means to invest in a wide range of asset classes.

The range of pooled funds has been reviewed and simplified in recent years to ensure it is flexible enough to be tailored to the needs and particular circumstances of the railways pension schemes, whilst also allowing assets to be invested, as far as possible, as if they belonged to a single pension fund.

The table on page 117 summarises the investments of each of these pooled funds as at 31 December 2023. The notes on pages 122 to 144 analyse the total pooled assets of £34,564m into the categories required by the SORP. The net asset value of each pooled fund at the end of the current and prior years is set out on page 124, and the unit prices on pages 122 and 123.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES

Investments

Investments are held at fair value. The principal bases of investment valuation adopted by the pooled funds are set out below:

a. Listed investments are stated at the official close or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

b. Fixed interest securities are stated at their ‘clean’ prices, with accrued income accounted for within investment income.

c. Unquoted securities, including most investments in private equity and infrastructure, are included at the Trustee’s estimate of accounting fair value based on decisions made by Railpen Limited's Fair Value Pricing Committee which may take advice from third party advisors.

d. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price, where there are no bid/offer spreads, as provided by the investment managers.

e. The pooled investment vehicle managed by OneFamily Lifetime Mortgages Limited held by the Long Term Income Pooled Fund is stated at fair value. This asset has been valued independently by Ernst and Young who have used agreed assumptions to model expected cash flows and discount back to valuation date.

f. Properties and ground rent are included at open market value as at the year end date determined in accordance with the Royal Institution of Chartered Surveyors’ Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by independent external valuers, Knight Frank and CBRE. Knight Frank and CBRE have experience in the locations and class of investment properties held by the Trustee.

g. Exchange traded derivatives are stated at fair value determined using market quoted prices. Over the counter (‘OTC’) derivatives are stated at the Trustee Company’s estimate of accounting fair value based on advice from third party vendors, external valuers retained by the Trustee through BNY Mellon, who provide a valuation service independent of the fund managers, using pricing models and relevant market data at the year end date.

h. Forward foreign exchange contracts are valued at the forward rate at the year end date.

i. All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.

j. Loans and deposits, current assets and current liabilities are included at book cost, which the Trustee considers represents a reasonable estimate of fair value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES (continued)

Presentation currency

The pooled funds' functional and presentation currency is pounds sterling (GBP). Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Investment income

Investment income is included in the non-statutory financial statements on the following bases:

a. Dividends from quoted equities are accounted for when the security is declared ex-dividend.

b. Interest is accrued on a daily basis.

c. Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.

d. Securities lending commissions are accounted for on a cash basis.

e. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

f. Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled investment vehicles, reflected in the unit price and reported within the change in market value.

g. Income has been accumulated within the unit prices of the pooled funds and no income distributions have been made to the participating schemes.

Changes in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Subsidiaries and consolidation

Several properties in the Property Pooled Fund are owned by means of an exempt unauthorised unit trust, English limited partnerships, Jersey unit trusts and a number of companies. Subsidiary structures have also been established for specific investments held by the Growth Pooled Fund, Long Term Income Pooled Fund and the Private Equity Pooled Fund.

In all cases, the share capital or units in all the entities in question are held either directly or indirectly for the beneficial entitlement of the pooled funds named above. All the entities are controlled by the Trustee on behalf of the relevant pooled funds, and hence are subsidiary undertakings of the pooled funds. The pooled funds applied the allowable exemption under FRS 102 for pension schemes and does not consolidate investment subsidiaries held as part of the investment portfolio in the financial statements. Therefore, investments in subsidiaries are reported at fair value in the financial statements. Please refer to page 117 for the consolidation breakdown.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES (continued)

Subsidiaries and consolidation (continued)

The entities that are subsidiary undertakings are:

- 12 Smithfield General Partner Limited
- 12 Smithfield Limited Partnership
- 12 Smithfield Nominee No.1 Limited
- 12 Smithfield Nominee No.2 Limited
- Cascades Shopping Centre General Partner Limited
- Cascades Shopping Centre Nominee No.1 Limited
- Cascades Shopping Centre Nominee No.2 Limited
- Clifton Moor Retail Park General Partner Limited
- Clifton Moor Retail Park Nominee No.1
- Clifton Moor Retail Park Nominee No.2
- Colane Unit Trust
- Glamorgan Vale Retail Park General Partner Limited
- Glamorgan Vale Retail Park Nominee No.1 Limited
- Glamorgan Vale Retail Park Nominee No.2 Limited
- Gretna Gateway O V General Partner Limited
- Gretna Gateway Outlet Village Limited Partnership
- Gretna Gateway Outlet Village Unit Trust
- Marble Arch Tower General Partner Limited
- Railway JUT (Smithfield) Limited
- Railway JUT Limited
- Railway Pension Unit Trust Nominee Limited
- Railway Pensions (PE) Caledonia Limited
- Railway Pensions Scottish Limited Partnership
- St Ann's Shopping Centre General Partner Limited

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES (continued)

Subsidiaries and consolidation (continued)

- St Ann’s Shopping Centre Nominee No.1 Limited
- St Ann’s Shopping Centre Nominee No.2 Limited
- The Cascades Shopping Centre Limited Partnership
- The Cascades Shopping Centre Unit Trust
- The Clifton Moor Retail Park Limited Partnership
- The Clifton Moor Retail Park Unit Trust
- The Glamorgan Vale Retail Park Limited Partnership
- The Glamorgan Vale Retail Park Unit Trust
- The Railway Pension Exempt Unit Trust
- The St Ann’s Shopping Centre Limited Partnership
- The St Ann’s Shopping Centre Unit Trust

Derivative contracts: objectives and policies

The Trustee has authorised the use of derivatives by investment managers as part of the investment strategy. Derivatives may only be used by investment managers where they are specifically permitted in the investment management agreement, and each manager must comply with the Trustee’s approved derivatives policy.

Investment in derivative instruments may be made only in so far as they contribute to a reduction of risk, or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income).

At the statement date the only OTC derivatives held were forward foreign exchange contracts. The value at statement date is the gain or loss that would arise from closing out the contract at the statement date by entering into an equal and opposite contract at that date.

At the statement date the only exchange traded derivatives held were futures. These are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement price at the reporting date and the inception date.

Unit transactions

Units issued and redeemed during the year are shown on a gross basis and include in-specie transfers between sections and pooled funds.

POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements

The preparation of the non-statutory financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Fund Statement date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the non-statutory financial statements.

POOLED FUND ACCOUNTS (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2023

	Equities	**Fixed interest securities**	**Index linked securities**	**UK property**	**Pooled investment vehicles**	**Derivative assets**	**Derivative liabilities**	**Cash deposits and cash instruments**	**Other assets**	**Other liabilities**	**Cross holdings**	**Net assets attributable to unit holders**
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	13,977	1,230	-	-	3,436	448	(5)	1,280	87	(75)	2,290	22,668
Private Equity	6	-	-	-	1,474	-	-	328	1	(1)	-	1,808
Property	-	-	-	2,106	-	-	-	214	46	(76)	-	2,290
Illiquid Growth	600	-	-	-	2,692	-	-	140	1	(2)	-	3,431
Defined Contribution	-	-	-	-	539	-	-	204	4	(1)	1,092	1,838
Government Bond	-	265	-	-	-	-	-	2	1	-	-	268
Long Term Income	189	142	-	284	558	-	-	97	12	(3)	-	1,279
Passive Equity	-	-	-	-	261	-	-	-	-	-	-	261
Short Duration Index Linked Bond	-	-	351	-	-	-	-	1	-	-	-	352
Global Equity	-	-	-	-	543	-	-	5	-	-	-	548
Non-Government Bond	-	420	-	-	-	3	(1)	19	5	-	-	446
Long Duration Index Linked Bond	-	-	2,680	-	-	-	-	9	2	(1)	-	2,690
Infrastructure	-	-	-	-	-	-	-	15	-	-	-	15
Cash	-	-	-	-	-	-	-	45	1	-	-	46
Matching Short Maturing	-	-	-	-	6	-	-	-	-	-	-	6
Cross holdings	-	-	-	-	-	-	-	-	-	-	(3,382)	(3,382)
Total	**14,772**	**2,057**	**3,031**	**2,390**	**9,509**	**451**	**(6)**	**2,359**	**160**	**(159)**	**-**	**34,564**
%	42.75%	5.95%	8.77%	6.91%	27.51%	1.30%	(0.02%)	6.83%	0.46%	(0.46%)	0.00%	100.00%

The accounting policies on pages 112 to 116 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

POOLED FUND ACCOUNTS (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2023 (CONTINUED)

Analysis of cross holdings

	Growth	Property	Non-Government Bond	Long Duration Index Linked Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	2,290	-	-	2,290
Defined Contribution	994	-	82	16	1,092
Total	**994**	**2,290**	**82**	**16**	**3,382**

The accounting policies on pages 112 to 116 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2023 (CONTINUED)

MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Net reinvested income	Change in market value of investments	Change in cross holdings	Total unit holders' funds as at 31 December 2023
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	21,555	414	(1,184)	351	1,532	-	**22,668**
Private Equity	2,101	3	(75)	4	(225)	-	**1,808**
Property	2,288	-	-	62	(60)	-	**2,290**
Illiquid Growth	3,485	54	-	(37)	(71)	-	**3,431**
Defined Contribution	1,719	281	(309)	7	140	-	**1,838**
Government Bond	552	2	(294)	5	3	-	**268**
Long Term Income	1,354	-	-	22	(97)	-	**1,279**
Passive Equity	814	-	(669)	(1)	117	-	**261**
Short Duration Index Linked Bond	107	267	(38)	12	4	-	**352**
Global Equity	564	-	(93)	3	74	-	**548**
Non-Government Bond	395	40	(25)	17	19	-	**446**
Long Duration Index Linked Bond	1,887	917	(32)	149	(231)	-	**2,690**
Infrastructure	13	-	-	1	1	-	**15**
Cash	71	2	(29)	2	-	-	**46**
Matching Short Maturing	-	6	-	-	-	-	**6**
Cross holdings	(3,321)	-	-	-	-	(61)	**(3,382)**
Total	**33,584**	**1,986**	**(2,748)**	**597**	**1,206**	**(61)**	**34,564**

Approved on behalf of the Trustee Company on 27 June 2024

Christine Kernoghan
Chair,
Trustee Company

Richard Goldson
Director and Chair,
Audit and Risk Committee

The accounting policies on pages 112 to 116 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2022

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	14,936	-	-	-	2,793	186	(85)	1,394	86	(43)	2,288	21,555
Private Equity	22	-	-	-	2,027	-	-	53	-	(1)	-	2,101
Property	-	-	-	2,090	-	-	-	191	86	(79)	-	2,288
Illiquid Growth	631	-	-	-	2,774	-	-	81	1	(2)	-	3,485
Defined Contribution	-	-	-	-	446	-	-	240	2	(2)	1,033	1,719
Government Bond	-	549	-	-	-	-	-	2	2	(1)	-	552
Long Term Income	66	169	-	288	768	-	-	47	20	(4)	-	1,354
Passive Equity	-	-	-	-	814	-	-	-	-	-	-	814
Short Duration Index Linked Bond	-	-	106	-	-	-	-	1	-	-	-	107
Global Equity	-	-	-	-	564	-	-	-	-	-	-	564
Non-Government Bond	-	380	-	-	-	-	(8)	19	4	-	-	395
Long Duration Index Linked Bond	-	-	1,878	-	-	-	-	8	1	-	-	1,887
Infrastructure	-	-	-	-	9	-	-	4	-	-	-	13
Cash	-	-	-	-	-	-	-	71	-	-	-	71
Cross holdings	-	-	-	-	-	-	-	-	-	-	(3,321)	(3,321)
Total	**15,655**	**1,098**	**1,984**	**2,378**	**10,195**	**186**	**(93)**	**2,111**	**202**	**(132)**	**-**	**33,584**
%	46.61%	3.27%	5.91%	7.08%	30.36%	0.55%	(0.28%)	6.29%	0.60%	(0.39%)	0.00%	100.00%

The accounting policies on pages 112 to 116 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2022 (CONTINUED)

Analysis of cross holdings

	Growth	Property	Non-Government Bond	Long Duration Index Linked Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	2,288	-	-	2,288
Defined Contribution	946	-	71	16	1,033
Total	**946**	**2,288**	**71**	**16**	**3,321**

MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Net reinvested income	Change in market value of investments	Change in cross holdings	Total unit holders' funds as at 31 December 2022
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	25,204	266	(897)	315	(3,333)	-	**21,555**
Private Equity	2,669	1	(490)	(4)	(75)	-	**2,101**
Property	2,224	225	-	56	(217)	-	**2,288**
Illiquid Growth	2,619	321	-	(6)	551	-	**3,485**
Defined Contribution	2,083	824	(882)	1	(307)	-	**1,719**
Government Bond	1,525	28	(848)	16	(169)	-	**552**
Long Term Income	1,324	290	-	19	(279)	-	**1,354**
Passive Equity	1,074	-	(91)	(2)	(167)	-	**814**
Short Duration Index Linked Bond	919	52	(801)	76	(139)	-	**107**
Global Equity	700	-	(85)	(1)	(50)	-	**564**
Non-Government Bond	412	99	(52)	14	(78)	-	**395**
Long Duration Index Linked Bond	214	1,696	(67)	75	(31)	-	**1,887**
Infrastructure	130	-	(119)	-	2	-	**13**
Cash	70	5	(5)	1	-	-	**71**
Cross holdings	(3,513)	-	-	-	-	192	**(3,321)**
Total	**37,654**	**3,807**	**(4,337)**	**560**	**(4,292)**	**192**	**33,584**

The accounting policies on pages 112 to 116 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2023	Note	2023 £m	2022 £m
Assets			
Equities		14,772	15,655
Fixed interest securities		2,057	1,098
Index linked securities		3,031	1,984
Pooled investment vehicles	1.5	9,509	10,195
UK property		2,390	2,378
Derivative contracts			
Futures - exchange traded	1.6	265	-
FX contracts - OTC	1.6	186	186
Other assets			
Other investment assets	1.7	134	113
Current assets	1.8	26	89
Cash deposits and cash instruments	1.9	2,359	2,111
Total assets		**34,729**	**33,809**
Liabilities			
Derivative contracts			
Futures - exchange traded	1.6	(4)	(42)
FX contracts - OTC	1.6	(2)	(51)
Other liabilities			
Other investment liabilities	1.10	(45)	(3)
Current liabilities	1.11	(114)	(129)
Total liabilities		**(165)**	**(225)**
Net assets attributable to unit holders		**34,564**	**33,584**

1.2 Pooled fund unit prices as at 31 December	2023 £/unit	2022 £/unit
Growth Pooled Fund	25.40	23.31
Property Pooled Fund	107.53	107.41
Illiquid Growth Pooled Fund	25.47	25.51
Government Bond Pooled Fund	13.11	12.47
Long Term Income Pooled Fund	7.38	7.99
Passive Equity Pooled Fund	30.20	24.65
Short Duration Index Linked Bond Pooled Fund	11.28	10.55
Global Equity Pooled Fund	144.88	126.18
Non Government Bond Pooled Fund	15.51	14.23
Long Duration Index Linked Bond Pooled Fund	62.05	65.33
Infrastructure Pooled Fund	32.65	27.49
Cash Pooled Fund	10.92	10.57
Matching Short Maturing Pooled Fund	10.83	-

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.2 Pooled fund unit prices as at 31 December (continued)

	2023 £/unit	2022 £/unit
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	8.30	9.46
Private Equity Pooled Fund 2001	19.91	42.67
Private Equity Pooled Fund 2004	27.60	53.93
Private Equity Pooled Fund 2005	40.44	59.52
Private Equity Pooled Fund 2007	54.67	63.68
Private Equity Pooled Fund 2009	52.33	58.92
Private Equity Pooled Fund 2011	59.33	63.70
Private Equity Pooled Fund 2013	55.78	61.71
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	20.56	18.89
DC Global Equity Fund	24.97	20.41
DC Deposit Fund	10.80	10.34
DC Aggregate Bond Fund	-	13.46
DC Index Linked and Global Bond Fund	-	15.07
DC Corporate Bond Fund	10.51	9.65
DC UK Government Fixed Interest Bond Fund	7.18	7.08
DC UK Government Index Linked Bond Fund	6.43	6.78
DC Socially Responsible Equity Pooled Fund	11.41	9.65

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.3 Value of the pooled funds	**2023 £m**	**2022 £m**
Growth Pooled Fund	22,668	21,555
Private Equity Pooled Fund*	1,808	2,101
Property Pooled Fund	2,290	2,288
Illiquid Growth Pooled Fund	3,431	3,485
Defined Contribution Pooled Fund*	1,838	1,719
Government Bond Pooled Fund	268	552
Long Term Income Pooled Fund	1,279	1,354
Passive Equity Pooled Fund	261	814
Short Duration Index Linked Bond Pooled Fund	352	107
Global Equity Pooled Fund	548	564
Non Government Bond Pooled Fund	446	395
Long Duration Index Linked Bond Pooled Fund	2,690	1,887
Infrastructure Pooled Fund	15	13
Cash Pooled Fund	46	71
Matching Short Maturing Pooled Fund	6	-
*see breakdown into pooled fund segments on the next page.		
Cross holdings		
Growth Pooled Fund	(994)	(946)
Property Pooled Fund	(2,290)	(2,288)
Non Government Bond Pooled Fund	(82)	(71)
Long Duration Index Linked Bond Pooled Fund	(16)	(16)
Net assets attributable to unit holders	**34,564**	**33,584**

1.3 Value of the pooled funds (continued)

	2023 £m	2022 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	1	1
Private Equity Pooled Fund 2001	5	7
Private Equity Pooled Fund 2004	5	11
Private Equity Pooled Fund 2005	23	34
Private Equity Pooled Fund 2007	507	606
Private Equity Pooled Fund 2009	154	177
Private Equity Pooled Fund 2011	674	768
Private Equity Pooled Fund 2013	439	497
	1,808	**2,101**
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	995	946
DC Global Equity Fund	228	191
DC Deposit Fund	206	239
DC Aggregate Bond Fund	-	-
DC Index Linked and Global Bond Fund	-	-
DC Corporate Bond Pooled Fund	82	71
DC UK Government Fixed Interest Bond Fund	307	254
DC UK Government Index Linked Bond Fund	16	16
DC Socially Responsible Equity Pooled Fund	4	2
	1,838	**1,719**

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.4 Investment income

	2023 £m	2022 £m
Dividends from equities	336	357
Income from fixed interest securities	51	34
Income from index linked securities	164	153
Income from pooled investment vehicles	63	16
Income from securities lending	4	5
Income from UK property	88	83
Interest from cash deposits	56	31
Other income	2	8
	764	**687**
Irrecoverable withholding tax	(53)	(24)
Total income	**711**	**663**
Administration, custody and other expenses	(46)	(39)
Investment administration fees	(1)	(1)
Investment management fees	(4)	(3)
Railpen fees	(63)	(60)
	(114)	**(103)**
Reinvested net income (accrued in unit prices)	**597**	**560**

1.5 Pooled investment vehicles

The pooled funds had holdings in pooled investment vehicles at the year end that can be analysed as follows:

	2023 £m	2022 £m
Bonds	325	254
Equity	1,081	1,713
Healthcare royalties	629	317
Hedge funds	703	727
Infrastructure	202	168
Insurance-linked securities	1,181	869
Music Royalties	-	5
Other	42	15
Private debt	1,605	1,740
Private equity	3,656	4,240
Property	85	147
	9,509	**10,195**

1.5 Pooled investment vehicles (continued)

The pooled funds are the sole investor in 28 (2022: 28) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2023 £m	2022 £m
Bonds	6	-
Equity	490	1,004
Healthcare royalties	-	317
Infrastructure	-	2
Insurance-linked securities	1,181	44
Private equity	487	1,096
Private debt	731	180
Property	(69)	(4)
Other	41	-
	2,867	**2,639**

The types of pooled investment vehicle invested in are Limited Partnerships, Limited Liability Partnerships, Scottish Limited Partnerships, Hedge Funds, Limited Companies, pooled loan arrangements, Client Specific Unitised Funds (Open Ended Funds), and Open Ended Funds.

The Long Term Income Pooled Fund holds investments in ground rents. Fire safety issues have been identified at a number of buildings associated with these ground rents, in accordance with the Building Safety Act ('BSA'). As a result, an extensive exercise, involving categorisation of affected buildings in line with BSA guidance is underway, from which reliable estimates of the expected remediation costs are being derived. As at 31 December 2023, the cost estimates amount to £134.5m (2022: £97.8m), and there remain buildings where the assessment of costs is not yet complete. The known cost estimates have reduced the related investment value in these non-statutory financial statements. This has ultimately reduced the unit pricing of the Long Term Income Pooled Fund. Consequently, this adversely affects the related fund valuation of participating schemes and sections. The cost estimates and timing of cash flows will change over time, as buildings continue to be assessed and remedial works progress. As a result of these issues, the Long Term Income Fund is currently closed to client trading.

The government has created a Building Safety Fund, which is accepting applications to support the costs of remedial works for certain buildings. Whilst there is significant activity supporting a recovery of expected costs, no associated potential recovery has been recognised in these non-statutory financial statements as at the year-end as no contractual arrangements were in place to recover any monies at that point in time.

CBRE has performed an independent valuation exercise of the affected properties, and has applied discounts, ranging from 25% to 100%, to reflect its view that the value of such buildings would be affected in terms of liquidity, and the potential risk of the related fund being liable for certain remedial costs, and consequently, has issued a material uncertainty opinion in relation to Leasehold and Freehold Bill & Ground Rent Consultation.

1.5 Pooled investment vehicles (continued)

An additional 25% discount has been applied to the CBRE valuation in light of the King's Speech from November 2023 and the Leasehold and Freehold Reform Bill introduced to Parliament in February 2024. The Bill details a number of options which would have the effect of capping residential ground rents. All of the options, if enacted, would have a materially negative impact on ground rent valuations to varying degrees. At this point in time, it is not clear what the final outcome will be. Railpen has deemed it prudent to reduce the CBRE valuation by £10.9m due to the impact of Leasehold Reform. This is reflected in the valuation of the Long Term Income Pooled Fund as at 31 December 2023.

1.6 Derivative contracts

Futures: Future contracts are standardised, transferable, exchange traded contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open futures contracts at the year end are as follows:

Type of future	Duration	Economic exposure at year end £m	Asset value at year end £m	Liability value at year end £m
FTSE 100 Index	Mar 2024	56	2	-
Japanese TOPIX Index	Mar 2024	119	1	-
MSCI EM Mini Index	Mar 2024	172	8	-
S&P 500 E-mini	Mar 2024	1,107	38	-
US 10 Year Note	Mar 2024	5,596	188	-
US 10 Year Note	Mar 2024	(27)	-	(1)
US 10 Year Ultra T Note	Mar 2024	14	1	-
US 2 Year Note	Mar 2024	2,405	25	-
US 2 Year Note	Mar 2024	(137)	-	(1)
US 30 Year T-Bond	Mar 2024	1	-	-
US 5 Year Note	Mar 2024	101	2	-
US Ultra T Bond	Mar 2024	(23)	-	(2)
		9,384	**265**	**(4)**

Included within cash balances is £nil (2022: £171m) in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end. Included within other investment liabilities is £42m (2022: £nil), in respect of initial and variation margins payable on open futures contracts at the year end.

1.6 Derivative contracts (continued)

Forward foreign exchange ('FX') contracts: The pooled funds had open FX contracts at the year end as follows:

	Settlement Date	Currency bought £m	Currency sold £m	Value at year end £m
Assets				
US Dollar/Sterling	Jan 2024 - Apr 2024	(6,199)	6,382	183
Euro/Sterling	Jan 2024	(1,340)	1,343	3
Sterling/Euro	Jan 2024	(41)	41	-
US Dollar/Euro	Jan 2024	(17)	17	-
				186

	Settlement Date	Currency bought £m	Currency sold £m	Value at year end £m
Liabilities				
Sterling/US Dollar	Jan 2024	(29)	28	(1)
Euro/Sterling	Jan 2024	(111)	110	(1)
Euro/US Dollar	Jan 2024	(59)	59	-
US Dollar/Sterling	Jan 2024	(8)	8	-
				(2)

Under the terms of FX contracts, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above FX contracts the Trustee had received £166m (2022: £160m) cash in respect of collateral at the year end. Contingent collateral received in this way is not reported within the pooled fund's net assets.

1.7 Other investment assets

	2023 £m	2022 £m
Investment income accrued	54	44
Recoverable tax	56	46
Rent receivable	24	23
	134	**113**

1.8 Current assets

	2023 £m	2022 £m
Other debtors	1	21
Trade debtors	25	68
	26	**89**

1.9 Cash deposits and cash instruments

	2023 £m	2022 £m
Cash held in liquidity funds	1,722	1,806
Cash held at brokers in respect of futures margin	-	171
Cash at bank	637	134
	2,359	**2,111**

1.10 Other investment liabilities

	2023 £m	2022 £m
Tax payable	3	3
Variation margin payable	42	-
	45	**3**

1.11 Current liabilities

	2023 £m	2022 £m
Accrued management fees and expenses	23	52
Liability in respect of unit trades	2	2
Property income received in advance	22	14
Tax	-	3
Trade creditors	66	50
Other creditors	1	8
	114	**129**

1.12 Securities lending

The Trustee has given approval to custodians to lend securities in the market. A principal condition of this approval is that borrowers must meet the Trustee's collateral specifications and a permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Railways Pension Scheme are not included in the lending programme.

At 31 December 2023, the market valuation of securities that had been lent in the market was £2,654m (2022: £1,196m).

Collateral held in respect of the securities on loan at 31 December 2023 had a total value of £2,893m (2022: £2,059m).

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2023
	£m	£m	£m	£m	£m
Directly held assets					
Equities	15,655	3,598	(5,372)	891	14,772
Fixed interest securities	1,098	1,567	(734)	126	2,057
Index linked securities	1,984	1,421	(147)	(227)	3,031
Pooled investment vehicles	10,195	1,614	(2,241)	(59)	9,509
UK property	2,378	107	-	(95)	2,390
	31,310	**8,307**	**(8,494)**	**636**	**31,759**
Derivatives					
Futures	(42)	350	(224)	177	261
FX contracts	135	65,195	(65,417)	271	184
	93	**65,545**	**(65,641)**	**448**	**445**
Cross holdings	3,321	61	(91)	91	3,382
Other					
Cash and current assets	2,181	13,602	(13,231)	31	2,360
Cross holdings	(3,321)				(3,382)
Net Assets	**33,584**			**1,206**	**34,564**

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £10m (2022: £29m) comprising mainly of fees, commissions, stamp duty land tax and legal fees. Included within pooled funds' expenses in note 1.4 are direct transaction costs of £nil (2022: £1m) relating to legal and due diligence fees.

Together these costs are attributable to the key asset classes as follows:

Year to 31 December 2023	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	3	2	-	-	5
UK property	-	-	5	-	5
	3	**2**	**5**	**-**	**10**

Year to 31 December 2022	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	5	3	-	-	8
UK property	-	-	21	1	22
	5	**3**	**21**	**1**	**30**

Transaction costs are also borne by the pooled funds in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

1.15 Investment fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

1.15 Investment fair value hierarchy (continued)

The pooled funds' investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 December 2023	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Directly held assets				
Equities	13,789	-	983	14,772
Fixed interest securities	347	1,599	111	2,057
Index linked securities	2,981	50	-	3,031
Pooled investment vehicles	16	2,079	7,414	9,509
UK property	-	-	2,390	2,390
Derivatives				
Futures	261	-	-	261
FX contracts	184	-	-	184
Other				
Cash and current assets	2,360	-	-	2,360
	19,938	**3,728**	**10,898**	**34,564**

At 31 December 2022	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Directly held assets				
Equities	14,955	-	700	15,655
Fixed interest securities	689	287	122	1,098
Index linked securities	1,938	46	-	1,984
Pooled investment vehicles	2	2,524	7,669	10,195
UK property	-	-	2,378	2,378
Derivatives				
Futures	(42)	-	-	(42)
FX contracts	135	-	-	135
Other				
Cash and current assets	2,181	-	-	2,181
	19,858	**2,857**	**10,869**	**33,584**

1.16 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

1.16 Investment risks (continued)

- **Currency risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The pooled funds have exposure to these risks because of the investments they make to implement their investment strategies. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the pooled funds' strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the pooled funds' investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the pooled funds' exposures to credit and market risks is set out below.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment risks (continued)

A summary of risk exposure for the pooled funds by asset class is provided below:

Strategic asset class groupings	2023 £m	2022 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	14,772	15,655	○	○	●	●
Fixed interest securities	2,057	1,098	◖	●	◖	◖
Index linked securities	3,031	1,984	◖	●	○	○
UK Property	2,390	2,378	●	◖	○	●
Pooled investment vehicles*	9,509	10,195	◖	●	●	●
Futures	261	(42)	●	●	◖	●
FX contracts	184	135	◖	◖	●	○
Cash and cash equivalents	2,360	2,181	◖	◖	◖	○
	34,564	**33,584**	◖	◖	●	●

*For pooled investment vehicles, credit risk and currency risk is both direct (at the level of the pooled funds) and indirect (from the underlying investments of the pooled funds), Interest rate risk and other price risk are indirect (from the underlying investments of the pooled funds).

● Significant exposure	◖ Some exposure	○ No exposure

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment risks (continued)

A summary of risk exposure for the pooled funds is provided below:

Strategic asset class groupings	2023 £m	2022 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Growth Pooled Fund	22,668	21,555	◖	◖	●	●
Private Equity Pooled Fund	1,808	2,101	◖	◖	●	●
Property Pooled Fund	2,290	2,288	●	◖	○	●
Illiquid Growth Pooled Fund	3,431	3,485	◖	◖	●	●
Defined Contribution Pooled Fund	1,838	1,719	◖	●	●	●
Government Bond Pooled Fund	268	552	◖	●	○	◖
Long Term Income Pooled Fund	1,279	1,354	◖	◖	○	●
Passive Equity Pooled Fund	261	814	○	○	◖	●
Short Duration Index Linked Bond Pooled Fund	352	107	◖	●	○	●
Global Equity Pooled Fund	548	564	◖	◖	●	●
Non Government Bond Pooled Fund	446	395	●	●	◖	◖
Long Duration Index Linked Bond Pooled Fund	2,690	1,887	◖	●	○	●
Infrastructure Pooled Fund	15	13	◖	○	◖	○
Cash Pooled Fund	46	71	◖	◖	○	○
Matching Short Maturing Pooled Fund	6	-	●	●	○	◖
Cross holdings*	(3,382)	(3,321)				
	34,564	**33,584**	◖	◖	●	●

*Cross holdings consist of a mixture of the funds included in the table above, see note 1.3 for a breakdown.

● Significant exposure	◖ Some exposure	○ No exposure

1.16 Investment risks (continued)

Credit risk

The pooled funds are subject to credit risk as they invest in fixed interest securities, OTC derivatives, have cash balances and undertake securities lending activities. The pooled funds also invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the instruments they hold in the pooled investment vehicles and are indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on fixed interest securities is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds, which are rated at least investment grade. The pooled funds also invest in high yield and emerging market bonds, some of which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Pooled Fund is subject to risk of failure of the counterparty. Credit risk also arises on forward foreign currency contracts. There are collateral arrangements for some of these contracts and all counterparties are required to be at least investment grade. FX collateral balances are detailed in note 1.6.

The pooled funds lend certain fixed interest and equity securities under a Trustee approved securities lending programme. The Trustee manages the credit risk arising from securities lending activities by restricting the amount of overall securities that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. Details regarding securities lending are provided in note 1.12.

Cash is held within financial institutions which are investment grade credit rated.

The pooled funds holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Currency risk

The pooled funds are subject to currency risk because some of the pooled funds' investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

Interest rate risk

The pooled funds are subject to interest rate risk on fixed interest securities and index linked securities held either as segregated investments or through pooled vehicles.

1.16 Investment risks (continued)

Other price risk

Other price risk arises principally in relation to the pooled funds investments in directly held equities, equities held in pooled vehicles, equity futures, property, property pooled investment vehicles, hedge funds and private equity.

The pooled funds manage this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

1.17 Investment managers during the year

The investment managers used by the pooled funds during the year together with their net assets under management at the year end were as follows:

	2023 £m	2022 £m
RPIL*	22,267	22,057
Legal & General Investment Management	1,349	1,826
Neuberger Berman	1,275	-
Nephila Capital Ltd	1,134	822
Aspect Capital Ltd	689	701
HealthCare Royalty Partners	629	317
Baillie Gifford	584	671
Insight Investment	445	395
Avenue Capital Group	386	366
Horsley Bridge Partners	358	603
Sequoia Capital	330	439
Columbia Capital	324	322
Christofferson, Robb & Company LLC	299	320
Amplo	252	302
Generate Capital	237	241
Intermediate Capital Group	230	184
Riverside	213	201
Motive Partners	207	194
Presidio Investors	183	149
Senderwood Fund Management Limited	179	203
The Cranemere Group	172	174
Constellation	167	133
Macquarie	166	167
OneFamily	163	166
Long Harbour Limited	153	151
Greencoat Capital LLP	150	150
Varde	139	154
Orion Energy Partners	123	103
Innisfree Limited	112	117
Westbridge Capital Partners	112	139
Carried forward	**33,027**	**31,767**

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.17 Investment managers during the year (continued)

	2023 £m	2022 £m
Brought forward	**33,027**	**31,767**
Soundcore Capital Partners	104	146
Private Advisors	76	87
Accel Partners	75	94
Astra Capital	71	52
Broad Sky Partners	68	49
WP Global Partners	65	69
White Oak	59	70
Blossom Capital	57	60
Bain Capital	48	64
Dalmore Capital Limited	45	50
Horsley Bridge	44	-
Index Ventures	44	50
Credit Suisse ILS Limited	43	44
Highland Capital Partners	41	63
Waystone Management (UK)	41	-
Venor Capital Management	40	59
Great Hill Partners	38	41
Limerston Capital Partners	38	36
Pensions Infrastructure Platform	37	40
Morningside Ventures	34	66
Khosla Ventures	32	45
Duke Street	27	28
Andreessen Horowitz	26	33
Bessemer Venture Partners	24	30
Thoma Bravo	23	34
Amaranthine Partners LLC	21	15
General Atlantic	20	27
Cinven	18	15
KPS Capital Partners	17	36
Palatine	17	22
Scale Venture Partners	17	18
Schroder Adveq	17	16
Charlesbank Capital Partners	16	15
Clearsight Investments	15	22
Apax Partners	14	18
ClearVue Partners	14	16
Adams Street Partners	13	17
Anacap Financial Partners	13	25
Balderton Capital	12	12
General Catalyst	12	17
HarbourVest Partners	12	28
Berkshire Partners	9	11
Hony Capital	9	11
Carried forward	**34,493**	**33,418**

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.17 Investment managers during the year (continued)

	2023 £m	2022 £m
Brought forward	**34,493**	**33,418**
Innovation works	9	12
Peak Rock Capital	9	9
Aberdeen Asset Management	7	-
Institutional Venture Partners	7	14
Triton Partners	7	10
Blackstone Alternative Asset Management	5	24
Navis Capital Partners	5	5
Pantheon Ventures	5	10
Southern Cross Group	5	6
Archer Capital	2	3
Domain Partners	3	6
Oaktree Capital Management	2	5
Abry Partners	1	2
AQR Capital Management	1	1
Northern Trust	1	-
Standard Life Investments	1	15
Warburg Pincus	1	2
Ares Management	-	3
Goldman Sachs Asset Management	-	8
Grosvenor Capital Management	-	13
Headline Capital Partners	-	1
Innova	-	3
Kobalt Music Group	-	5
Semble Partners II, LLC	-	9
	34,564	**33,584**

*Included in this balance is cash invested in Liquidity Funds totalling £1,680m (2022: £1,246m).

1.18 Performance

Performance is calculated by Railpen based on changes in the relevant pooled fund unit prices, which are net of fees, over the period.

1.18 Performance (continued)

The performance of the Global Equity Pooled Fund is measured against a composite comparator which at the year end comprised:

	2023 %	2022 %
FTSE North America Index	25.00	25.00
FTSE All Share Index	20.00	20.00
FTSE Developed Europe (ex UK) Index	20.00	20.00
FTSE Developed Asia Pacific Index	20.00	20.00
MSCI Emerging Markets Index (50% hedged to GBP)	15.00	15.00
	100.00	**100.00**

The Global Equity Pooled Fund adopts a passive hedging strategy whereby 50% of the overseas developed markets currency exposure in the pooled fund is hedged back to Sterling.

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.18 Performance (continued)

The comparators that all other pooled funds were measured against during the year are shown in the table below:

Pooled fund	Comparator
Growth	UK Consumer Price Index plus 4% from 1 May 2021 (previously UK Retail Price Index plus 4%)
Private Equity	MSCI ACWI Index
Property	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Price Index +4%)
DC Long Term Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Price Index +4%)
DC Global Equity	FTSE World Developed Markets GBP Hedged
DC Deposit	1M SONIA from 1 December 2021 (previously GBP 1M LIBOR)
DC Corporate Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
DC UK Government Fixed-Interest Bond	FTSE UK Gilts 15+ Years TR
DC UK Government Index-Linked Bond	Bloomberg Barclays UK Gilts Index Linked 15+ Years
DC Socially Responsible Equity	MSIC World SRI Select Reduced Fossil Fuel
Illiquid Growth	UK Consumer Price Index plus 6% from 1 May 2021 (previously UK Retail Price Index plus 6%)
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 years GBP
Passive Equity	FTSE World Developed Markets GBP Hedged
Long Term Income	UK Consumer Price Index plus 1% from 1 May 2021 (previously UK Retail Price Index)
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilts 1 to 10 Years Index
Infrastructure	UK Retail Price Index plus 4%
Non-Government Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
Long Duration Index Linked Bond	Bloomberg Barclays UK Gilt 15+ Years Index
Cash	1M SONIA from 1 December 2021 (previously GBP 1M LIBOR)
Matching Short Maturing Pooled	Custom Railpen Short Maturing Index

APPENDIX C (CONTINUED)

POOLED FUND ACCOUNTS (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.18 Performance (continued)

The return of each pooled fund as measured by Railpen is shown in the table below:

Pooled fund	Actual 2023 (%)	Comparator 2023 (%)	Actual last 5 years (%)	Comparator last 5 years (%)
Growth Pooled Fund	9.0	8.1	7.4	9.0
Private Equity Pooled Fund	(10.9)	15.3	11.4	11.7
Property Pooled Fund	0.1	8.1	3.1	9.0
Illiquid Growth Pooled Fund	0.5	10.2	12.0	10.1
Government Bond Pooled Fund	5.1	5.4	(0.4)	(0.7)
Long Term Income Pooled Fund	(15.3)	5.0	(3.1)	5.4
Passive Equity Pooled Fund	22.6	22.3	12.1	11.8
Short Duration Index Linked Bond Pooled Fund	7.0	6.4	2.1	1.9
Global Equity Pooled Fund	15.0	14.1	9.8	9.3
Non-Government Bond Pooled Fund	9.0	8.0	1.9	1.5
Long Duration Index Linked Bond Pooled Fund	(5.0)	(4.4)	(7.7)	(8.0)
Infrastructure Pooled Fund	19.5	9.4	10.0	10.0
Cash Pooled Fund	3.3	4.6	1.0	1.4
Matching Short Maturing Pooled Fund*	8.3	-	-	-

*Fund launched on 7 December 2023, therefore actual 2023 performance is from 7 December 2023 to 31 December 2023.

DC Long Term Growth	8.8	8.1	7.3	9.0
DC Global Equity	22.4	22.3	12.0	11.8
DC Deposit	4.4	4.6	1.2	1.4
DC Corporate Bond[1]	8.9	8.0	2.4	2.3
DC UK Government Fixed Interest Bond[1]	1.4	1.6	(17.3)	(17.1)
DC UK Government Index-Linked Bond[1]	(5.1)	(4.4)	(25.7)	(26.4)
DC Socially Responsible Equity[1]	18.2	17.9	13.2	11.5

[1] These pooled funds have been in existence for less than five years therefore the figures given in the table are since inception returns rather than five year returns.

1.19 Post balance sheet event

The government has created a Building Safety Fund, which is accepting applications to support the costs of remedial works for certain buildings. Whilst there is significant activity supporting a recovery of expected costs, no associated potential recovery is currently recognised in these financial statements, as at the year end date, no contractual arrangements were in place to recover any monies. Post year end, an arrangement has been approved for £12.4m and payments of £3.7m and £5.9m were received on 23 February 2024 and 21 May 2024 respectively.