SUSTAINABLE OWNERSHIP MEMBER REVIEW 2024

Railpen's review of our 2024 sustainable ownership work - for members of the railways pension schemes

RAILPEN

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WELCOME... FROM CHRISTINE KERNOGHAN AND ANDY BORD

We are delighted to present the 2024 Sustainable Ownership Member Review.

This report gives you a snapshot of our work on sustainable ownership in 2024.

You and your employer pay contributions while you're an active member of the railways pension schemes. We invest these contributions in different ways, including in companies and brands you may be familiar with. We do this to achieve the investment returns needed to give you and other members an income in retirement. You can find out lots more about your pension and how it works on your member website at railwayspensions.co.uk or btppensions.co.uk

But first things first... what do we mean by 'sustainable ownership'?

What is sustainable ownership?

Sustainable ownership is our approach to investing your pension. It considers important sustainability and governance issues (like climate change, use of Artificial Intelligence (AI) and fair treatment of workers) when making investment decisions. Evidence shows that these issues can affect the returns you receive on the money we invest on your behalf – so we take them really seriously.

We work to invest these contributions in companies that are well-run and try to address all the risks and opportunities related to how their business works. These risks and opportunities include sustainability and governance issues. These could be things like climate change, such as the impact of extreme weather events on food production, or it could be a company's approach to the health and safety of its workers, or how it works to prevent cyberattacks.

We believe investing like this is the best way to protect and increase the value of your savings to help ensure you get the best possible retirement income. And even before you receive your pension, the way we invest and manage contributions plays a major part in supporting a better future for all of us.

Owning shares in a company gives us rights, but it also gives us responsibilities. This report helps you understand:

- why governance and sustainability issues matter in our investment decisions and activities
- how we engage with companies about their behaviour on these issues, and
- the impact we have made on your behalf

We are not alone in following this approach, so it was great that our work on sustainable ownership was recently recognised through winning awards such as those for **The Top 30 Responsible Asset Allocators Globally**, **ESG Manager of the Year**, **Best Global Stewardship Disclosure**, **Leadership in Energy Transition and Net Zero** and **Sustainability Provider of the Year** – achievements we are really proud of.

This report gives you an insight into the governance and sustainability issues that matter most to your financial outcomes, and what we did on your behalf in 2024. If you want to discover more, you can find links to other sustainable ownership documents on page 18. There may be some words or phrases you're unfamiliar with, so we've explained these in a glossary on page 15.

We hope you enjoy reading this year's Member Review.

Christine Kernoghan
Chair of the Trustee Board

Andy Bord
Chief Executive, Railpen

We've focused the content of this report on what matters to you

Each year since 2021 we have asked you, as members of the railways pension schemes, what you think of our sustainable ownership priorities. We've also invited you to tell us how you'd like us to communicate with you.

In 2024, your priorities shifted slightly from previous years, placing greater emphasis on governance – specifically, how effectively a company is managed. Your top 3 areas of concern were:

1. Fair pay
2. Reliable and accurate company reporting
3. Making sure company boards can be held to account

By contrast, in late 2023 your priorities were focused on:

1. Fair treatment of workers
2. Fair pay
3. Making sure company boards can be held to account

"I always feel that if they get the governance right, that may well lead to certain social aspects of their activities being more acceptable and hopefully will lead on to the environment thing as well." – member of the railways pension schemes, January 2024

You also raised growing concerns about how companies manage technology responsibly – especially around cybersecurity and the risks of AI.

You told us that:

- you support our work on sustainable ownership
- you are mostly familiar with the term 'sustainable ownership' but would like clearer explanations
- you'd like us to explain the link between sustainable ownership and investment returns more clearly
- you think it's important that Railpen tries to influence law and regulations to ensure companies do better on sustainability and governance
- you're most concerned about 'social' issues, followed by 'governance' and then by 'environmental' issues

We're grateful for your feedback and have listened to what you said. And, as with previous years' reports, we've made sure this year's includes what you wanted to see. We'll continue to tell you more about what we're doing on a more regular basis, so keep an eye on your usual member communications.

Keep sharing your thoughts

We were pleased to hear you liked last year's Member Review – and we hope this year's version is even better.

We'd love to hear your thoughts on the issues we've covered and how we've communicated them.

Email us at: SO@railpen.com

2024 IN NUMBERS

$4.5 trillion
Amount of global pension fund assets backing Railpen's 'one share, one vote' campaign for better ways to influence companies through our vote

5
Number of awards won for our 2024 work on ESG and stewardship

41%
Reduction in the emissions of our public markets portfolio on a like-for-like basis since 2020

1,424
Company meetings where we cast votes

56.5%
Proportion of Annual General Meetings where we voted against or refused to support company management, or abstained on at least one resolution

99.9%
Proportion of meetings where we were able to vote and where we cast votes

56
Companies we are engaging as part of our Net Zero Engagement Plan

$2.5 trillion
Combined assets of UK and US institutional investors which make up the Railpen-chaired, Workforce Directors Coalition, championing worker voice through company engagement

YOUR PENSION SCHEME AND YOU

There are 4 railways pension schemes:

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

The Railways Pension Scheme (RPS) is the largest of the 4. It provides pensions for over 150 companies operating within the railways industry.

All 4 schemes are managed by the Railways Pension Trustee Company Limited, known as the Trustee. The Trustee acts in members' interests and is made up of 16 Trustee directors: 8 nominated by employers and 8 by members.

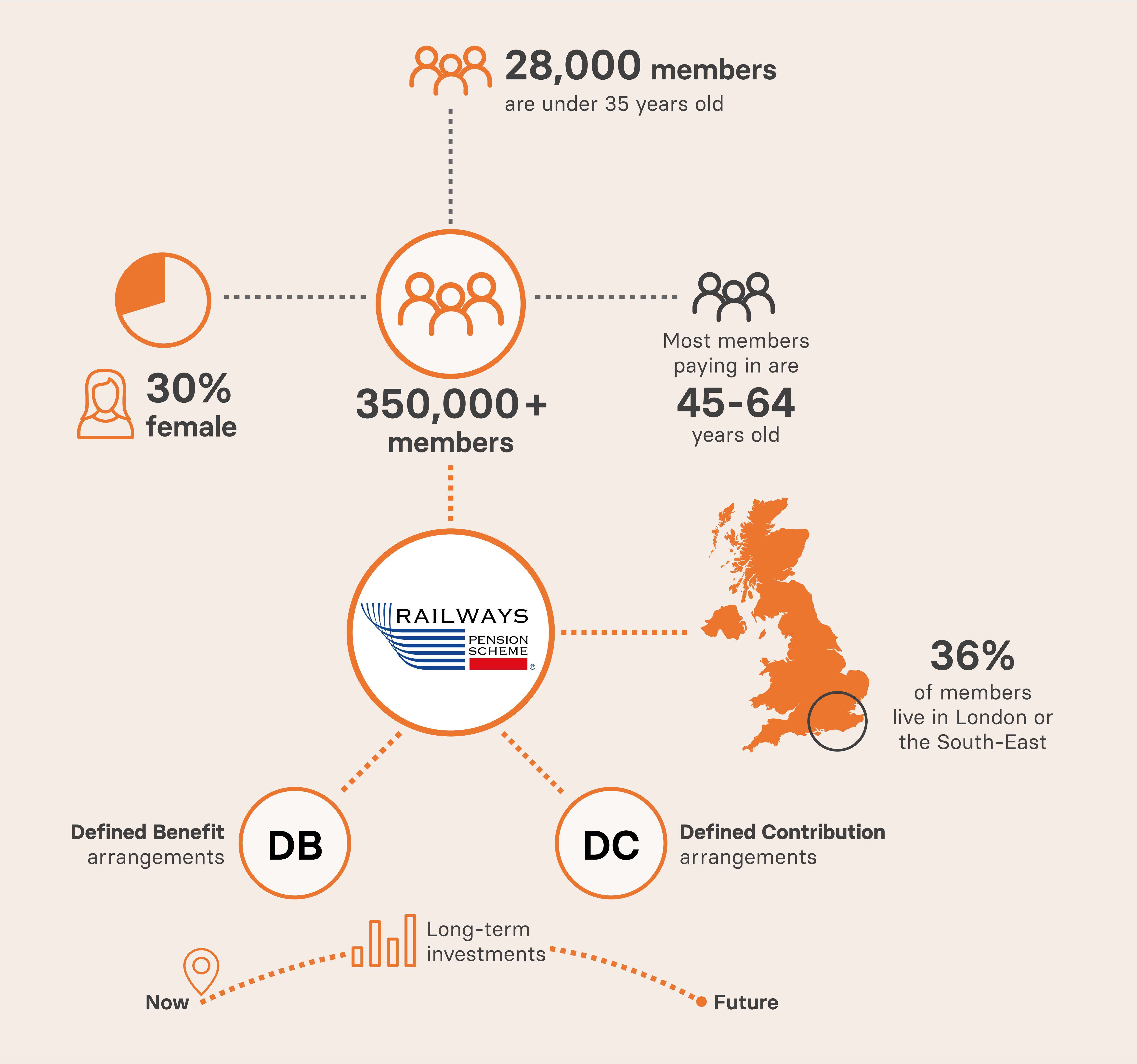
The Trustee is responsible for deciding how the schemes' assets will be invested, and ensuring there is enough money in the schemes to pay members' pensions.

The Trustee makes strategic investment decisions and delegates the day-to-day management of around £34 billion of scheme assets to Railpen (Railway Pension Investments Limited). Railpen is wholly owned by the Trustee and exists solely to serve members. This means all our activities are designed to secure our members' futures.

There are over 350,000 members in the railways pension schemes. On average:

- 30% of all scheme members are female
- 36% of our membership lives in London or the South-East
- members who are still paying into the schemes (active members) are aged between 45 and 64
- we also have around 28,000 active members who are 34 or younger

We offer both Defined Benefit (DB) and Defined Contribution (DC) arrangements for members, and with so many new and young members joining our schemes every day, we invest with a long-term view to help secure your financial future.



WHY DO WE INVEST YOUR MONEY SUSTAINABLY?

The Trustee's mission is to pay members' pensions securely, affordably and sustainably. Railpen helps achieve this by investing your pension contributions in companies and assets, aiming to protect and grow their value over time.

We believe that well-run companies treat their suppliers, customers and workers fairly – and are better equipped to handle major challenges and opportunities, such as:

- the rise of AI
- climate change
- an ageing population

We believe these companies will be most likely to do well in the long term, which helps us deliver stronger, more stable returns for your pension.

To make investment returns, we need to take some risks. But we believe we get better risk-adjusted returns when we back companies that manage those risks well. 'Sustainable ownership' is our way of considering and acting on environmental, social and governance (ESG[1]) issues in our investment decisions.

Through Railpen, the railways pensions schemes are among the few UK pension schemes with a dedicated, specialist in-house team focused on sustainable ownership on your behalf.

The Sustainable Ownership team follows the Trustee's beliefs, principles and objectives, applying them across different types of investments.

These might include:

- companies listed on a stock exchange - these are called 'listed equities'
- infrastructure assets, like energy or telecoms, or
- private debt - this is lending money to companies that aren't yet listed on a stock exchange

Every decision we make is designed to protect and grow your pension savings – while supporting a better future for everyone.

Recent global developments continue to present an uncertain outlook making it more important than ever that the Trustee and Railpen continue to work together to deliver the returns members need to secure their income in retirement.

This means we must continue to invest in companies best placed to suceed over the long term. Evidence shows that to do so, companies need to make sure their business models can deal with the sustainability challenges that are already taking place now, as well as those that will arise in the future.

As Chair of the Trustee Board Sustainable Ownership Working Group, I will continue to work hard to ensure that the Trustee's Investment Beliefs around ESG are fully integrated into the investment decision-making process to the ultimate benefit of members who remain at the heart of everything we do.

Peter Holden
Chair of the SO Working Group

1 You might read about 'ESG' or 'ESG investment' a lot in the personal finance pages of most newspapers. We also provide a Glossary at the back to explain this and other frequently used terms.

Sustainable ownership can help improve companies' financial performance

Better performing companies make for better investments

We don't only think about governance and sustainability factors when we're making investment decisions, but they can be very useful when we put them together with financial and other data.

Evidence shows that these issues are linked to more 'traditional' ways of measuring how a company performs. These include:

- how efficiently it operates
- sales growth
- risk management, and
- challenges in its particular industry

This is why it is important for us to consider governance and sustainability factors when making investment decisions, so that we can invest members' money wisely.

For example, later in this report, you'll find out about corporate governance – the 'G' in ESG. Good governance means a company is well-run by expert and honest senior managers, who are diverse both in composition and in their thinking. They have strong systems and processes in place.

A well-run company, that we think has good governance practices, can get better terms on finance. It is more likely to avoid having to spend a lot of money dealing with interventions by industry regulators. Research also shows that specific measures of good governance, such as a company board with a diverse range of people, are connected with better financial performance and lower risk.

You can learn more about the evidence linking sustainability and governance issues and financial performance in our paper SO Insights: Why we integrate ESG.

These were our top 10 holdings in 2024

Our largest, internally-managed investments at the end of 2024 were in the following companies:

Company	Country	Sector	£m (31 December 2024)
Microsoft Corp	US	Technology	159
Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Industrial	157
RELX PLC	UK	Analytics	143
Broadcom Inc	US	Technology	141
ServiceNow Inc	US	Technology	138
Walmart Inc	US	Consumer Staples	120
Alphabet Inc	US	Technology	118
Amazon.com Inc	US	Technology	117
Meta Platforms Inc	US	Technology	113
Accenture PLC	UK	Professional Services	112

We have 4 priority sustainable ownership themes

We regularly talk to companies about the governance and sustainability topics that are specific to them. However, we also focus on major governance and sustainability issues that affect either all or many of the companies we invest in. We call these 'themes', and examples include climate change, fair pay, and cybersecurity. These were our priority themes for 2024:

Climate Transition

- Achieving net zero by cutting greenhouse gas (GHG) emissions to as near zero as possible, and working to absorb remaining emissions from the atmosphere too
- Protecting the huge variety of wildlife on Earth (biodiversity)

Worth of the Workforce

- Ensuring workers get treated fairly by employers
- Paying workers a fair wage
- Eliminating modern slavery from companies' operations

Responsible Technology

- Ensuring unfair bias is eliminated when using AI
- Preventing cyberattacks and breaches of companies' digital security

Sustainable Financial Markets

- Supporting company structures which allow investors' voices to be heard
- Enabling high-quality company reporting which gives an accurate picture of a company's financial health

We know that the world continues to change – and that some of the biggest risks to your pension come from issues that affect the whole economy. Because we invest in a wide range of companies globally, we are exposed to these broad, system-wide risks.

That's why, every few years, we review our priorities to make sure we are focusing on the issues that matter most to your long-term retirement outcomes. We look at how relevant these risks are to the companies we invest in, and how they could impact your pension over time.

Later in this Member Review, you'll find a preview of the work we've been doing in 2024 to re-consider the evidence base on the issues that matter most to your outcomes, and to further enhance our work in this space.

WHAT WE DID ON YOUR BEHALF IN 2024

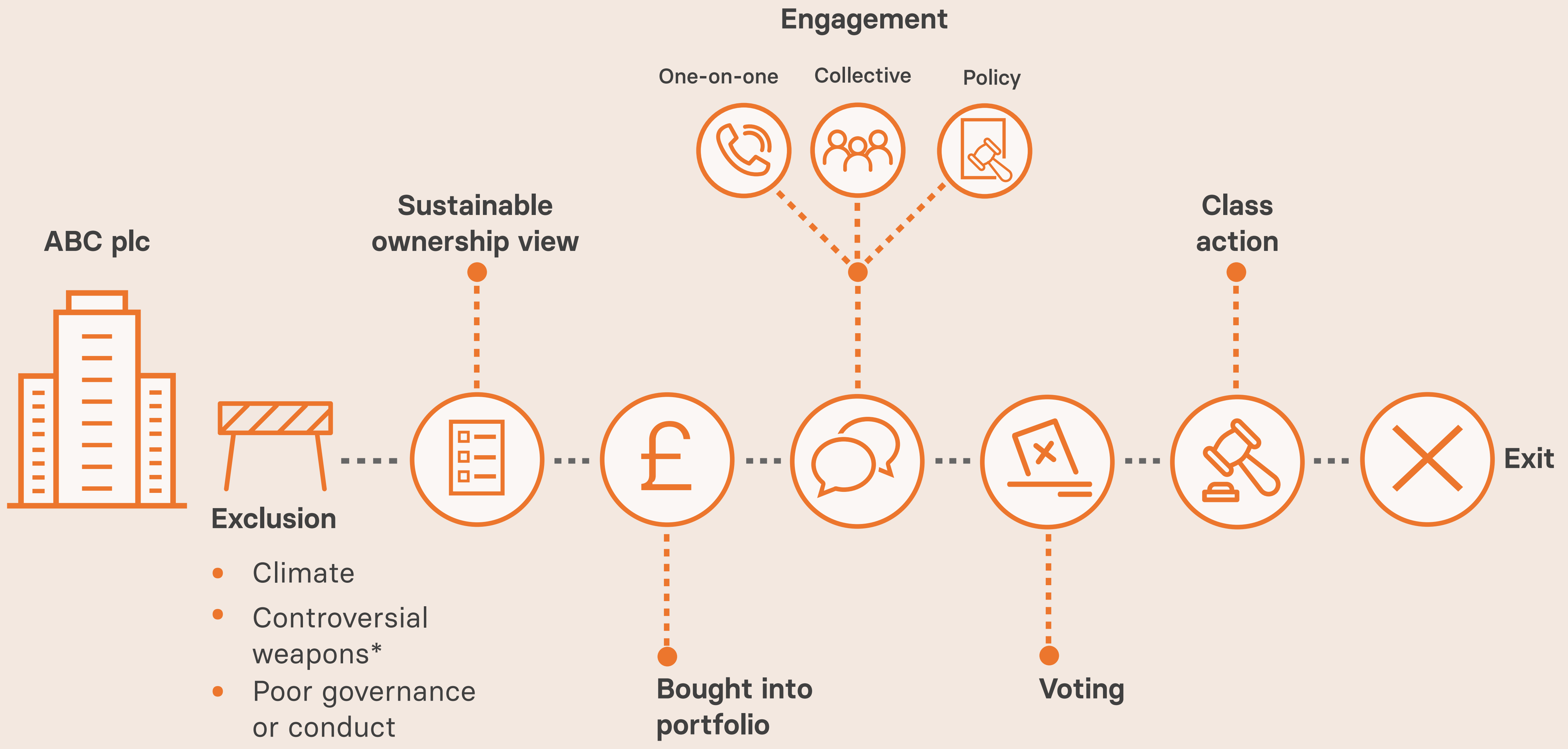
We work closely with companies to help them address the governance and sustainability issues that could have the greatest impact on their business models and strategies.

We can do this in a number of ways:

- **Private engagement:** We speak to companies privately, either individually or together with other investors. Investors call this 'engagement'. Please see case studies 1 and 2.
- **Public action:** We make our concerns public. We can do this, for example, by using our vote at company Annual General Meetings (AGMs), to publicly show support – or disagreement – with senior management of the board. We can also ask questions publicly at AGMs to prompt pulbic responses[2]. Please see case study 3.
- **Policy influence:** We discuss our views and push for change, where necessary, with politicians, government officials and regulators. We do this to help shape laws and regulations that support better outcomes for companies, individuals and ultimately our members. Please see case study 4.
- **Divestment and exclusion:** If a company's behaviour doesn't improve – or poses too much risk on material governance and sustainability issue – we may remove it from our portfolio (divestment), or choose not to invest in it at all (exclusion). Please see our 2024 Stewardship Report for further information.

The image on the right explains how, and in what ways, we engage with companies on sustainable ownership issues across our investment portfolio companies.

Opportunities for sustainable ownership engagement over the lifecycle of an investment



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

In the rest of this section, you'll find some case studies on the issues that we know matter most to you. Further details and more case studies can be found in our 2024 Stewardship Report.

2 A full list of the questions we have asked at AGMs each year can be found at AGM Statements (railpen.com).

We want companies to treat their workers fairly

We know that fair treatment of workers remains a top governance and sustainability concern for you. Railpen has long worked with companies to understand how they look after and pay their employees and make sure they are motivated, skilled, safe and happy.

Case study 1: Our work on workforce and worker voice issues in 2024

The issue

A committed, motivated and engaged workforce plays a vital role in a company's long term success. However, the information companies provide to investors - like Railpen - about how they treat, communicate with, and listen to their employees is often unclear or incomplete. This makes it harder for us to assess how well a company is managing its workforce and the level of risk involved.

In last year's Member Review, we shared how we worked with companies to improve their workforce reporting. In 2024, we built on this work to address 3 key challenges:

- Ongoing lack of clarity and consistency in workforce reporting – without clear and consistent reporting, investors like us struggle to understand how companies manage their people. This makes it harder to assess risks and make informed investment decisions.
- Limited attention from investors and policymakers, despite the importance of workforce treatment, meaning workforce issues are often overlooked. Raising awareness among investors and policymakers helps ensure these issues get the attention they deserve.
- The need for practical guidance for companies ahead of expected UK policy changes on workforce reporting – companies need clear, actionable guidance to prepare for these expected changes.

What we did

We know we can't drive change alone. That's why we collaborate with other investors, trade bodies, and organisations that share our goals - and help shape the policy and regulatory environment for the companies we invest in.

On workforce issues, we did the following in 2024:

- **Workforce disclosure guidance:** We had previously worked with the Chartered Institute of Personnel and Development (CIPD), Pensions UK (formerly PLSA) and High Pay Centre to highlight examples of good workforce reporting from UK companies. In 2024, we sent this guidance to the chief executives of the UK's largest companies, encouraging them to improve their reporting in 4 key areas:
  - Workforce composition
  - Employee relations and wellbeing
  - Reward and recognition
  - Skills and capabilities
- **Investor collaboration:** We continued our work with the Workforce Directors Coalition, which we set up in 2023 to help companies engage more meaningfully with their employees – including through workforce directors. This year we expanded our efforts to include US companies, working with investors and organisations facing similar challenges.

What has changed as a result and what we will do next

Improving company reporting

We received positive responses from many FTSE 350 companies, with several showing clear improvements in the information they provide and welcoming our pragmatic and positive approach. Our constructive and practical approach has opened the door for deeper conversations with key companies in our portfolio.

Influencing global policy

We were delighted to welcome several US investors to the Workforce Directors Coalition in 2024. This has helped us better understand how to raise awareness internationally about the importance of the worker voice. We will aim to build on this momentum by combining investor advocacy and practical guidance.

We want companies to effectively oversee their use of technology

In our December 2024 survey, you told us that you view emerging technologies – such as AI and cybersecurity – as a growing source of concern and you want us to focus more on how companies manage them.

Just as we expect companies to treat their workers fairly or take climate change seriously, we also expect them to use technology responsibly – whether that's protecting against cyberattacks or being transparent about how they use AI.

We carefully assess how companies disclose and manage risks related to new technologies – especially in sectors where technology plays a critical role. When companies fall short or show leadership, we use our voting rights to either hold them accountable or show our support.

Case study 2: Voting on cybersecurity at a US company

The issue

The number and severity of cyberattacks have increased dramatically in recent years, posing significant threats to the financial performance of companies across most sectors. Recognising the systemic importance of this issue, Railpen has been an active participant of the investor-led Cybersecurity Coalition for the past 5 years.

In 2024, the Coalition flagged a US healthcare company in our portfolio as high risk. The company manages a large digital estate and handles sensitive data, yet its public disclosures on cybersecurity were limited. We were particularly concerned about missing information on how it manages cyber risks during mergers and acquisitions and how it monitors third-party vendors.

During our enagement with the company, one of its subsidiaries suffered a major cyberattack. The breach exposed sensitive records, disrupted parts of the US healthcare system, and cost the company billions of dollars.

What we did

We engaged with the company's leadership to understand its governance and risk oversight. While they were open to dialogue, we remained concerned about the quality of information being reported to the Audit Committee. Their own investigation revealed that legacy systems lacked basic protections and that the hackers had gone undetected for several days.

Given the seriousness of the incident and the risk of further attacks, we voted against the Chair of the Audit Committee at the company's AGM and communicated our rationale to their leadership. This aligned with our Voting Policy, which allows us to vote against companies where cybersecurity risks are not being properly managed.

What has changed as a result and what we will do next

Alongside our vote, 8.6% of shareholders also voted against the Chair of the Audit Committee – the highest level of opposition for any director at the meeting. While we couldn't communicate, for legal reasons, our position to other investors, we believe this vote reflected broader concerns about the company's approach to cybersecurity.

Following our vote, the company agreed to another meeting. We used this opportunity to raise our remaining concerns and received further reassurance about how the company is improving its oversight and preparing for future threats. We will continue to monitor their progress.

We want companies to manage climate risks and opportunities

The effects of climate change, such as rising sea levels, ocean acidification, extreme weather and droughts, are already having an impact on people's lives and livelihoods around the world. Experts recommend limiting global temperature rises to 1.5 degrees Celsius above pre-industrial levels[3], to avoid the worst consequences, including serious economic and financial disruption.

At Railpen, we are committed to confronting the challenges of climate change to help us continue to deliver the investment returns needed to meet our members' pension goals. Where possible, we prefer to remain invested in companies so we can use our position to engage with them effectively. When we identify climate-related business risks, we engage with companies to encourage better practices. If engagement isn't enough, we use our voting rights to express concern.

The railways pension schemes were among the first in the UK to divest from companies on climate grounds[4].

3 'Pre-industrial levels' is generally defined as the average global temperature before the start of the Industrial Revolution in the 18th century.

4 Further information can be found in the Railways Pension Trustee Company Limited (RPTCL) 2024 Taskforce on Climate-related Financial Disclosure (TCFD) report

Case study 3: Telling the market how we intended to vote at Equinor

The issue

Climate change is a complicated issue, affecting different companies in different ways. Before we think about which companies to speak to and what they need to improve, we assess which companies are most affected by climate change and how.

We invest in Equinor, an international energy company. While the company had shown leadership amongst its peers in managing its Scope 1 and 2 emissions[5], in 2024 we became concerned that its broader climate strategy and capital allocation were not aligned with its stated commitments to the Paris Agreement. Equinor planned to maintain stable fossil fuel production through to 2035 and continue exploring and developing new oil and gas reserves.

At Railpen, we manage climate-related risks because they pose a material threat to long-term investment value – and therefore to our members' retirement outcomes.

What we did

We believe in using all available tools as stewards of capital. In this case, we used vote pre-declaration to publicly announce our support for a shareholder resolution urging Equinor to align its strategy and spending with the Paris goals. We also asked the company to explain how its plans for new reserves fit with those goals. To raise awareness, we published our position and shared it on social media.

What has changed as a result and what we will do next

In total, 32% of non-state shareholders supported the resolution, sending a strong message to Equinor's leadership. The Australasian Centre for Corporate Responsibility described the vote as a "revolt" and a "wake-up call" for the company.

We will continue to monitor Equinor's progress and use our voice to push for stronger climate action – in the best interests of our members.

5 Please see our Glossary for further explanations of these and other terms.

We want companies to be well-run

The term 'corporate governance' represents the 'G' in ESG. And while it may sound technical, it's one of the most important ways we assess whether a company is well-run and acting in the best interests of its investors, including Railpen.

We want senior leaders at the companies we invest in to be:

- expert, diverse and honest
- willing to listen to long-term investors, and
- supported in making good decisions through having the right systems and processes in place

At Railpen, we talk about corporate governance a lot – beause it's closely linked to how well a company performs and how seriously it takes other risks which could affect its business model and long-term success.

When we held focus groups with some of our pension scheme members, governance came up as one of the most important topics for them. Our December 2024 member survey confirmed this with 2 governance issues rising to the top:

1. Holding company boards to account
2. Reliable and accurate company reporting

We believe both are essential. Holding boards to account helps ensure companies act in the long-term interests of shareholders like us. Reliable reporting gives us the information we need to assess performance and risk.

Case study 4: Our 2024 work on equal voting rights

The issue
Our right to vote at a company AGM is one of the most powerful tools we have to hold company boards accountable and to ensure they act in the best interests of our members[6].

In theory, shareholder voting works like political democracy – one vote per share. But in practice, many American companies unfairly skew the voting system. They do this by giving insiders like founders or even family members who make up the board extra voting power. They might get 10, 20 or even 50 votes per share, while independent investors like Railpen get 1 – or sometimes none. This means companies have little reason to listen to what their investors are saying.

This system is known as 'dual-class share structures'. While it started in the US, some UK and European policymakers are now allowing similar structures, wrongly believing it will boost economic growth – despite evidence to the contrary.

What we did
Railpen has extensive expertise in this area. In 2022, we founded the Investor Coalition for Equal Votes (ICEV) now representing $4.5 trillion in assets[7]. ICEV works to push back against unequal voting rights and promote fairer, better governance.

ICEV's 2024 initiatives included the following:

- Engaging with more companies before they listed on the stock market, encouraging them to adopt fair voting structures
- Sending a private letter to Reddit ahead of its Initial Public Offering (IPO) and publishing an opinion piece in the Financial Times
- Launching a new ICEV website to raise awareness and attract new members
- Publishing a well-received report, Voting on Voting Rights, to help investors and companies understand the risk of unequal voting rights structures

What has changed as a result and what we will do next

Some companies committed to fair voting structures, and many others are now more aware of the risks. Interest in ICEV's work continues to grow among investors, companies and policymakers worldwide.

What's next:

- Grow and expand ICEV's membership
- Engage with more companies and regulators
- Respond quickly when companies consider adopting unequal voting rights
- Launch a UK-focused Governance for Growth Investor Campaign (GGIC) to complement our ICEV work by showing how good governance supports economic growth

We'll also explore how to use our votes and other tools to support this work and protect our members' long-term interests.

6 You can read more about how we vote on particular issues at companies in our Global Voting Policy 2025.

7 You can read more about ICEV in previous Member Reviews.

OUR PLANS FOR THE NEXT 12 MONTHS

While Railpen achieved recognition for its work on sustainable ownership in 2024, including several award wins, we are always striving to do more for our members. This section gives you a preview of what we're focusing on going forward to help secure your financial future.

We will publish dedicated thematic stewardship plans

As mentioned earlier in the report, we've long focused on 4 major themes that affect most of the companies we invest in:

- The Climate Transition
- Worth of the Workforce
- Responsible Technology
- Sustainable Financial Markets

In early 2025, we reviewed these themes – drawing on expert input and financial evidence – to confirm they remain the most important for long-term member outcomes. While the core themes still hold, we'll refine how we approach them and the tools we use.

To support this work, we'll publish structured engagement plans for each theme. These will guide how we speak to companies, policymakers, and other key players – helping us act more effectively both behind the scenes and in public.

We will continue to deliver on our Net Zero Engagement Plan

Each year, we engage with a priority group of companies where climate change presents a major risk or opportunity. This is the core of our Net Zero Engagement Plan. For the remainder of 2025 and beyond, we'll focus on key sectors such as utilities, metals and mining, airlines, and technology – engaging directly with companies and collaborating with other investors to amplify our impact.

While our approach is tailored to each company, we'll also deepen our work on 4 cross-cutting climate issues:

- **Adaptation and resilience** – supporting companies in how they respond to physical climate risks, including extreme weather and long-term environmental changes
- **Policy advocacy** – looking at how companies and their industry associations influence climate-related regulations, and encouraging advocacy that supports a successful climate transition
- **Capital expenditure** – understanding how and where companies are investing to deliver on their climate strategies and transition plans
- **Nature** – making sure companies' climate plans also consider nature-related risks and opportunities, so that climate and nature actions work together not against each other

You can read more about our climate strategy in our Net Zero Plan.

We will keep listening to you

We are committed to hearing from you – our members – about what matters most when it comes to sustainable ownership.

We gather your views in several ways, including through the Trustee, Pensions and Management Committees and our Sustainable Ownership Client Forum[8].

In 2024, we also spoke to members directly through an online survey, and dedicated focus groups. We will run the survey again in late 2025 to understand the following:

- What issues matter to you
- How you'd like us to communicate about them
- Whether your views have changed over the past year

Your feedback from previous surveys has already helped shape how and when we communicate our work with you. In this year's focus groups, you told us you would like us to work more closely with employers on sustainable ownership communications – we will continue to deepen our work to do so going forward.

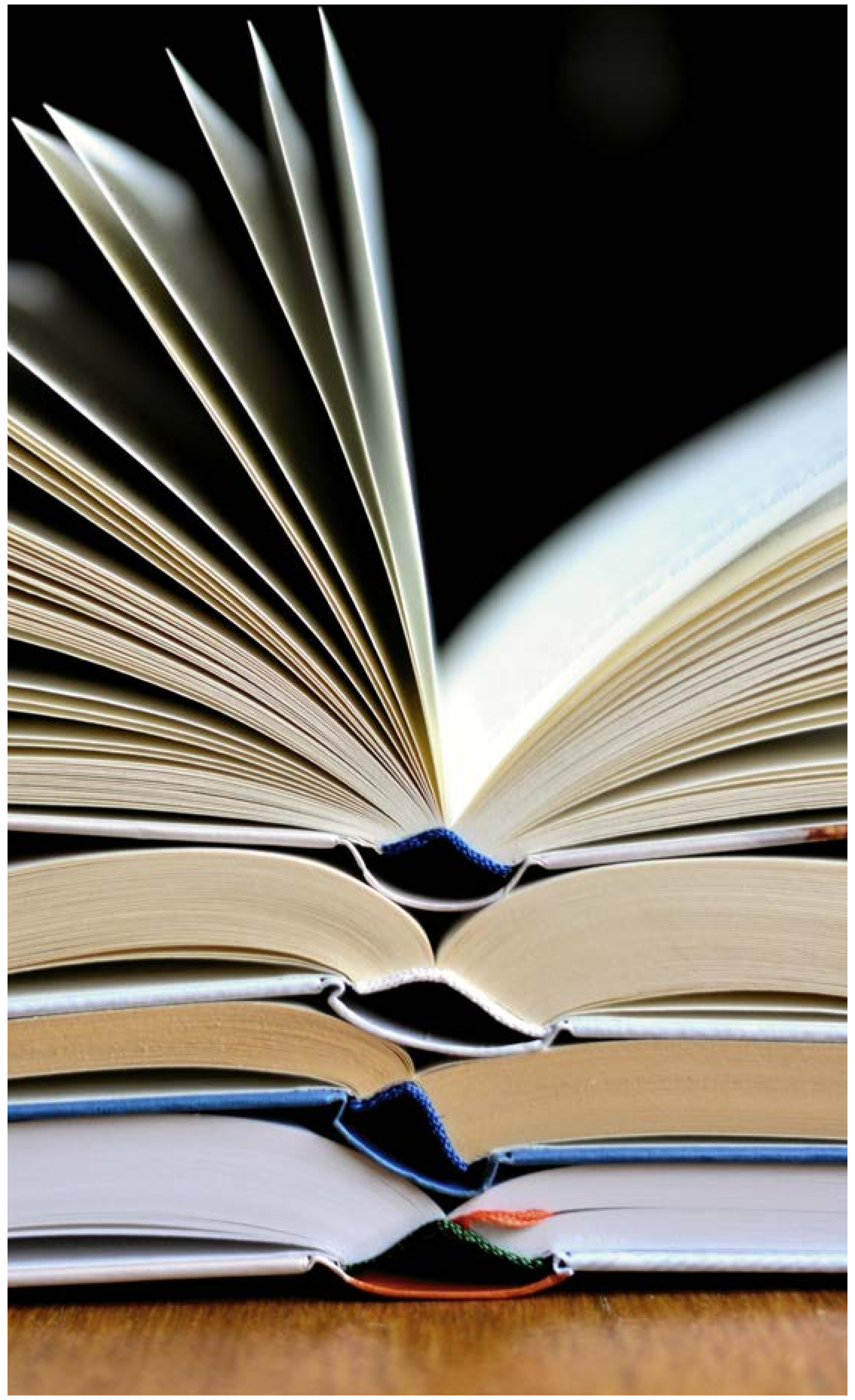
We'll let you know how to take part in this year's survey through your member website and regular communications.

Please see the Glossary for explanation of the different climate change terminology.

8 Further details of how and when we speak to these different bodies can be found in our 2024 Stewardship Report.

GLOSSARY

- **Abstain:** When we vote at a company Annual General Meeting, we can vote 'in favour', 'against' or we can 'abstain'. Where we fully support a company, we will vote in favour. Where we disapprove of a company's behaviour, we will vote against. Where we do not feel fully supportive or comfortable with a company's behaviour but also feel that voting 'against' is too strong at this stage, we will 'abstain'. This means we're voting neither for nor against. This approach leaves us with options open for the future. Please also see 'Annual General Meeting' and 'Voting'.
- **Active (management):** An active manager chooses investments to either buy or sell, based on the objectives they are trying to achieve. There is usually a strong 'human element' involved. Either one person, or a team, will decide on individual investments. The same people might also create a broader approach that can be applied more generally to investment decisions. Please also see 'Passive (management)'.
- **Advocacy (or public policy):** Activities undertaken to engage with policymakers and regulators. This includes meetings, roundtables, responding to government requests for evidence, either individually or through a membership body.
- **Annual General Meeting (AGM):** A meeting held once a year by a company with its shareholders, where important information is discussed and where shareholders are invited to vote on issues like how much directors should be paid, or whether the directors should be (re-) elected. Most listed or public companies must hold an AGM. Please also see 'Abstain' and 'Voting'.
- **Asset class:** A group of financial instruments which have shared behaviours, characteristics and types of risks. Such groupings include 'equities', 'debt', 'infrastructure' and so on. Investors like Railpen will usually spread their investments across different groups of financial instruments (or asset classes), to help manage risk, although the precise proportion of money allocated to any one grouping will change over time. Please also see 'Equity (share)', 'Debt (or credit)', 'Infrastructure' and 'Private markets (or private assets)'.
- **Class action:** Lawsuits in which a large group of people collectively sue another party. A common example of class action cases is securities class actions. This is where investors who believe the value of their investments has been damaged by improper conduct on the part of company executives or board members aim to recover their financial losses.
- **Decarbonisation:** An organisation's approach to reducing its production of greenhouse gas emissions (please see 'Greenhouse gas emissions (GHGs)').
- **Defined Benefit (DB):** A pension scheme where the amount of pension you're paid is based on how many years you've worked for your employer and the salary you've earned.
- **Defined Contribution (DC):** A pension scheme where you build up a pot of money that you can use to provide an income in retirement. The income you get depends on factors such as the amount you pay in and for how long, the fund's investment performance and the choices you make at retirement.
- **Divestment (or disinvestment):** The process of an investor selling all a company's debt or equity instruments, if already invested.
- **Debt (or credit):** If an investor buys a debt instrument, they loan capital to a firm. This entitles them to interest from the debtor company over a fixed term until the loan is repaid. Debt can be listed i.e. bought and sold on an exchange or private (private debt) i.e. it is a loan to a private company that is not listed on an exchange.
- **Engagement:** Communicating with a person or organisation with the aim of raising an issue or achieving change.



- **Equity (share):** Buying a share (or equity instrument) gives the owner (shareholder) an ownership right/stake in the firm in return. The owner has the right to vote and a claim on future profits, for example through dividends. An equity instrument can be **listed** (or public) i.e. bought and sold on a stock exchange or **private** (private equity) i.e. it is a stake in a private company that is not listed on an exchange.
- **ESG:** The collective term for referring to 'environmental, social and governance' issues. We also use the term 'governance and sustainability'. Here are some examples:

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

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

  Governance
  - Board structure
  - Executive remuneration
  - Bribery and corruption
  - Separate Chair and CEO roles
  - Shareholder rights
  - Vision and business strategy
  - Voting procedures
- **ESG integration:** Incorporating of environmental, social and governance (ESG) considerations into investment decisions regarding, and analysis of, the companies we invest in.
- **Exclusion:** Not allowing the purchase of any of a company's debt or equity instrument and its inclusion in an investment portfolio.
- **Greenhouse gas (GHG) emissions:** A greenhouse gas is a gas that, when in the Earth's atmosphere, traps heat. Examples of these gases include carbon dioxide (CO_2) and methane (CH_4). The more of these gases that are emitted, the more heat gets trapped within the Earth's atmosphere, leading to global warming.
- **Governance:** Governance is about how a company is run and how it makes decisions. Good governance means the people in charge are honest, fair, and make smart choices – supported by sensible rules and processes – to help run a company successfully.
- **Infrastructure:** The essential physical systems that support companies or individuals, regions or countries (economies). Examples include: communication networks; transportation systems such as roads and rail; water and sewage systems; and electricity plants.
- **IPO:** Initial Public Offering, when a company sells shares for the first time on a stock exchange (or 'lists') and becomes a publicly listed company. This can help companies to raise capital, enabling them to invest in growing their company.
- **Just Transition:** An approach to tackling climate change which is fair and inclusive, and which does not unfairly impact workers or local communities.
- **Paris Agreement:** The Paris Agreement on climate change is a global accord seeking to keep the rise in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. It was adopted by 195 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12th December 2015. It entered into force on 4th November 2016.
- **Passive (management):** Please also see 'Active (management)'. An investment management style which very closely follows a market index which is an externally chosen pool of assets. Examples of a market index include the 'FTSE 100' which is a collection of the largest and most valuable UK companies.

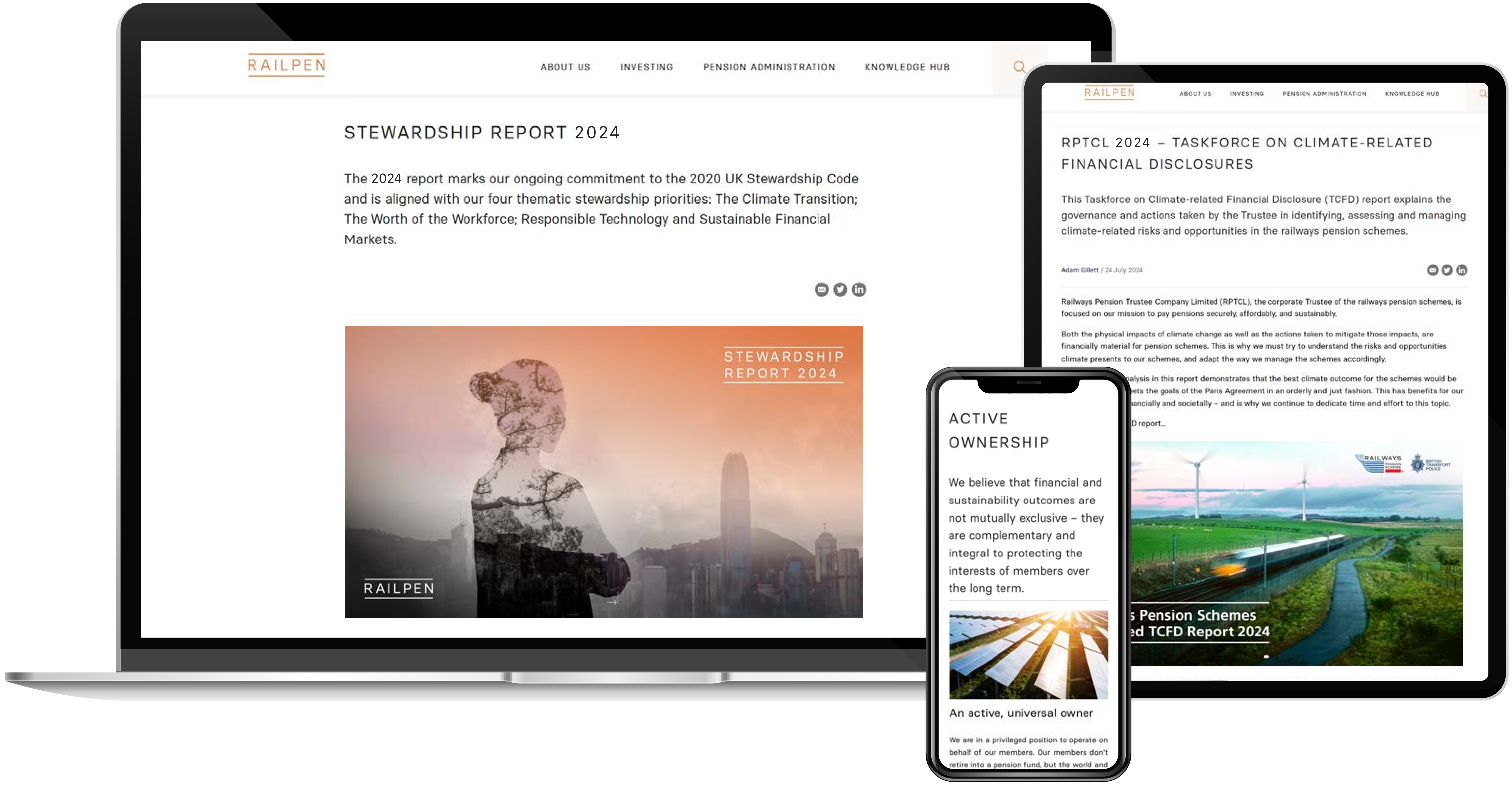
- **Portfolio:** A collection of financial investments, which could include equities, credit or infrastructure or other investments.
- **Private markets (or private assets):** An asset that is not traded on a public exchange or stock market. Please also see 'Equity (share)'.
- **Net zero.** A state in which the greenhouse gas (GHG) emissions put into the atmosphere are approximately equal to the GHG emissions taken out of the atmosphere. Please also see 'Greenhouse gas (GHG) emissions'.
- **Risk-adjusted returns:** A measure that takes into account how much risk is taken to achieve a particular return.
- **Scope 1, 2 and 3 emissions:** An organisation's greenhouse gas (GHG) emissions are divided into three different scopes. Scope 1 emissions are those created directly by the organsation, for example as it combusts fossil fuels. Scope 2 emissions are those associated with the generation of purchased electricity, heating or cooling. Scope 3 emissions are an organisation's indirect emissions other than those covered in scope 2, for example those associated with an organisation's supply chain and its customers.
- **Shareholder:** The owner of shares (equities) in a company.
- **Shareholder resolution:** This is a proposal that is submitted by shareholders for a vote at the company's annual meeting, in an attempt to engage with the company around a a desired action. Please also see 'Voting (a vote)'.
- **Signatory (signatories):** A company that has signed up or committed to an initiative.
- **Stewardship:** Monitoring, understanding and looking to engage around the behaviour of the companies we invest in. Stewardship involves using tools such as engagement, voting and advocacy as ways to shape corporate behaviour.
- **Voting (a vote):** Being a shareholder in a company (usually) gives us the opportunity to vote on company matters at meetings such as an Annual General Meeting (AGM). The issues we can vote on include executive pay, the election of board directors, a climate change plan, and the financial report and accounts. Please also see 'Abstain' and 'Annual General Meeting'.

HERE'S WHERE YOU CAN DISCOVER MORE ABOUT SUSTAINABLE OWNERSHIP

You can find further details of Railpen's work on sustainable ownership on the Railpen website:

- **2024 Stewardship Report** – a detailed look at our stewardship activities over 2024
- **2024 TCFD Report** – provides details of our progress each year on climate issues
- **2025 Global Voting Policy** – our approach to voting on key governance and sustainability issues for the 2024/25 voting season. This is updated each year.
- **Active Ownership webpage** – explains the meaning of active ownership and why it's important, and includes links to our UK voting records, questions we have asked at company AGMs, our policy responses and much more at the foot of the page

You can also find many of these reports and more information about sustainable ownership on your member website at railwayspensions.co.uk or btppensions.co.uk



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