BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

Pensions Registration Number: 10054162

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Contents:

	Page
Trustee and Advisers	1
Where to go for Help	2
Chair's Introduction	4
Trustee's Annual Report	7
Statement of Trustee Responsibilities in relation to Audited Financial Statements	29
Independent Auditor's Report to the Trustee of the British Transport Police Force Superannuation Fund ('the Fund')	30
Fund Account	34
Statement of Net Assets (Available for Benefits)	35
Notes to the Audited Financial Statements	36
Independent Auditor's Statement about Contributions to the Trustee of The British Transport Police Force Superannuation Fund	46
Statement of Trustee's Responsibilities in respect of Contributions and Summary of Contributions Payable in the Year	47
Actuary's Certification of Schedule of Contributions	49
Report on Actuarial Liabilities (Forming Part of the Trustee's Report)	50
Glossary of Common Terms	52
Appendices	53

TRUSTEE AND ADVISERS

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 Scheme and individual entitlements can be obtained from:

Director of Rail Administration
Railpen
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

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

MoneyHelper (formerly The Pensions Advisory Service)

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 either through any local Citizens Advice Bureau or at the following address:

The Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD

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

WHERE TO GO FOR HELP (CONTINUED)

Pensions Ombudsman

If TPAS cannot resolve a complaint or dispute then the Pensions Ombudsman could 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
Napier House
Trafalgar Place
Brighton
BN1 4DW

T: 0345 600 7060
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:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

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

Pensions Registration Number: 10054162

CHAIR'S INTRODUCTION

In uncertain times, the security and comfort that our members can take from their benefits has never been more important.

Everyday lives and the global economy continue to be affected by a great deal of uncertainty, with persistently high inflation, the cost of living crisis and the ongoing, conflict in Ukraine.

Throughout, the Trustee Board works steadfastly to pay members' benefits securely, affordably and sustainably. This mission guides everything we do, and all Trustee Directors are united in delivering it.

Having become Chair of the Trustee in July 2022, I am pleased to present the Annual Report and Audited Financial Statements of the British Transport Police Fund Superannuation Fund ('the Fund') for the year ended 31 December 2022 on behalf of your Trustee Board.

Investment performance

2022 was a challenging year for financial markets, heavily influenced by central banks' monetary policy tightening. As we witnessed the end of a market cycle that had been characterised by extensive support from central banks, markets experienced a regime shift which resulted in investment losses across geographies and asset classes.

Whilst overall Fund assets returned -6.0% in 2022, net of all fees, over the past ten years the return has been 7.8% per annum. Fund assets have increased from £0.9 billion to £1.6 billion over the past ten years, and benefit payments have exceeded contributions by approximately £0.2 billion. This means that investment returns have delivered £0.9 billion, an increase of 104%, showing just how important investment returns are to the Fund, its members and employers.

Against this backdrop:

- the Growth Pooled Fund, which represents approximately two-thirds of Scheme assets, returned -12.0%;
- the Illiquid Growth Fund, which holds private investments, provided good diversification and returned 21.2%, although we note that the performance lag typical of private investments is likely to result in lower returns in the near future;
- the Long-Term Income Fund returned -7.6%.

Over the year, the most significant change in financial markets was an unprecedented rise in interest rates and the corresponding increase in the yields available on government bonds. While this posed a challenge for defined benefit pension schemes exposed to leveraged Liability Driven Investments ('LDI'), the Fund's Defined Benefit Sections did not hold LDI assets.

Overall, 2022 resulted in a notable improvement in funding positions across all of the Fund's Defined Benefit Sections.

Supporting members and employers

We have continued to deliver high levels of service in 2022, with both service levels and member feedback showing strong performance. Member complaints have been low in the context of the volume of activities undertaken, and have reduced by 18.5% in absolute volume. Conversely, member transactions have grown in volume, continuing a trend seen over recent years.

We have continued to develop our systems and processes to enhance service and prepare for a number of new regulatory requirements. The railways pension schemes have 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.

CHAIR'S INTRODUCTION (CONTINUED)

Supporting members and employers (continued)

The portals to support members and employers have continued to develop with new content and layout, plus additional support tools such as videos. Over 90,000 members are now registered on the member portal and they have visited the site in excess of half a million times throughout the year. Many of the improvements made to the member site result from direct member feedback and from the Member Advisory Group, who also help test new functionality. We are very grateful that our members remain so engaged.

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

We have continued to develop our service delivery staff to ensure service standards are maintained and the support provided continues to evolve in line with member needs. Most recently, this has continued through the implementation of an apprenticeship program and further development of management training and development programmes.

Governance

We marked the retirement of Chris Hannon from the Board in 2022. Chris was appointed as a Trustee Director in 2005 and chaired the Board from 2019 until his retirement. Prior to that, Chris also chaired the Trustee’s Integrated Funding Committee and its predecessor, the Benefits and Funding Committee, since its inception in 2007. Throughout his 17 years on the Board Chris made an enormous contribution to the Fund, and the Board and I are grateful to him for his leadership – especially through the COVID-19 pandemic. I thank Chris for his years of dedicated service to the Fund and its members.

Into this vacancy, we welcomed Anjali Lakhani as an Employer Director nominated by Freightliner in the Freight Train Operating Companies and Support Services Electoral Group. The Trustee is committed to increasing the diversity of experience, skills and perspectives on the Board, and we are continuing to engage constructively and proactively with organisations across the rail industry to improve succession planning ahead of future retirement and election cycles. More than half of the current Trustee Directors, including Anjali, have joined the Board since 2019, and we are benefitting immensely from the new ideas and approaches they bring. 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.

2022 was another challenging year for us all. I want to thank the commitment of everyone involved with the Fund – on the Trustee Board, at Railpen, and our advisors – for continuing to focus steadfastly on delivering secure, sustainable benefits for members regardless of the environment in which we find ourselves and however much it continues to change.

CHAIR'S INTRODUCTION (CONTINUED)

Ready for the future

As we look forward to 2023, the Board remains focused on its mission to pay members’ benefits securely, affordably, and sustainably for the long term.

Christine Kernoghan
Chair, Trustee Company

TRUSTEE'S ANNUAL REPORT

The Trustee presents its Annual Report on the British Transport Police Fund Superannuation Fund, together with the financial statements of the Fund for the year ended 31 December 2022, 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')

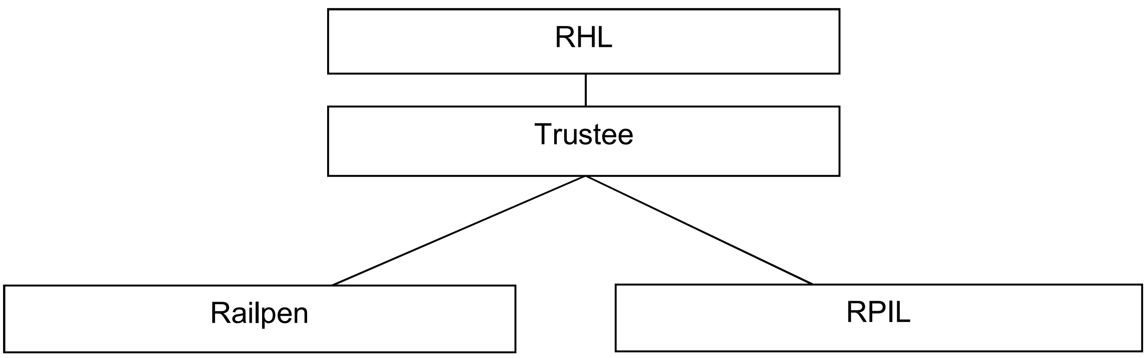
The Trustee is owned by RHL, a company limited by guarantee. Designated employers of sections in the Railways Pension Scheme ('RPS' or 'the Scheme'), Omnibus employers in the RPS, Industry-Wide DC employers in the RPS and the principal employers of the other schemes of which the Trustee is a trustee, are all encouraged to become a member of RHL. The company 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 sixteen 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 the employee members and two on behalf of the pensioner members (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 2022



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, including pensions administration, governance and compliance services, are carried out by Railpen.

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 (including above)	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.

The table below shows the Employer Directors during 2022, their date of retirement by rotation, and nominating constituency:

Name	Nominating Constituency	Date of retirement by rotation
Christopher Hannon (Chair)[1]	Freight train operating companies and support services	2022
Christine Kernoghan (Chair)	Passenger train operating companies	2028
Mark Engelbretson	Network Rail	2024
Adam Golton	Passenger train operating companies	2026
Fatima Hassan	Network Rail	2026
Richard Jones	All employers	2028
Anjali Lakhani[2]	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. Christopher Hannon retired from the Board on 6 July 2022.
2. Anjali Lakhani was appointed to the Board on 10 October 2022.

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 that 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 that 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.

The table below shows the Employee Directors during 2022, their date of retirement by rotation, and nominating organisation:

Name	Nominating Constituency	Date of retirement by rotation
Michael Cash	National Union of Rail, Maritime and Transport Workers	2028
Gerry Doherty	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

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 25 Board and Committee meetings in 2022, in addition to various workshops, strategy events, and training seminars.

Governance (continued)

Directors have a comprehensive training programme on appointment and throughout their tenure. They complete a Training Skills Analyses and a programme of training and workshops is provided, which is designed to support individuals and the Board as a whole, and 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 three-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 Railpens '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 four meetings of the Committee in 2022. These took place on 4 March, 15 June, 28 September and 23 November. All meetings were held virtually, using the Microsoft Teams video conferencing application, other than the 15 June meeting, which was held at Railpen's London office and on Microsoft Teams.

The Valuation Working Party met twice in 2022, on 14 November and 13 December, with both meetings held virtually, using the Microsoft Teams video conferencing application.

Changes to Committee

There are twelve 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:

- Emma Norman was elected as Chair from January 2022;
- Mark Marshallsay was elected Deputy Chair from January 2022;
- Adrian Hanstock stepped down in November 2021, and Alistair Sutherland was elected to replace him in September 2022;
- Sarah McGarel stepped down from the Committee, and Rubeela Qayyum was elected to replace her in September 2022;
- Supt William Jordan stepped down from the Committee, and Supt David Oram was elected to replace him in September 2022;
- Nigel Goodband stepped down and from the Committee, and Stuart Cowan was elected to replace him in September 2022; and
- Peter Holden's term in office ended in March 2022, and John McBride was elected to replace him in April 2022.

A list of the Committee members, as at 31 December 2022, is shown in the following table, together with details of the number of meetings, which each member attended during the year.

TRUSTEE'S ANNUAL REPORT (CONTINUED)

MANAGEMENT COMMITTEE REPORT (CONTINUED)

Committee members at 31 December 2022

Name	Appointing body	Appointment date	Number of meetings attended	Number of meetings eligible to attend during 2022
H Andrews	BTPA	December 2016	4	4
R Etebar	BTPA	July 2019	4	4
S Field	BTPA	January 2008	4	4
E Norman	BTPA	May 2016	3	4
S McGarel	BTPA	April 2018	4	4
A Sutherland	BTPA	September 2022	1	2
R Qayyum	BTPA	September 2022	1	2
S Cowan	BTP Federation	September 2022	0	2
M Marsahallsay	BTP Federation	June 2017	4	4
P Kingham	BTP Federation	June 2020	4	4
J McBride	Pensioner elected	April 2022	3	3
M Ripley	Pensioner elected	July 2015	3	4
Supt D Oram	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	September 2022	2	2

Chris Welburn of Railpen, is Secretary to the Committee.

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 twice 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.

TRUSTEE COMPANY REPORT

Membership

Total membership increased by 3.2% during 2022 (2021: 2.6% increase).

	2022	2021	% Increase
Active members	3,096	3,069	8.8
Pensioners	2,973	2,891	2.8
Dependent pensioners	441	432	2.1
Preserved members	1,356	1,230	10.2
Total membership at end of year	**7,866**	**7,622**	**3.2**

Financial information

During the year, the net return on investments of the Fund, as a whole, was a loss of £120.9m (2021: gain of £242.4m).

The Fund paid benefits of £62.0m in 2022 (2021: £57.0m) and received contributions of £33.3m (2021: £33.6m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £30.6m (2021: net withdrawal of £24.6m).

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 50 to 51.

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.

TRUSTEE COMPANY REPORT (CONTINUED)

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 Schemes increased by 3.1% with effect from 11 April 2022. 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 2021.

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.

TRUSTEE COMPANY REPORT (CONTINUED)

New members post 1 April 2007

Active member

Contributions	Additional voluntary contributions ('AVC')	Death in service
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.	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.	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 2 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 2 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 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.

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 Fund, the Long Duration Index Linked Pooled Fund, and the Long Term Income Pooled Fund. The investment return for the year was -5.9%, net of fees and costs. Over a 3 year period the investment return was 6.0% per annum, while over a 10 year time horizon the return was 7.9% 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 -12.1% for 2022, net of fees and costs. Over a 3 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 -25.9% in 2022, -4.2% per annum over 3 years, and 4.1% per annum over 10 years.

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 INVESTMENT REPORT (CONTINUED)

Investment management arrangements (continued)

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.

The focus for pooled fund management in 2022 has been the efficient implementation of investments.

Within the Growth Pooled Fund, the allocation to diversifying assets was increased. This included an infrastructure project to develop battery storage solutions. Other real asset purchases were property development projects in Oxford and Cambridge. New allocations were made to US government bonds and to Chinese domestic equities.

Within the Illiquid Growth Pooled Fund, capital was deployed across different asset classes over the year. The in-house team continued to manage distributions from legacy investments in the Private Equity Funds. The Infrastructure Pooled Fund sold its final investment.

The Long Term Income Pooled Fund made a number of new investments over the year, such as a waste wood-fired biomass power plant and an investment in the redevelopment and extension of an existing mental health facility.

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. There have been no material changes to the De-Risking Fund Platform and the focus remains on simple and effective implementation, mainly by the in-house team.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

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

Uncertainty was an overarching theme for the year, which was heavily influenced by persistently high inflation and central banks' monetary policy tightening.

Russia's invasion of Ukraine, on 24 February 2022, was the largest military mobilisation in Europe since World War II. The conflict and the sanctions imposed on Russia weighed heavily on countries' economic recovery from COVID-19. Supply chain chaos due to Russia's key role in energy trade fuelled global inflation. In an effort to curb inflation, central banks embarked in aggressive monetary policy tightening and progressively increased interest rates over the course of year. In the UK, inflation consistently outpaced nominal wage growth, leaving consumers with significant declines in their real disposable income. In response to the intensifying squeeze on living standards, the newly elected Prime Minister's UK government announced a fiscal package in September, which included substantial unfunded tax cuts, and was poorly received by markets. This sent sterling to an historic low versus the US dollar and triggered unprecedented moves in the UK bond market, resulting in significantly higher yields and significantly lower bond prices. The fourth quarter ultimately proved a benign end to a tumultuous year, as inflation started to show signs of peaking and, in the UK, many of the previously announced fiscal policies were reversed after the election of the third Prime Minister of the year.

Over the course of 2022, consumer prices for all items, as captured by the Consumer Prices Index ('CPI'), rose by 10.5% in the UK, 9.2% in the Euro area, and 6.5% in the US. The Bank of England, US Federal Reserve, and European Central Bank raised interest rates multiple times over the course of the year, reiterating their commitment to fighting inflation. As at the end of December, the base rate in the UK was 3.5%, up from 0.25% a year earlier. In the US, the benchmark rate was 4.25%-4.5%, up from 0%-0.25% a year earlier, and in the Euro Area, the deposit rate was 2.0%, up from -0.5% a year earlier.

It was a difficult year overall for equity markets, with the MSCI All Countries World Index losing 16% in local currency terms. Global equities posted losses for three consecutive quarters, only to mildly recover towards the end of the year. In the UK, equity markets experienced better performance, particularly in the large capitalisation space, benefitting from a weak currency, a higher proportion of energy stocks and a lower proportion of technology stocks.

Government bond yields rose substantially over the year. The UK ten-year government bond yield rose from 1.0% to 3.7%, whilst the US ten-year government bond yield rose from 1.5% to 3.9%. Sterling lost 11% against the US dollar over the year, and lost 5% against the Euro. Commodity markets were a notable exception in posting strong positive returns over 2022, although with significant volatility. This was driven by a surge in the US dollar as well as in the price of energy, grains, and livestock. However, energy commodities in particular gave back a lot of their gains in the second half of the year.

Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by Railpen, 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, property, diversifying assets, and high yield credit. The Growth Pooled Fund return in 2022 was -12.0%. Over a three year period, the Growth Pooled Fund returned 3.6% per annum.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation, and produced a return of -16.1% in 2022, and 4.9% per annum over a three year period. The Global Equity Pooled Fund has fixed weights in major geographic regions and produced a return for the year of -7.6% and 4.7% per annum over a three 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 -6.3% in 2022, and 21.0% per annum over a three 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 Infrastructure Pooled Fund sold its remaining investment.

The Illiquid Growth Pooled Fund delivered a return of 21.2% for the year, and 19.0% per annum over a three year period.

The Long Term Income Pooled Fund delivered a return of -7.6% for the year, and 0.6% per annum over a three 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.

The Government Bond Pooled Fund is a UK government bond portfolio, managed internally by Railpen on a buy and maintain basis. The Government Bond Pooled Fund returned -8.6% for the year, and -2.9% per annum over a three year period.

The Non-Government Bond Pooled Fund is managed on a buy and maintain basis by an external fund manager and returned -14.7% for the year, and -3.4% per annum over a three year period.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Investment performance (continued)

The Long Duration Index Linked Pooled Fund invests in UK inflation-linked government bonds and is managed internally by Railpen on a buy and maintain basis. The Fund returned -45.4% for the year, and -13.3% per annum over a three year period. Long-dated bonds were most impacted following the UK government's "mini-budget" in September.

The Short Duration Index Linked Pooled Fund is managed internally by Railpen on a buy and maintain basis. The Fund returned -3.0% for the year, and 0.8% per annum over a three year period.

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

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 external investment managers acting within discretions given to them by the Trustee.

Railpen 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 2022, was £6.8m (2021: £8.5m).

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.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

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)

2022 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 2022 TCFD Report for the BTPFSF can be found within the RPTCL[1] TCFD Report 2022, available at https://www.railpen.com/knowledge-hub/reports/rptcl-2022-taskforce-on-climate-related-financial-disclosures/.

The RPTCL TCFD Report 2022 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.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

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.

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 we manage 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.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Sustainable ownership (continued)

Active ownership (continued)

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

- 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 the climate transition, workforce engagement and voice, 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 2022, Railpen worked with relevant schemes to produce the first full *Taskforce on Climate-related Financial Disclosures* ('TCFD') reports, co-authored the Net Zero Stewardship Toolkit with the IIGCC, and made progress towards our commitment to achieve Net Zero by 2050 or sooner, across both our investment portfolio and the emissions associated with our corporate footprint. We are working to achieve this both through decarbonizing our investment portfolio (primarily through our Net Zero engagement plan, but also excluding companies where necessary) and investing in climate solutions.

TRUSTEE'S ANNUAL REPORT (CONTINUED)

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Sustainable ownership (continued)

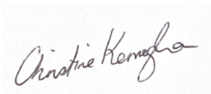
Pooled fund equity holdings

The largest ten direct equity holdings within the pooled fund investments as at 31 December 2022 were as follows:

	£m
Visa Inc	242.7
Texas Instruments Inc	202.0
UnitedHealth Group Inc	187.8
Novo Nordisk A/S	183.7
NextEra Energy Inc	181.5
Gilead Sciences Inc	174.1
Roche Holding AG	169.0
Nestle SA	167.3
Accenture PLC	165.4
Thermo Fisher Scientific Inc	165.2

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

For and on behalf of the Trustee:



Christine Kernoghan
Chair, Trustee Company
28 June 2023

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RELATION TO THE AUDITED 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 2022 which comprise the Fund Account and the Statement of Net Assets (Available for Benefits) and related notes, including the accounting policies in note 2.

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 2022 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;
- 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, the Railpen internal audit function 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 they have 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 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 also 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 all post year end closing journals.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-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 (or it's 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 taxation 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 many 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, anti-bribery, 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 46 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 these 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 (including the Report on actuarial liabilities and the Summary of contributions), the Actuarial certification of the schedule of contributions, the Implementation Report and the TCFD 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.

Trustee's responsibilities

As explained more fully in their statement set out on page 29, the Fund Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine 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/auditorsresponsibilities.

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.

IKDelay

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

4 July 2023

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Contributions and benefits			
Members' contributions	**3**	13,625	13,719
Employers' contributions	**3**	19,011	19,097
Benefit support	**3**	701	783
Individual transfers in		637	1,444
		33,974	**35,043**
Pensions		(50,606)	(48,684)
Lump-sum retirement benefits		(10,290)	(7,733)
Individual transfers out		(744)	(195)
Death benefits		(23)	(333)
Payments to and on account of leavers		(285)	(32)
		(61,948)	**(56,977)**
Administrative expenses	**4**	(651)	(689)
PPF levies		(1,995)	(2,021)
Net withdrawals from dealings with members		**(30,620)**	**(24,644)**
Returns on investments			
Change in market values of investments	**5**	(120,887)	242,404
Interest on cash deposits		58	(1)
Net returns on investments		**(120,829)**	**242,403**
Net (decrease)/increase in the Fund during the year		(151,449)	217,759
Net assets at the start of the year		1,754,058	1,536,299
Net assets at the end of the year		**1,602,609**	**1,754,058**

The accompanying notes numbered 1 to 10 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 2022

	Notes	2022 £000	2021 £000
Investment assets			
Pooled funds	**5**	1,589,101	1,738,515
AVC investments	**5**	6,809	8,508
Cash and cash instruments	**5**	6,996	7,434
Total investments		**1,602,906**	**1,754,457**
Current assets	**6**	635	647
Current liabilities	**7**	(932)	(1,046)
Net assets at the end of the year		**1,602,609**	**1,754,058**

Approved by the directors of the Trustee Company on 28 June 2023.

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 50 to 51 and should be read in conjunction with these financial statements.

The accompanying notes numbered 1 to 10 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 2022

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, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' ('the SORP') (Revised 2018).

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.

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 any 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. Accounting policies

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.

BRASS AVC investments in pooled investment vehicles are stated at fair values at the year-end date as advised by the manager.

2. 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.

2. 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.

3. Contributions receivable

	2022 £000	2021 £000
Members' contributions:		
Normal	12,688	12,744
Additional voluntary (AVCs)	937	975
	13,625	**13,719**
Employers' contributions:		
Normal	19,011	19,097
	19,011	**19,097**
Benefit support:		
Government support	696	778
Transport for London support	5	5
	701	**783**
	33,337	**33,599**

Included within members' normal contributions is £10,478k (2021: £10,353k) that represents salary sacrifice contributions paid in by the Employer.

4. Administrative expenses

	2022 £000	2021 £000
Pensions administration	358	315
Actuarial fees	120	55
Trustee governance	58	106
Legal fees	16	160
Other professional fees	84	38
Audit fees	15	15
	651	**689**

‘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.

Administration and ‘Trustee governance’ 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.

5. Investments

(a) Value of investments

	Value at 31 December 2021 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 December 2022 £000
Pooled Funds					
Growth	1,158,596	30	(62,768)	(139,242)	956,616
Illiquid Growth	176,329	17,607	-	36,363	230,299
Long Duration Index Linked Bond	5,005	136,445	(4,855)	21,215	157,810
Long Term Income	142,643	20,189	-	(26,055)	136,777
Private Equity	112,279	28	(19,060)	(13)	93,234
Short Duration Index Linked Bond	76,776	-	(58,391)	(4,765)	13,620
Infrastructure	4,032	-	(3,715)	75	392
Government Bond	62,732	-	(55,519)	(6,961)	252
Cash Fund	123	-	(23)	1	101
	1,738,515	**174,299**	**(204,331)**	**(119,382)**	**1,589,101**
BRASS AVC investments	8,508	5,397	(5,591)	(1,505)	6,809
	1,747,023	**179,696**	**(209,922)**	**(120,887)**	**1,595,910**
Cash and cash instruments	7,434				6,996
	1,754,457				**1,602,906**

BRASS AVC investments arrangements are invested within the DC Pooled Fund.

The Long Term Income Pooled Fund valuation has been impacted, as at 31 December 2022, 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. 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.

5. 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:

Pooled Funds	% of Pooled Fund owned 31 December 2022	% of Pooled Fund owned 31 December 2021
Short Duration Index Linked Bond	12.8	8.4
Long Term Income	10.1	10.8
Long Duration Index Linked Bond	8.4	2.5
Illiquid Growth	6.6	6.7
Growth	4.6	4.8
Private Equity	4.4	4.2
Infrastructure	3.1	3.1
Cash	0.1	0.2
Government Bond	0.0	4.1

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:

5. Investments (continued)

(b) Investments fair value hierarchy (continued)

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 AVC investments	-	6,809	-	6,809
Cash and cash instruments	6,996	-	-	6,996
	6,996	**1,135,208**	**460,702**	**1,602,906**

At 31 December 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled Funds				
Growth	-	1,158,596	-	1,158,596
Illiquid Growth	-	-	176,329	176,329
Long Term Income	-	-	142,643	142,643
Private Equity	-	-	112,279	112,279
Short Duration Index Linked Bond	-	76,776	-	76,776
Government Bond	-	62,732	-	62,732
Long Duration Index Linked Bond	-	5,005	-	5,005
Infrastructure	-	-	4,032	4,032
Cash	-	123	-	123
	-	**1,303,232**	**435,283**	**1,738,515**
BRASS AVC investments	-	8,508	-	8,508
Cash and cash instruments	7,434	-	-	7,434
	7,434	**1,311,740**	**435,283**	**1,754,457**

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.

5. 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.

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

	2022 £000	% of total net assets	2021 £000	% of total net assets
Growth	956,616	59.7	1,158,596	66.1
Illiquid Growth	230,299	14.4	176,329	10.1
Long Duration Index Linked Bond	157,810	9.8	5,005	0.3
Long Term Income	136,777	8.5	142,643	8.1
Private Equity	93,234	5.8	112,279	6.4

5. Current assets

	2022 £000	2021 £000
Contributions due from employer	32	26
Benefit support due	66	77
PPF levies paid in advance	495	510
Administrative expenses paid in advance	42	34
	635	**647**

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.

6. Current liabilities

	2022 £000	2021 £000
Taxation and social security	476	433
Investment creditor	4	4
Benefits payable	338	546
Other creditors	114	63
	932	**1,046**

7. 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 4. As at 31 December 2022, current liabilities included a liability of £110,245 in respect of these charges (2021: a liability of £29,784).

As at 31 December 2022, 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 4.

8. 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.

9. 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.

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 schedule of contributions to the British Transport Police Force Superannuation Fund ('the Fund') in respect of the Fund year ended 31 December 2022 which is set out on page 47 to 48.

In our opinion contributions for the Fund year ended 31 December 2022, as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 13 December 2021.

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 schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 29, 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 active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule 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.

IKDelay

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

4 July 2023

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 schedule.

Trustee's Summary of Contributions payable under the schedule in respect of the Fund year ended 31 December 2022

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 schedule of contributions certified by the Actuary on 13 December 2021, in respect of the Fund year ended 31 December 2022. The Fund Auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

During 2022, there were 26 instances of late payment of contributions with a total value of £0.1m, which represents 0.41% of contributions payable under the schedules of contributions. The largest individual amount was £33k, which was paid 2 days 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 schedule in respect of the Fund year	**2022 £000**
Member:	
Normal contributions	12,688
Employer:	
Normal contributions	19,011
Contributions payable under the schedule (and reported on by the Fund auditor)	**31,699**

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 schedule of contributions reported in the financial statements in respect of the Fund year:

	2022 **£000**
Contributions payable under the schedule (as above)	31,699
Other contributions payable under Fund rules:	
Members’ AVCs	937
Government support	696
Transport for London support	5
Total contributions reported in the financial statements	**33,337**

Signed for and on behalf of the Trustee on 28 June 2023.

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 Road
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.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

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
RMT	National Union of Rail, Maritime and Transport Workers
RPIL	Railway Pension Investments Limited
RPS	Railways Pension Scheme
RPTCL	Railways Pension Trustee Company
RRL	Return, risk and liquidity
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

		Page
Appendix A	Implementation Statement (Forming Part of the Trustee Company Annual Report)	54
Appendix B	Statement of Investment Principles (Forming Part of the Trustee's Annual Report)	93
Appendix C	Pooled Fund Accounts	106

APPENDIX A

IMPLEMENTATION STATEMENT (Forming Part of the Trustee's Annual Report)

Introduction

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

The Schemes are occupational pension schemes providing defined benefit ('DB') and defined contribution ('DC') benefits. The Railways Pension Scheme 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 and, other than AVCs, it is the only Section in the Scheme which provides DC benefits.

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

Regulatory changes in 2018 and 2019 required trustees to disclose further information in their SIP and also introduced the concept of an annual Implementation Statement. The legislation states that the Implementation Statement must be included in the Annual Report and Accounts and that it must also be made publicly available online.

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, 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 "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 Scheme's Annual Report and Accounts for the period ending 31 December 2022, and covers the year 2022.

The Trustee's review of the SIP in 2022

The SIP was changed during 2022, with the new SIP adopted by the Trustee on 8 December 2022. The current version of the SIP is available on the website:
https://member.railwayspensions.co.uk/resources/statement-of-investment-principles

The previous SIP was in force from 17 September 2020. The main changes are 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 wording with the wording on Stewardship; and
- the investment fund, Lifestyle and default strategy changes within the DC and AVC arrangements.

In the opinion of the Trustee, the SIP has been followed during the year. We set out information on this below:

The Trustee's review of the SIP in 2022 (continued)

How the SIP has been followed during the year

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

The SIP sets out the investment objectives for the Schemes and Sections, and 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, along with 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 framework in place throughout the majority of 2022 took account of return, risk and liquidity requirements (the 'RRL framework'), with the resultant investment strategy for each Scheme and Section being expressed as a mix of growth and defensive assets.

The Trustee's pooled funds are used to construct each investment strategy agreed under the RRL framework and are intended to accommodate the differing 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.

Over 2022, as part of its governance responsibilities, the Trustee reviewed the investment strategy setting process, including a review of the pooled fund range. This resulted in changes to both the investment strategy setting process and the pooled fund range. The updated SIP sets out the new investment framework which 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 Section. The framework outlines the expected investment strategy for each Scheme and broad Section groupings (effectively grouped by covenant strength and the level of Section maturity).

The Trustee was satisfied that the previous and current frameworks were appropriate during 2022.

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 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.

Defined contribution

For DC and AVC arrangements, the Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. The Trustee provides 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.

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

IMPLEMENTATION STATEMENT (CONTINUED)

How the SIP has been followed during the year (continued)

A review of the DC fund range was undertaken over 2020 and 2021, and implemented during 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 will take place again in 2023.

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 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.

Risks – including the ways these are to 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 such 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, including oversight of investment performance and reviewing communications and investment options as appropriate;
- appointing a global custodian to hold assets and RPIL monitoring 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 taking 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 available a range of funds suitable for members to invest their contributions. In particular, the aim of the default arrangements is to generate long-term growth in excess of inflation over members' working lifetimes.

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. Also, investment performance of each Scheme and Section is monitored by RPIL and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employers.

IMPLEMENTATION STATEMENT (CONTINUED)

How the SIP has been followed during the year (continued)

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 Trustee is satisfied with the operation of these risk management and measurement processes.

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 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 is satisfied that implementation has remained consistent with these parameters.

The Trustee recognises that strict control of costs is important in contributing to good investment returns. RPIL give full transparency to the Trustee on the underlying costs making up the annual management charges. The Trustee also monitors the level of transaction costs incurred by the funds on a yearly basis.

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 also 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 during that year.

As explained in last year's Implementation Statement, 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 and accordingly engages closely with the RPIL Sustainable Ownership team on these issues, including regarding how the team engages with external Fund Managers.

As well as the changes to its SIP described previously, in late 2022 the Trustee also 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.

Last year's Implementation Statement also noted that the Trustee had worked with RPIL on a new 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:

IMPLEMENTATION STATEMENT (CONTINUED)

Sustainable Ownership governance and Trustee framework (continued)

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.

2022 saw the first full year of implementing these Investment Beliefs. We agree with RPIL's assessment that the beliefs have been effective in supporting Sustainable Ownership to serve members' best interests, as demonstrated by positive impacts outlined in the table below:

Investment Belief narrative component	2022 impact and progress
"Well-informed and financially material ESG analysis"	▪ Sustainable Ownership deep-dives on priority holdings; and ▪ Deeper focus on financially material stock-specific ESG risks, linking to engagement objective setting and monitoring.
"Societal and systemic risks, such as climate change"	▪ RPIL led authorship of guidance for the International Corporate Governance Network ('ICGN') on "Systemic stewardship and public policy" (to be launched in 2023); and ▪ New collaborative engagements launched on systemic risks e.g. unequal voting rights, climate bondholder stewardship.
"Capital allocation by investors and corporates makes a difference"	▪ Review of climate solutions-focused funds ▪ Refining our cluster munitions and climate exclusions processes; and ▪ Implementation of a more rigorous governance and conduct exclusions process.
"Positively contributing to the world our members retire into"	▪ Deepening our impact-focused approach to engagement; and ▪ Exploring the impact investment landscape.

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

Sustainable Ownership governance and Trustee framework (continued)

In 2022, the Trustee worked with the RPIL team to undertake two half-day training sessions. The first, in June 2022, was a deep-dive on climate change, with a focus on climate governance, climate scenario analysis, climate change and employer covenant, and climate metrics and targets. The second, in December 2022, was a deep-dive on stewardship, focusing on recent changes to policy, regulation and guidance on stewardship, as well as providing the opportunity to discuss examples of positive engagement and voting impact. As lockdown restrictions had eased by this stage, the training sessions were undertaken in person and included contributions from external experts.

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

In 2022, members of the Trustee Board and RPIL worked together on the second iteration of the member-focused Sustainable Ownership Review, published in October 2022. This was the first year this document was able to reflect feedback from the previous year's first ever member engagement initiative on sustainable ownership (which took place between November 2021 and February 2022). 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 therefore 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. We note that RPIL, and individuals in the Sustainable Ownership team, won awards for its work in this space, including the 2022 IPE Awards for Investment Innovation, as well as Carbon and Net Zero Strategy, at the 2022 European Pensions Awards for European Pension Fund of the Year, and as Investment Manager of the Year at both the 2022 Women in Pensions and Rising Star Awards.

ESG integration

In our updated SIP, we explained that we recognise our 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. We also explained that these factors include, but are not limited to, environmental, social and governance factors, including climate change and our 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.

The Trustee also expects that RPIL will provide regular reporting on its ESG integration activities to the Board. In 2022, the Trustee asked RPIL to build upon its previous integrated reporting on ESG integration and active ownership metrics, activities and outcomes by regularly providing examples of the outcomes achieved with some of RPIL's largest holdings. The 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 we feel comfortable that ESG integration and active ownership activities are genuinely driving long-term value for members.

IMPLEMENTATION STATEMENT (CONTINUED)

ESG integration (continued)

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 indiscriminate weaponry reflects reputational risk factors. In 2022, the RPIL team worked on updating the indiscriminate weaponry and climate exclusions approaches, to ensure the process continues to align with market best practice and better reflects the Trustee's approach to ESG risk. 2022 also saw the first implementation of the new, refined governance and conduct exclusions approach that we reported on in last year's Implementation Statement.

The Trustee is comfortable with the work undertaken to improve RPIL's exclusion approaches, which we believe will help RPIL more efficiently protect and enhance the value of members' savings. We welcome RPIL's case study below, from the latest Stewardship Report, which gives an example of the impact of the governance and conduct exclusions process. We feel it provides some demonstration as to how the exclusions process is driving long-term value for members.

Case Study: Implementing our updated Governance and Conduct Zero-Weight process

Background: RPIL's Governance and Conduct Zero-Weight ('Gov Z-W') process aims to identify those companies whose governance and behaviours are of particular concern from the following perspectives:

- **Primary**: To avoid or to mitigate severe financial risks. The process helps us to identify those companies with governance 'red flags', and where we think these governance risks may crystallise at a future date.
- **Secondary**: To avoid or to mitigate significant reputational risk. The process helps us identify companies where a holding exposes us to reputational damage outside the appetite of the Trustee.

RPIL has operated the Gov Z-W process since its inception in 2017, with the exception of 2021 when we reviewed and refreshed our approach. Our review resulted in the refinement of data points used in our screen and optimisation of companies considered for escalation. We implemented these changes to better identify companies that exhibit forward-looking governance risks and demonstrate egregious behaviour in relation to our thematic priorities, such as modern slavery and biodiversity.

2022 process: We ran our updated screening process in 2022, resulting in the selection of 25 companies for qualitative analysis to further understand the governance and conduct issues that had been flagged. Our analysis identified 18 companies for direct engagement, of which 13 responded to our outreach.

We also engaged with those companies we had previously excluded. Where a company has been excluded in a previous Gov Z-W cycle, it is eligible for re-inclusion in the portfolio if it is willing to begin a dialogue and can demonstrate an improved approach to managing the governance or conduct issues that triggered its exclusion.

ESG integration (continued)

Dialogue with companies focused on issues such as corruption, weak Board-level oversight, product safety, workplace fatalities, modern slavery, environmental incidents, and deforestation. We heightened our scrutiny where multiple of these issues were present at a single company.

Following the closure of our engagement period, we took into account 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 amongst industry peers;
- If relevant, the company's effectiveness in dialogue with affected stakeholders; and
- If relevant, the company's decision to exit from a controversial business division.

2022 outcomes: 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 as quickly as possible thereafter.

We also recommended some removals from our previous exclusions list, in light of improvements made. Olympus Corporation was one of these companies. We provide further details in the table below:

Issue	Olympus Corporation is a Japanese manufacturer of optics and medical devices. We had excluded the company through our Gov Z-W process in 2019 over concerns around its health and safety practices, as well as its approach to governance. These concerns had not been alleviated by conversations with the company, and it remained on the exclusion list during the 2020 cycle. On each occasion, we had informed the company of our decision to exclude (or maintain the exclusion) and the rationale for doing so, to support our engagements and incentivise progress at the company.
Approach and rationale	In 2022, we reached out to the company again to talk about its progress. Our analysis had indicated that significant transformation to Olympus' governance practices had taken place since 2019, including a shift to a three-committee structure and greater independence of the Board, as reflected by an independent Chair. We were pleased to hear about plans to further strengthen not only Board governance but also governance of the supply chain, including plans to meet external accreditation standards. We were reassured by the detail provided by senior executives, indicating a clear grasp of the issues, and welcomed the honesty of executives' contributions, including an openness about where they felt progress had not met their expectation, and how they intended to fix these issues.
Outcome and next steps	We make decisions about a company's exclusion (or reinstatement) based on a wide variety of criteria, incorporating intelligence both from our engagements and extensive research and analysis, and taking into account the level of progress made, as well as whether there is a credible commitment to further progress in the future. Although we had not felt ready to reinstate Olympus after conversations in 2020, it scored well in both our 2022 discussions and our analysis of its progress. We therefore decided to remove Olympus from our exclusions list and informed the company of our decision, as well as our rationale for doing so.

ESG integration (continued)

In 2022, the Trustee continued to build upon its previous focus on climate change. As we set out in the SIP and in our 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 2022 work to apply its proprietary Climate Risk and Net Zero Alignment ('CRIANZA') framework to key emitters across the portfolio and reviewing its Net Zero Engagement Plan. We are comfortable that this tool will support RPIL to achieve its net zero commitment by 2050 or sooner, and we welcome the provision of this RPIL case study below, which we think demonstrates how the CRIANZA tool is being incorporated into our analysis in a way that will ultimately drive long-term value for our members.

Case Study: Listed equity | Applying the CRIANZA framework to a peer group of retailers

Issue: The retail sector contributes significantly to the financed emissions within RPIL's portfolio, particularly when taking into account Scope 3 emissions generated across companies' extensive supply chains. Scope 3 emissions are largely considered the most challenging to tackle due to complexity of decarbonising supply chains and low data availability.

We are conscious that the retail sector is highly competitive, so there is greater potential for companies to lose market share if peers are better prepared to address pressure on margins from emerging carbon tax regulation and potential fuel price increases. Equally, there are opportunities to seize market share if companies pre-empt growing consumer demand for low-carbon products, particularly by differentiating through their own-brand lines and driving innovation with suppliers.

Therefore, the four highest emitting retailers (by financed emissions) held within our public markets portfolio were prioritised for CRIANZA assessment and targeted in our Net Zero Engagement Plan. These retailers were Walmart, Target, Ahold Delhaize, and Kroger.

Objective: Through CRIANZA assessments, we aimed to deepen our understanding of sector-wide and company-specific climate risks, alongside the quality of disclosure on climate transition planning. We used these insights as a basis for engagement with companies to drive improvements in the management of climate risk within our portfolio, ultimately increasing the portfolio's net zero alignment.

Insights gained:

Key risks

- Physical impacts of climate change on extensive supply chains, exposing companies to longer lead times, disruptions to operations, and higher raw commodity costs;
- Physical damage to stores from extreme weather, albeit somewhat mitigated when operations are diversified across continents;
- Costs of replacing refrigeration units that use Hydrofluorocarbons ('HFCs'), which are associated with Greenhouse Gases ('GHG') leakages;
- Where managed in-house, costs of transitioning to an electric transportation fleet and ensuring appropriate charging infrastructure is in place;
- Shifting to renewable energy sources for stores and warehouses; and
- Costs of developing or adopting circular packaging to reduce long-term reliance on the petrochemical industry for plastics.

ESG Integration (continued)

Strengths

When assessing the four retailers' disclosed climate transition plans, all of the companies reported on their Scope 1, 2 and 3 emissions, alongside identifying material climate risks to their businesses. With the exception of Kroger, all had net zero commitments and aligned their disclosures with TCFD framework. Most had governance structures around climate change in place, often with a Board member nominated for climate oversight. We found that Target and Walmart had the most robust approach to reducing Scope 3 emissions.

Weaknesses

As identified across other sectors, there was poor disclosure on capital allocation and limited incorporation of climate risks into financial accounts. There was also a low level of disclosure on 'green revenues' derived from plant-based products, and on strategies to shift to low-carbon products.

Outcome and next steps: Following our assessments, outreach was initiated with all of the retailers. Our aim was to seek clarity in areas of high risk and poor disclosure, which in turn allowed us to refine the initial objectives of our engagement. We were also able to share our insights with the companies, including peer benchmarking and areas that fell below our expectations.

Subsequently, we were pleased to see that Ahold Delhaize published an updated interim Scope 3 emissions reduction target and provided additional detail on transition planning, with specific targets around low-carbon products.

We will continue to iterate our CRIANZA assessments, with a focus on key risks and weaker areas of disclosure. This process will enable the prioritisation of retailers targeted for engagement and escalation going forward.

We will continue to report in more detail on the Trustee's approach to climate change in the 2022 RPS Taskforce on Climate-related Financial Disclosures ('TCFD') report.

Non-financial matters

In the SIP, we state that we will consider non-financial matters on a case-by-case basis in relation to the selection, retention and realisation of investments, where we have 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.

IMPLEMENTATION STATEMENT (CONTINUED)

Member views (continued)

Over 2022, RPIL's Sustainable Ownership team discussed its work with several of these Committees. Issues discussed included: the highlights from RPIL's previous Stewardship Report – with a focus on outcomes achieved – as well as their approach to climate risk management, and the role of biodiversity in RPIL's net zero plan. In light of the discussions held, as well as other factors, RPIL in 2022 committed to further explore current market solutions for tracking engagement objectives and outcomes, as well as other opportunities for discussion and collaboration with sponsoring employers on net zero.

We reported last year that RPIL had instituted a Sustainable Ownership Client Forum ('SOCF') in 2021, to complement the interaction with Pensions Committees. The SOCF consists of ten Pensions Committee members, and two Trustee Directors are invited to each meeting. In 2021, the first few meetings had focused on broader awareness raising regarding RPIL's sustainable ownership work. This provided the necessary foundation for meetings in 2022 which could focus on deep-dives into specific topics and initiatives from the team, with items discussed including RPIL's: approach to modern slavery in its investments; consideration of climate risk in the investment portfolio; engagement and voting activity and impact in 2022; and consideration of diversity at portfolio companies. The Trustee Directors present at SOCF meetings and use these as an additional opportunity to gain comfort around the effectiveness of RPIL's approach to sustainable ownership.

The Trustee was also pleased to note RPIL's 2022 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. We gain comfort that RPIL is committed to listening to member views through the fact that its 2021 SO Member Review (published in 2022) was specifically designed in response to member feedback. For instance, providing case studies on those issues members said they cared most about (in order: workforce treatment, climate change, fair pay and biodiversity). We also note that RPIL's work in many ways already reflects the issues that members care about. We believe that RPIL's work will further enhance the two-way dialogue on sustainable ownership issues in a way that boosts member engagement and helps improve long-term outcomes.

We also welcome some of the findings from the 2022 member survey which indicate that more people are aware of RPIL's sustainable ownership work than they were in the previous year – potentially indicating that the focus on member engagement on these issues may be having a positive impact. These findings include:

- The proportion of people who were familiar with the term 'Sustainable Ownership' had increased by nine percentage points (from 65% to 74%);
- 74% of members were aware that RPIL was a leader in Sustainable Ownership (up from 56% the previous year); and
- 53% of respondents had seen some kind of communication from us in the previous year on Sustainable Ownership (33% in 2021).

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.

Voting and engagement policy (continued)

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 we were 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 from 2013-15, including 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, we distinguish between segregated portfolios and pooled funds 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 2022: the Baillie Gifford Regional emerging markets equities mandate highlighted below, which launched in January 2022 – and last year's Annual Report and Financial Statements referred to the work the Sustainable Ownership team undertook to negotiate control of voting rights when negotiations took place over 2021. The Trustee supports RPIL's ongoing commitment to doing so across its mandates and funds, as far as possible, which is in line with our view that voting is an important stewardship tool and should be undertaken in a way that aligns with the engagement approach and priorities.

As described in last year's Implementation Statement, RPIL – on behalf of the Trustee – had 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 also has a particular interest in exercising its influence as a steward over its UK holdings. The Trustee also welcomes RPIL's commitment to raising with this manager the possibility of extending its voting control in the pooled funds, in light of recent market developments in this space.

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 to RPIL engagement activities (as well as the exercise of voting rights attaching to investments), which includes (but is not limited to) engagement with the fund managers, investee companies and other stakeholders about matters including 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, and are satisfied by the approach RPIL takes to its individual and collective engagement activity. We note the case studies below, provided by RPIL as part of a joint Stewardship Report with the Trustee, which give us additional comfort that RPIL is effectively undertaking engagement which helps achieve real long-term value for members on the Trustee's stewardship priorities, including workforce issues and climate change.

Case Study: Listed equities engagement | Amazon and workforce relations

Issue: Amazon is held in RPIL's actively managed strategy, through our Fundamental Equities portfolio. We have been in dialogue with the company over many years on the long-term sustainability of its plan for growth. Social issues, particularly the worth of the workforce, remain a focus of our engagement due to their materiality to Amazon's operations and alignment with RPIL's thematic priorities.

Building upon previous conversations around the Retail, Wholesale and Department Store Union ('RWDSU') drive at the Bessemer Fulfilment Centre, and subsequent criticism of Amazon's approach to union engagement, we had been keen to clarify our expectations of portfolio companies on freedom of association. As a first step, RPIL's 2022 Voting Policy confirmed our belief that the right for workers to form and join organisations of their own choosing is key to ensuring a company operates in the interest of all its stakeholders. We were therefore keen to reiterate our belief to Amazon as further union drives and petitions with the National Labor Relations Board ('NLRB') were announced throughout the year.

Multiple health and safety incidents were reported at Amazon's Fulfilment Centres during 2022, including a fire at the unionised JFK8 warehouse in Staten Island. Reflecting ongoing scrutiny around Amazon's approach to workforce relations, the company faced several shareholder resolutions on social topics at its 2022 AGM. Many of these resolutions requested additional disclosure, including on worker health and safety disparities.

Objective: Amongst broader discussions on governance topics, we established two key aims for our engagement:

1. Assess the alignment of Amazon's policies and practices with the International Labour Organisation's ('ILO') core conventions, and reflect our view when voting at the 2022 AGM.

2. Provide support on areas of disclosure where we expect to see improvements. In particular, further rationale to support Amazon's belief that direct communication continues to be in the best interest of employees, and evidence of progress towards Amazon's target of becoming the 'Earth's Best Employer' through the publication of more detailed health and safety data.

Engagement (continued)

Approach: Prior to the AGM, we held two calls with the Amazon team to discuss any lessons learned from the 2021 union elections, our thoughts on the new Delivered with Care Report, and relevant shareholder resolutions.

We felt the company's Freedom of Association policy could do with further detail on engagement mechanisms at its US Fulfilment Centres. We also asked if Amazon would consider a statement of neutrality towards union organisers and noted that we did not believe that mandatory company meetings on unions were held in line with the spirit of the ILO's core conventions. Consequently, we supported the shareholder resolution requesting a report on the alignment between Amazon's policies and practices with fundamental labour rights.

We raised areas for improvement in the Delivered with Care Report. We were reassured that the data disclosed would be updated annually and the upcoming racial and equity audit would examine whether the company's practices give rise to racial or gender disparities in injury rates. Following constructive conversations, we took into account the significant progress Amazon had made on health and safety reporting when casting our vote. Therefore, we decided not to support the shareholder resolution on worker health and safety disparities.

After sending a pre-AGM notification of our voting intentions and rationale, we arranged our third meeting of the year to deepen the discussion on workforce-related reporting. We received helpful insights into the case studies selected for the 2021 Sustainability Report, which we noted that other stakeholders would likely appreciate. We also agreed that the connection between Amazon's belief in direct engagement and outcomes for employees could be strengthened. For example, by publishing actions taken in response to concerns raised on the 'Voice of Associate Boards' forum to demonstrate the effectiveness of this mechanism.

Outcome and next steps: Following our third meeting, we had the opportunity to share detailed suggestions on the 2021 Sustainability Report with Amazon's reporting team. Our suggestions built upon the Workforce Disclosure Initiative's reporting framework and the Worthwhile Workforce Reporting guidance recently published by RPIL. While we met our objective to provide support on areas of disclosure where we expect to see improvements, insufficient time has passed to assess whether our suggestions have been incorporated into sustainability reporting.

Support for shareholder resolutions at the AGM reached unprecedented levels this year. For example, votes cast in favour of additional disclosure on freedom of association were 38.9%. As outlined in RPIL's 2023 Voting Policy, we will consider escalating to a vote against the adoption of the Report and Accounts or the director we deem responsible if we see insufficient improvements in Amazon's respect of employees' labour rights.

We look forward to continuing engagement with Amazon.

Case Study: Listed equities engagement | Ryanair and climate

Issue: Ryanair is held in the Fundamental Equities portfolio. It remains the highest emitter in the overall RPIL portfolio (based on financed emissions) and is a key engagement target in RPIL's Net Zero Engagement Plan.

In 2021, we piloted our proprietary CRIANZA framework to assess Ryanair's exposure to climate-related risks, and we identified multiple positive features:

Engagement (continued)

- Ryanair exhibits ‘very low’ physical risk given the nature of air travel;
- The company has a relatively strong current transition profile for the sector due its lower carbon emissions intensity versus peers; and
- There is also strong climate adaptation potential, albeit offset by the intrinsic high emissions level of aviation.

Despite these features, the company’s absolute emissions versus RPIL’s overall portfolio - and areas identified for improvement in transition planning - still lead Ryanair to be classified a ‘Climate Risk’.

Objective: Through RPIL’s Net Zero Engagement Plan, we have been in dialogue with Ryanair to improve:

- Detail on medium-term targets and the broader transition plan;
- The incorporation of climate-related risks in the financial accounts; and
- Alignment of disclosures with the TCFD recommendations.

Approach: As the voting rights of non-EU nationals were restricted in the wake of Brexit, and Ryanair has expressed plans to delist from the London Stock Exchange, it became clear that stewardship through voting would be insufficient going forward. Therefore, we have increased the focus of our efforts on engagement.

We maintain a regular line of communication between ourselves and the Investor Relations team. In December 2022, we took the additional step to attend Ryanair’s inaugural ‘Pathway to Net Zero’ Investor Day in Dublin to better understand how the company intends to decarbonise.

Outcome and next steps: Despite concerns that Ryanair had not adequately disclosed the details of its transition plan, we believe that management is increasingly engaging in the decarbonisation agenda. For example, Ryanair sponsored a new Aviation environment department at Trinity College Dublin and is fully participating in the European trade association, A4E.

We also commend the company’s ambitious intention to adopt Sustainable Aviation Fuel (‘SAF’) as 12.5% of its total flight fuel consumption by 2030, which is ahead of its short-haul European peers. For context, currently only 1% of flight fuel consumption derives from SAF, at roughly four times the cost of petroleum based aviation fuel.

We will continue to work with the Investor Relations team to work towards further disclosure and practice on the areas identified through our analysis.

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. We are pleased that in 2022, RPIL remained a signatory to the UK Stewardship Code and that excerpts from its report were once again used as examples of best practice in the FRC’s subsequent report on effective stewardship reporting. We note the ongoing positive reception to the report by peer investors as well as civil society stakeholders and commend the repurposing of the material contained in this report for different audiences, including Pensions Committees and members (though the Sustainable Ownership Review).

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

We expect RPIL to continue to use its influence, both directly and in collaboration with other investors and organisations[2], with companies and policymakers to support long-term value creation across the portfolio in the interests of members. We welcome RPIL's commitment to engage with companies both on stock-specific ESG issues and on thematic or system-wide areas of concern. While we recognise the continued focus on engagement with its largest holdings, the Trustee is supportive of RPIL's shift in recent years to dedicating greater resource to thematic stewardship across four priority areas: 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 our most recent update to the SIP.

As RPIL's assets under management continue to grow, we believe engaging on system-wide issues, which affect our whole portfolio, reflects our role as a universal owner of assets. As well as the stock-specific case studies above, we gain comfort from some of the outcomes already achieved by RPIL's 2022 collaborative engagement and thematic work, as detailed in its latest Stewardship Report and the case study below.

Case Study: The Investor Coalition for Equal Votes ('ICEV') | Progress in 2022

Issue: We have previously reported on our work on dual-class share structures ('DCSS') (please see our 2021 Stewardship Report). We noted that RPIL's analysis had found that the "prevalence of unequal voting rights across the technology industry as being one of the potential causes of poor governance and conduct" across our portfolio.

We also reported that in 2020 and 2021, we had focused our efforts on influencing UK policymakers to restrict the use of dual-class share structures, and that while we had been somewhat successful in influencing for corporate governance safeguards, we decided we needed to take more collaborative action "with the investor community aimed at key policy and market decision-makers from 2022 onwards".

This led to us launching the ICEV in summer 2022, together with the Council of Institutional Investors and several US pension funds, to fight back against unequal voting rights at portfolio companies in the US and UK (reflecting our portfolio allocation).

Approach and rationale: We recognise that the issue of unequal voting rights is a highly complex one. The policy situation and levers for influence vary by jurisdiction, as do the stewardship tools (ex-voting) available to investors. The situation is further complicated given that, by the issue's very nature, standard methods of pushing back against an undesirable corporate governance issue, such as voting in favour of shareholder resolutions proposing a one-share, one-vote approach, or voting against the Director(s) deemed responsible, are not impactful.

RPIL therefore worked with the Council of Institutional Investors to create a collective initiative (ICEV), which would prioritise influencing unusual engagement targets but where we hoped our engagement would, owing to the nature of the issue and key moments in the company life-cycle for influence, be more impactful i.e.

- Engaging with pre-Initial Public Offering ('IPO') companies and their advisers (lawyers, investment banks); and
- Engaging with policymakers and the 'commentariat'.

[2] This includes Climate Action 100+, the Workforce Disclosure Initiative, the coalition on Cybersecurity, the Amsterdam coalition on Remuneration, the 30% Investors Club and others. The full list of groups in which RPIL were participants over the scheme year can be found in the 2021 Stewardship Report on pp.74-76.

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

The intention was that this would help us i) influence private companies while they were not yet decided on their capital structure and ii) help shift the 'mood music' with policymakers, so that they understood the detrimental impact on investors' stewardship activities – and thereby long-term financial performance – of dual-class share structures.

Other key aspects of this coalition included:

- a focus on the US and UK, given the outsized impact that policy movements in these markets have on developments elsewhere, as well as their relevance to RPIL and others' portfolio allocation; and
- a focus on US and UK asset owners as members of the ICEV coalition and steering group to begin with, to support nimbleness and enhance clarity of direction in the early stages of the coalition.

The coalition launched in June 2022 with around $1.3tn of asset owner AUM and the first phase of our work was dedicated to engagement with targeted pre-IPO companies that we thought were likely to IPO in the next few years, as well as engagements with their advisers.

Recognising the important role that policymakers play in either enabling or hindering companies regarding unequal voting rights, ICEV also fed in to the FCA's 2022 policy debate on dual-class share structures, as part of its broader consultation on a potential move to a single segment listing regime.

In addition to the collective work of ICEV, RPIL also strengthened our 2023 Global Voting Policy on dual-class share structures and also asked – in our own name – questions on dual-class share structures at the AGMs of some portfolio companies.

Outcome and next steps: We recognise that, given 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.

In 2022, we were pleased with:

- the response of the investor community, with ICEV's AUM growing rapidly since its launch in June, increased mention in academic articles and elsewhere;
- the level of coverage it has received from the media; and
- the receptiveness of some of the adviser community to conversations with ICEV on this issue, and their commitment to flagging ICEV and institutional investor views on dual-class share structures to their clients.

However, we were disappointed that:

- only one company that we have engaged with so far has committed to list with a single class share structure; and
- the lack of response to our repeated requests for meetings from many pre-IPO companies and a significant proportion of our target advisers.

Please note that, at the time of writing, the FCA has not yet issued its response or the final policy statement on the single segment regime.

In 2023, we intend to have more, and more impactful, engagements with key targets through:

- growing our AUM (so we can better achieve critical mass) and opening up ICEV membership to more asset owners and asset manages;

Engagement (continued)

- focusing our media outreach work on outlets which are more focused on the IPO adviser community;
- escalating the nature of our requests to advisers and pre-IPO companies for meetings, including considering whether a public letter might be more effective; and
- undertaking research (to be published later in 2023) which highlights the evidence base and articulates the case for equal voting rights effectively to policymakers and journalists.

We also welcome 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 2022, this included the launch of the ICEV, details of which are outlined in the case study above, as well as launching the Institutional Investors Group on Climate Change ('IIGCC') Bondholder Stewardship Working Group. This is chaired by RPIL and aims to address the gap for a bondholder collaboration to improve climate-related governance, accountability, effective stewardship and financing frameworks for bond investors.

The Trustee also recognises that an important part of thematic stewardship is engagement with policymakers to ensure the implementation of system-level solutions to system-level challenges such as climate change, COVID-19 or income inequality. We are therefore 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 2022, 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 on the establishment of a new single listing segment and the Transition Plan Taskforce ('TPT') framework for sector-neutral private sector transition plans. Both these submissions aligned with the Trustee's core stewardship priorities, as outlined in our SIP (Sustainable Financial Markets and The Climate Transition respectively).

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

Case Study: RPIL's work on workforce issues in 2022

Issue: Evidence shows that a committed, motivated and fulfilled workforce is fundamental to a company's long-term business success. However, there is a lack of clear and consistent disclosure on workforce issues – particularly on issues like worker voice and mental health.

Objective: Our 2021 work identified several issues on workforce topics:

1) Confusion amongst portfolio companies regarding 'what good looks like' on workforce reporting from the investor perspective (and a concern about the plethora of corporate workforce reporting initiatives).

2) A narrow approach to workforce engagement mechanisms, including workforce directors, exacerbated by companies' uncertainty regarding what investors would like to see regarding the approach to workforce directors and misperceptions around the appropriate role of a board director appointed from the wider workforce.

3) A lack of consistent and co-ordinated focus on workforce (and broader social) issues from some in the institutional investor community, despite its materiality to every portfolio company in an investment universe.

IMPLEMENTATION STATEMENT (CONTINUED)

Engagement (continued)

In 2022, we sought to refine our approach to workforce issues by focusing on tackling these three issues through our market-wide stewardship activity.

Approach and rationale: Given our previous work on workforce issues, as well as the comfort we gained from the fact that the members of the UK railways pension schemes have, for two years in a row, cited “fair treatment of the workforce” as their top Sustainable Ownership priority, RPIL felt that we were in a good position to support companies and other investors on stewardship activities around workforce.

In 2022, this included:

1) Following up on our February 2022 workforce disclosure report with CIPD, Pensions and Lifetime Savings Association (‘PLSA’) and High Pay Centre with a December 2022 report *“Worthwhile Workforce Reporting: Good practice examples from the UK’s biggest companies”* to give concrete examples to portfolio companies of what good practice looks like (and why investors deem this good practice).

2) Working with companies, investors, trade union representatives and academics to produce investor guidance (published April 2023) on *“Workforce inclusion and voice: investor guidance on workforce directors”*. This guidance was supported by investor signatories with just under £500bn assets under management, and will be used to encourage a more open company-investor dialogue on workforce directors, as part of broader approaches to workforce engagement.

3) Presenting the interim findings of our *Worthwhile Workforce Reporting* work to DWP and being invited to join its Taskforce on Social Factors, a group set up to support scheme trustees to consider and incorporate material social issues into their investment decision-making. We believe that this will be an important mechanism for encouraging greater focus from UK asset owners on workforce issues, as well as other social topics.

Outcome and next steps: Although we felt that some companies had already improved their reporting in light of our previous work on workforce disclosure, we sent our *Worthwhile Workforce Reporting* guidance to all those portfolio companies where we considered there to be additional scope for improvement. In 2023, we have held some follow-up conversations with companies, to incorporate learnings and suggestions into future reporting: we will report on whether these have materialised in next year’s report.

We have appreciated the positive response from the corporate and investor community on our guidance on workforce directors thus far. We recognise that the issue can provoke strong reactions and will report next year as to whether our attempt to navigate our way towards an approach that works for companies, investors and workers is proceeding as planned.

We will also continue to support the work of the Taskforce on Social Factors in 2023, including help with drafting guidance for trustees and scheme managers.

Voting

The Trustee believes that exercise of 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, and as far as possible to seek to direct or influence voting in externally managed mandates. RPIL's votes are exercised in line with the Voting Policy, although the team also uses its professional judgement and intelligence on individual voting decisions.

In 2022, RPIL updated its Voting Policy to better align its voting with engagement priorities on climate transition plans, cybersecurity and mental health. The Trustee supports these developments, which also align with, and help further support, progress on our stewardship priorities as outlined in our updated SIP.

2023 RPIL voting policy update

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 our website and send it on to our external managers and our largest direct holdings, requesting a pre-AGM meeting to discuss our voting priorities.

The Global Voting Policy for 2023 onwards was reviewed in Q3 2022. Further details on priority engagement and voting priorities are outlined in the following excerpt from RPIL's 2023 Global Voting Policy:

<u>Workforce issues</u>

As governments and companies around the world work to meet the ongoing consequences of the COVID-19 pandemic, as well as the impacts of the Russian invasion of Ukraine, we urge all our portfolio companies to support their workers, customers, suppliers and other stakeholders to meet the challenges in their daily lives. In 2023, we will continue our focus on workforce treatment through intensifying our scrutiny of companies' approach to fair pay, as well as their work to support good mental health during what continues to be difficult circumstances for all. We expect companies to look after their entire workforce, including both directly- and indirectly-employed workers. Where we consider companies to be failing to meet our expectations, our 2023 Voting Policy now outlines how we will implement a voting sanction.

IMPLEMENTATION STATEMENT (CONTINUED)

Voting (continued)

Dual-class share structures

In 2022, we set up the ICEV to stand up for equal voting rights for minority shareholders and ensure long-term investors can fulfil their roles as effective stewards. We recognise that there has been a decline in the market for Initial Public Offerings (‘IPOs’) in the last 12 months, owing to the difficult economic and financial environment. We hope that company founders and advisers will recognise that the current environment means investors will continue to scrutinise their capital allocation decisions closely, and that listing with single-class share structures will be taken as a positive statement of intent to work in partnership with the providers of capital. In 2023, for those companies that maintain their unequal voting rights structure more than 7 years after IPO, we will escalate our voting sanction to votes against individual Directors. This will take place alongside ongoing engagement with policymakers and pre-IPO companies, and their advisers, to push back against capital structures that we believe represent an attack on what is a fundamental precept of the capitalist model.

Climate transition plans

As the world looks to COP28 in 2023, we believe that good transition plans, which outline concrete steps that a company will take in order to decarbonise its business model and adapt to the economy-wide transition, are fundamental to helping investors and companies work together to achieve real world impact. Our 2023 Voting Policy gives further details regarding what we think a good transition plan should look like and do, how we will assess the credibility and robustness of these plans, and how we will vote where a plan fails to meet our expectations. This will include a possible vote against the Chair of the Board where we have severe concerns.

Most significant votes

We have collected information on the most significant votes undertaken on our 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.

We have also considered input from all our 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 policy.

In particular, we considered RPIL’s policy on what they consider a most significant vote. In determining what might constitute a most significant vote, RPIL considers criteria provided by the PLSA in its Vote Reporting Template but also its own and 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 2022, this included:

Voting (continued)

  - 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 our own understanding of what might constitute a most significant vote, and will continue to engage with RPIL on voting priorities in 2022 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 to ensure that LGIM understands the Trustee's voting priorities, and to deliver voting information in a timely manner.

Voting behavior

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.

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 in place its own custom voting policy with specific voting instructions for the proxy provider to apply to all markets globally. The Trustee was pleased to note that the 2022 update to the Voting Policy (which is implemented in voting decisions from January 2023 onwards) included new lines on climate transition plans, cybersecurity, mental health, and minority shareholder rights. These reflect our own stewardship priorities, which in turn 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.

IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour (continued)

The Trustee is comfortable that RPIL takes a robust approach to voting, in a way that is aligned with our engagement objectives and expertise, our 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.

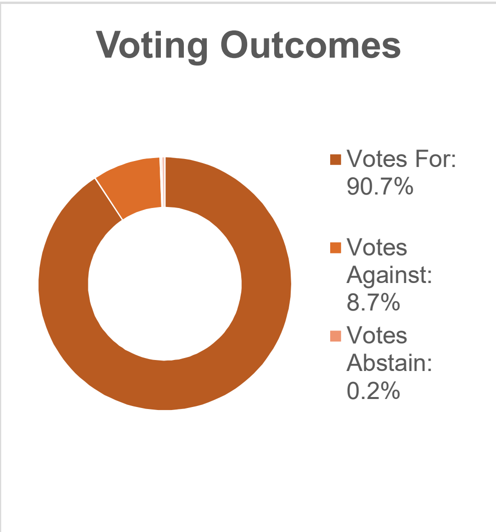
Although it is too simplistic to equate a vote against management with effective stewardship and robust voting approaches, the Trustee was particularly pleased to note that:

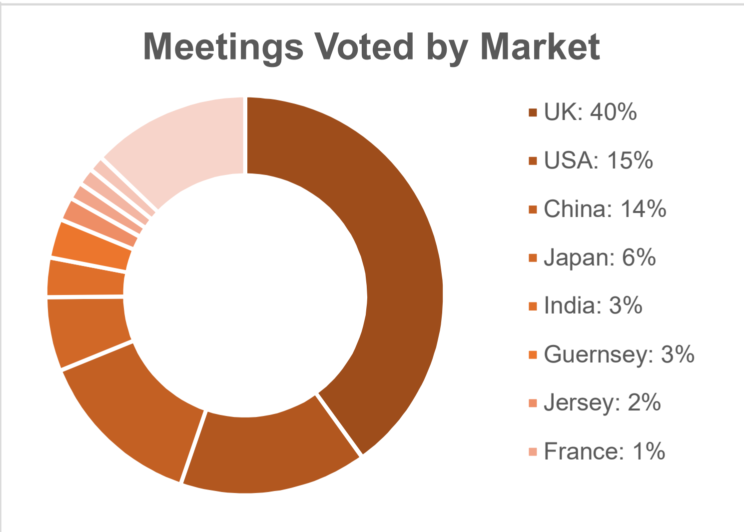
- RPIL continues to use its voting rights to vote against executive remuneration packages where the quantum and approach were insufficiently aligned with the long-term interests of shareholders and other stakeholders;
- RPIL demonstrated significant levels of support for shareholder resolutions which 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, 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 look forward to further conversations on the evolution of RPIL's voting approach in 2023.

2022 Voting statistics

Number of meetings voted	1, 601
Percentage of meetings voted	99.2%
Percentage of meetings with at least one vote against, withhold or abstain	55.0%

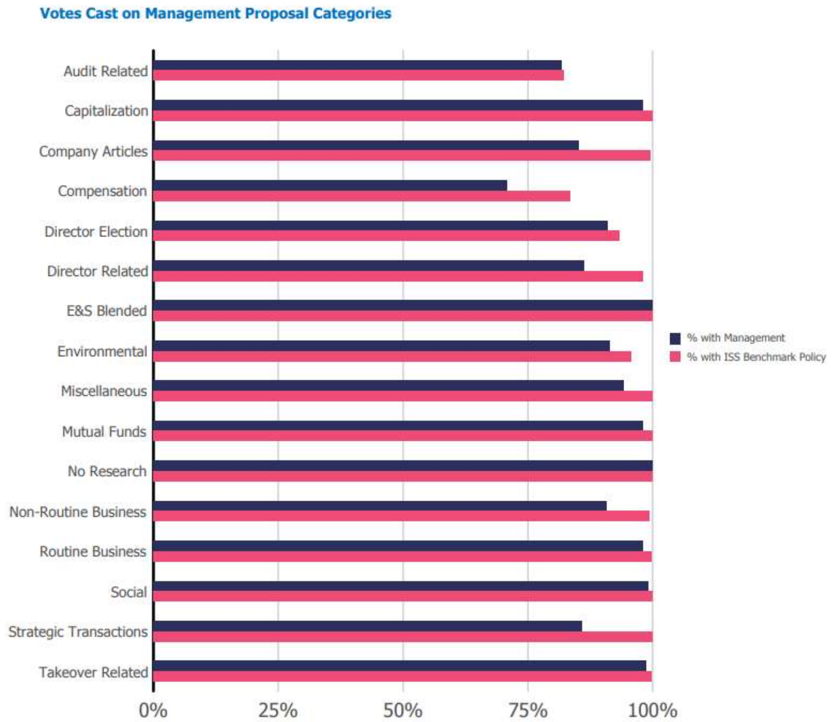




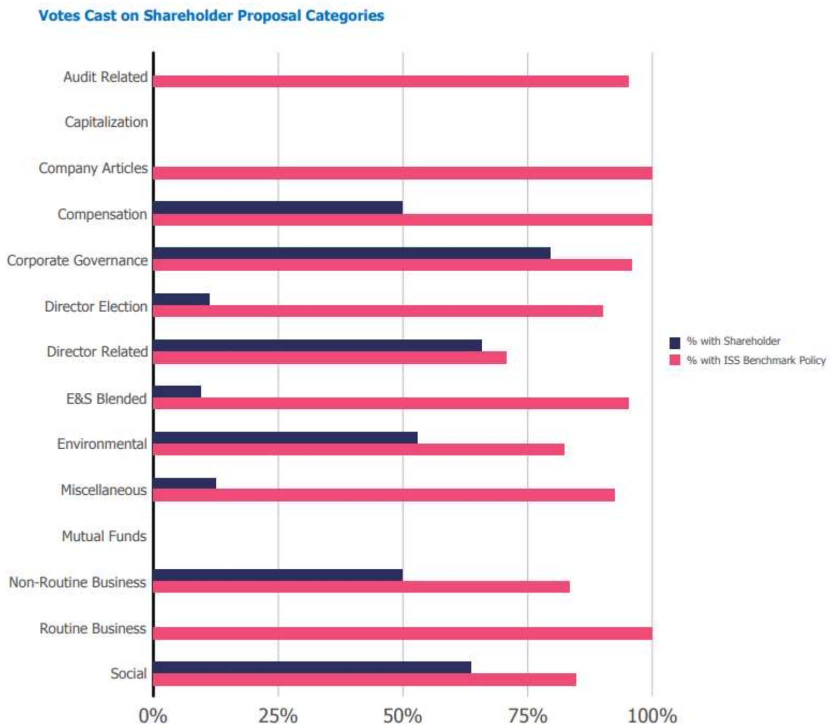
IMPLEMENTATION STATEMENT (CONTINUED)

Voting behaviour (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 71% of votes followed management recommendations.
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.



- 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 80% and the lowest level of support for shareholder proposals related to Audit Related, Company Articles, Routine Business, with 0% 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 six RPIL case studies below, they cover ten 'Most Significant Votes' undertaken by RPIL in 2022.

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 >50% of the votes cast, it will usually pass. The level of impact the result has will vary according to e.g. whether the vote was binding or advisory.

Where we discuss whether an issue is a priority for members, we base this on the feedback garnered from our 2021 and 2022 member engagement programme discussed above.

Case Study: Meta Platforms Inc | Board oversight and shareholder engagement

What the votes were about:

1) Advisory Vote to ratify Named Executive Officer's compensation
2) Approve Recapitalization Plan for all Stock to Have One-vote per Share (shareholder proposal)
3) Require Independent Board Chair (shareholder proposal)

Size of holding (£): 114m

Link to Trustee's stewardship priorities?: Yes – Sustainable Financial Markets (unequal voting rights, Board composition and diversity)

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

Issue: Meta is a holding in our Fundamental Equities portfolio, and we are engaged in ongoing dialogue on material ESG issues. We are pleased with the company's willingness to engage on topics ranging from the activities of its Oversight Board, to its risk oversight practices and its approach to workforce treatment. We also welcomed its commitment to improving disclosure on these issues as well as on the effectiveness of Board oversight.

Objective: A key focus of our voting and engagement over the past year has been not just encouraging Meta to improve disclosures outlining how its Board exercises effective and independent oversight, but also to try to shift the dial on its practices, including long-standing unequal voting rights (which dilutes the ability of independent shareholders to be effectively heard by company management) and the strength of Board scrutiny of management.

Approach: Our pre-AGM discussions were helpful in emphasising the additional steps Meta's senior management have taken to further engage with independent shareholders. We also discussed the effectiveness of checks and balances on affiliated shareholder power, and to what extent Meta could demonstrate that it had responded to independent shareholders' concerns, as expressed through results at the previous year's AGM.

Although we supported management on some resolutions as a result of our ongoing dialogue, we withheld our support for the Chair of the Nominations and Governance Committee as well as voting in favour of shareholder resolutions asking for i) a shift to a one-share, one-vote arrangement and ii) the appointment of an independent Chair.

Most significant votes – RPIL (continued)

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority; and
- Large holding in our Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes).

Outcome and next steps: The level of dissent (please note that this also takes into account the expected level of support from affiliated shareholders: although Zuckerberg owns 13% of Meta, he controls more than 50% of the company's voting rights) was a 7.3% vote against the election of the Chair of the Nomination and Governance Committee, 28% in favour of the resolution on a shift to one-share, one-vote and 17% in favour of the appointment of an independent Chair. Although we were unsurprised by the relatively low level of dissent against the Chair's election – it is still rare for investors to vote against individual Directors – the results on the resolutions demonstrated a clear preference from independent shareholders for these practices.

We held a post-AGM meeting to discuss the checks and balances on Meta's senior management team and affiliated shareholders specifically. We also used this as an opportunity to flag our new, stronger lines on companies with unequal voting rights in our 2023 Voting Policy. However, we recognise that – by sheer virtue of the unequal voting rights that such shareholder proposals are protesting against – simply exercising our vote on this issue, or raising this issue in meetings, at companies with entrenched unequal voting rights is insufficient.

We will therefore continue to try to change the overall system through our work in leading the ICEV. Although the Coalition's work to engage with pre-IPO companies and their advisers does not target Meta directly, we are hopeful that our policy advocacy with US policymakers may be successful in changing their approach where individual engagement and voting has not yet been successful.

Case Study: RPIL's voting in pooled funds | JD Wetherspoon | Board oversight and workforce treatment

What the votes were about: Re-elect Tim Martin as Director

Size of holding (£): 31m

Link to Trustee's stewardship priorities?: Yes – Worth of the Workforce (workforce treatment); Sustainable Financial Markets (Board composition and diversity)

Is the issue a 'top 5' member priority?: Yes – workforce treatment is the most important ESG issue for members (member survey)

Issue: JD Wetherspoon is a holding in our passive pooled fund with LGIM. While this makes it harder to engage, we have negotiated the voting rights on UK holdings in this fund and so exercise voting decisions each year. We have had concerns for the last few years regarding a variety of corporate governance issues, leadership's willingness to listen to shareholder concerns and workforce treatment during the pandemic.

This, and the fact that JD Wetherspoon is one of the few UK listed companies with workforce directors, a key governance initiative of ours, mean that we have been paying careful attention to the company over the last few years.

Most significant votes – RPIL (continued)

Objective and approach: As this is a smaller holding in our passive pooled fund, we have prioritised engagement resource elsewhere until very recently (please see Outcome and next steps below). However, we still wanted to make our views known. In 2020 and 2021, we previously voted against relevant Board Directors but abstained on the election of the CEO.

Due to entrenched governance issues (including a lack of gender diversity on the Board, a combined Chair and CEO, too few independent Directors), ongoing workforce treatment issues, and the limited progress that had been made on both counts, we decided to escalate this to a vote against the Chair of the Board in 2022. We also voted against the election of all members of the Nominations Committee for the first time.

Why most significant: Links to both the Work of the Workforce and the Sustainable Financial Markets Trustee stewardship priorities.

Outcome and next steps: 9.6% of shareholders voted against the re-election of the Chair (CEO), while votes against Nomination Committee members ranged from 3.8% to 14.4%.

We were disheartened that the majority of shareholders do not seem to share our concerns (or at least are not making their views heard through exercising their vote).

In light of this outcome, and given the company's pertinence to our ongoing work on workforce directors and what a meaningful approach might look like, in 2023 we will consider engaging with the company. We will report on any progress achieved in next year's report.

Case Study: Rio Tinto plc | Say on Climate

What the votes were about: Approve Climate Transition Plan

Size of holding (£): 43m

Link to Trustee's stewardship priorities?: Yes – The Climate Transition

Is the issue a 'top 5' member priority?: Yes – climate change is the second most important issue for members (member survey)

Issue: A record number of 215 climate-related resolutions were filed in the 2022 AGM season, reflecting heightened shareholder attention around climate transition planning. RPIL is supportive of industry and policymaker momentum towards offering further opportunities for shareholders to explicitly express support for, or sanction of, corporate behaviour on climate change issues. This includes climate transition planning, which focuses on concrete plans to decarbonise a company's business model and help it adapt to the economy-wide transition.

Objective: We utilise 'Say on Climate' votes, such as the proposal to approve Rio Tinto's Climate Action Plan at the 2022 AGM, as an opportunity to signal our assessment of portfolio companies' approach to climate transition planning. We think that good transition plans, and the meaningful engagement between companies and investors that these plans help drive, will help turn net zero pledges into real action. Equally, we are able to highlight concerns by voting against plans that are insufficiently robust or credible.

Most significant votes – RPIL (continued)

Approach: Building upon our efforts in 2021 to design an internal voting guidance on 'Say on Climate', we ensure that plans are assessed in line with our proprietary CRIANZA framework.

When considering our vote at Rio Tinto's AGM, we took into account whether the proposed Climate Action Plan:

- set out decisions on decarbonisation and adaptation in a comparable way, with clear quantification of interim targets and milestones;
- focused on material actions, activities and accountability mechanisms;
- accounted for biodiversity loss, natural capital impact and social impact as key externalities;
- clearly linked targets, financial planning and capital allocation; and
- where offsets were used, adhered to best practice principles.

Ultimately, we decided to support the proposal. Rio Tinto's ambitious targets, high capital expenditure dedicated to the transition, and better adaptation potential compared to peers, offset our concern around the absence of Scope 3 targets; particularly given the company's commitment to establishing quantifiable Scope 3 targets by the end of 2023 via the International Council on Mining and Metals ('ICMM'), and the challenge of establishing a methodology.

- Links to The Climate Transition Trustee stewardship priority; and
- High-profile shareholder resolution.

Outcome and next steps: The Climate Action Plan was approved with 84.3% support from shareholders, and we will consider Rio Tinto's Scope 3 targets at the next Say On Climate vote in 2025.

To clarify our approach to portfolio companies, our 2023 Voting Policy now gives further details regarding what we think a good transition plan should look like and do, how we will assess the credibility and robustness of these plans, and how we will vote where a plan fails to meet our expectations. We will continue to apply these expectations when implementing 'Say on Climate' votes during the 2023 AGM season.

Case Study: Nestlé | Climate accounting and audit

What the votes were about: Ratify Ernst and Young (Ratify Auditors)

Size of holding (£): 134m

Link to Trustee's stewardship priorities?: Yes – The Climate Transition and Sustainable Financial Markets (audit)

Is the issue a 'top 5' member priority?: Yes – climate change is the second most important issue for members (member survey)

Issue: Nestlé is a holding in our Fundamental Equities portfolio, and we are engaged in ongoing dialogue on the company's approach to ESG factors. Last year, we were pleased that Nestlé continued to make progress on climate reporting by fulfilling our request to incorporate relevant risks in its financial accounts. However, the company remains a globally significant GHG emitter and exposed to climate risks along its extensive supply chain. Consequently, we remained concerned by the absence of climate change within the Auditor's Report.

Most significant votes – RPIL (continued)

Objective: A focus of our voting and engagement over the past year has been improving disclosure on Nestlé's approach to climate accounting and how the auditor assesses this.

Approach: During our pre-AGM call, we commended the progress on climate accounting since our last conversation, but noted that there continued to be no explicit reference to climate change in the Auditor's Report. We were conscious that Nestlé's audit firm has incorporated climate considerations into the accounts of other companies that it services, including Royal Dutch Shell. Therefore, we communicated our expectation to see increased disclosure from the Audit Committee on its approach to climate risks and how it isengaging with the firm to improve assumptions/reporting. Ultimately, in recognition of Nestlé's openness to discussion and hesitance to reference climate change without further clarity on audit methodology from International Accounting Standards Board ('IASB'), we abstained (rather than voted to oppose) on the ratification of the Auditor.

Why most significant:

- Links to The Climate Transition and Sustainable Financial Market stewardship themes; and
- Large holding in our Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes).

Outcome and next steps: The level of dissent against the approval of the financial statement and ratification of the Auditor was below 1%. Nonetheless, Nestlé has since responded to shareholder concerns by including more detail on climate risks within its 2022 Financial Statements. Additionally, the Auditor's Report now contains explicit discussion on the impacts of climate risks and environmental commitments on future cash flows.

We look forward to continuing engagement with Nestlé and other major holdings in our portfolio on climate accounting – including as a lead investor with companies as part of the CA100+ initiative.

<u>Case Study: AbbVie | Cybersecurity</u>

What the votes were about: Election of Director (Chair of the Audit Committee)

Size of holding (£): 129m

Link to Trustee's stewardship priorities?: Yes – Responsible Technology (cybersecurity)

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

Issue: As part of RPIL's work with the Royal London Asset Management ('RLAM') Cybersecurity coalition, RPIL is lead engager with AbbVie, a health and pharmaceutical company in our Quantitative Strategies portfolio. We had identified concerns with AbbVie's approach to cybersecurity (including its disclosures), which were compounded by the company's high-risk exposure to this issue. Despite multiple attempts to engage, AbbVie had been unresponsive as of its AGM in 2022.

Objective: To flag RPIL's concerns regarding the nature of AbbVie's cybersecurity disclosures and practice, and to use RPIL's ownership rights to gain access to AbbVie representatives.

Most significant votes – RPIL (continued)

Approach: Following RPIL's unsuccessful attempts to engage with AbbVie, RPIL voted against the election of the Chair of the Audit Committee, who had responsibility for oversight of risks including cybersecurity. We informed the company in advance of our vote that we would be doing so.

We also escalated to ask a question at the AGM on AbbVie's approach to cybersecurity and to request a meeting. We think that AGM questions can be a powerful way to obtain access and to publicly raise awareness of an issue with a company. We had sent our question to AbbVie's Investor Relations representatives in advance of the meeting, to try to ensure our question was asked and to give them time to prepare a response.

Why most significant: Links to the Responsible Technology Trustee stewardship priority.

Outcome and next steps: The resolution passed with a 97.3% majority. Our question was not asked at the AGM. However, it did result in a response from the company agreeing to our request for a meeting.

We were able to meet subject matter experts and gained reassurance on the areas identified for discussion. Building upon this, we encouraged AbbVie to highlight the Audit Committee's oversight role more explicitly in the ESG Report and consider including cybersecurity in the Board's skills matrix.

RPIL will continue to lead engagement with AbbVie as part of the next phase (Phase 4) of company engagements with the RLAM coalition and will continue to monitor progress.

Case Study: Alphabet | Board governance and unequal voting rights

What the votes were about:

1) Elect Director (Chair of the Nominations and Governance Committee)
2) Elect Director (Chair of the Compensation Committee)
3) Approve recapitalization plan for all stock to have one-vote per share

Size of holding (£): 120m

Link to Trustee's stewardship priorities?: Yes – Sustainable Financial Markets (unequal voting rights, Board governance and diversity)

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

Issue: Alphabet is a large holding in our Fundamental Equities portfolio. Despite multiple attempts to engage with the company over each of the last few years, and some long-standing concerns regarding its governance practices, RPIL has been unsuccessful in obtaining a meeting. We understand from conversations with peer investors that it has also had limited success in gaining access.

Objective: To flag our concerns regarding various governance issues, in particular the lack of responsiveness to shareholders and dual-class share structures (unequal voting rights).

Most significant votes – RPIL (continued)

Approach: RPIL decided to vote against the election of the Chair of the Nominations Committee, given concerns about the lack of shareholder engagement.

We also decided to vote against the Chair of the Compensation Committee, given ongoing and hitherto unaddressed concerns regarding executive remuneration.

Finally, we voted in favour of the shareholder resolution to move to a one-share, one-vote arrangement. This is because we feel that the current voting structure insulates senior management from the views of shareholders and acts as a disincentive to engage with the full breadth of investors.

We informed the company in advance of the AGM of our voting intentions.

We also escalated to ask a question at the AGM on Alphabet's approach to shareholder engagement and the possible link to its unequal voting rights arrangement. We think that AGM questions can be a powerful way to obtain access and to publicly raise awareness of an issue with a company. We had sent our question to Alphabet's Investor Relations representatives in advance of the meeting, to try to ensure our question was asked and to give them time to prepare a response.

Why most significant:

- Links to Sustainable Financial Markets Trustee stewardship priority; and
- Large holding in our Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes).

Outcome and next steps: The Chair of the Nominations and Governance Committee was elected with 91.7% of the votes.

The Chair of the Remuneration Committee was elected with 94.5% of the votes.

The shareholder proposal for a shift to a one-share, one-vote arrangement failed to pass, garnering 33.2% support.

Please note that these seemingly high levels of support for management also take into account the disproportionately highly-weighted voting rights of company insiders.

Our question was not asked at Alphabet's AGM, nor did we receive any response from the company afterwards. We have since requested meetings, but continue to receive no response.

We will be looking to ask another question at the 2023 AGM, and are also considering pre-declaring our perspective on key votes. Pre-declarations can be a powerful public signal to the market (and the company) of an investor's concerns on a particular issue.

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 and also directed them to the PLSA's Vote Reporting Template. RPIL always notifies the manager of its definition, on the Trustee's behalf, of 'Most Significant Votes' several months in advance of the deadline for the information. This is in addition to sending LGIM the updated Global Voting Policy, which offers an even earlier indication of RPIL and the Trustee's engagement and voting priorities.

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 choice 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 2022, that it would continue to focus on thematic engagement, including on the priority issues of biodiversity – broadening out from its 2020 and 2021 work on deforestation – and Board composition (with a particular focus on Board diversity). It also noted that it may deepen its work on unequal voting rights and will further look to engage in public policy and industry debates. RPIL, on behalf of the Trustee, will continue to engage with LGIM to better understand its approach to stewardship and in particular how it i) connects its assessment of portfolio companies' carbon emissions and climate engagement targets and ii) tracks engagement progress and monitors outcomes.

LGIM publishes an annual Active Ownership report which, together with the intelligence from RPIL's engagements with LGIM, provides additional comfort to the Trustee that our external managers' 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, both of which closely align 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.

IMPLEMENTATION STATEMENT (CONTINUED)

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

LGIM North America Index Fund

What was the total size of the fund as at 31/12/2022?	£21,966,029,345 Weekly close price series
What was the number of equity holdings in the fund as at 31/12/2022?	638

How many meetings were you eligible to vote at over the year to 31/12/2022?	668
How many resolutions were you eligible to vote on over the year to 31/12/2022?	8416
What % of resolutions did you vote on for which you were eligible?	99.41%
Of the resolutions on which you voted, what % did you vote with management?	65.16%
Of the resolutions on which you voted, what % did you vote against management?	34.78%
Of the resolutions on which you voted, what % did you abstain from?	0.06%
In what % of meetings, for which you did vote, did you vote at least once against management?	97.75%
Which proxy advisory services does your firm use, and do you use their standard voting policy or create 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. For more details, please refer to the Voting Policies section of this document.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	26.60%

IMPLEMENTATION STATEMENT (CONTINUED)

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

LGIM Europe (Ex UK) Equity Index Fund

What was the total size of the fund as at 31/12/2022?	£7,533,082,473 Weekly close price series
What was the number of equity holdings in the fund as at 31/12/2022?	502

How many meetings were you eligible to vote at over the year to 31/12/2022?	605
How many resolutions were you eligible to vote on over the year to 31/12/2022?	10296
What % of resolutions did you vote on for which you were eligible?	99.77%
Of the resolutions on which you voted, what % did you vote with management?	81.43%
Of the resolutions on which you voted, what % did you vote against management?	18.10%
Of the resolutions on which you voted, what % did you abstain from?	0.48%
In what % of meetings, for which you did vote, did you vote at least once against management?	79.67%
Which proxy advisory services does your firm use, and do you use their standard voting policy or create 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. For more details, please refer to the Voting Policies section of this document.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	9.49%

LGIM vote: Alphabet – North America Equity Index Fund

What the votes were about: Report on physical risks of climate change (shareholder proposal)

Size of holding in fund (£): 391m

Link to Trustee's stewardship priorities?: Yes – The Climate Transition

Is the issue a member priority?: Yes

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

Approach: A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

The vote represents an escalation of LGIM's climate-related engagement and LGIM's public call for high-quality and credible transition plans to be subject to a shareholder vote.

Why most significant:

- Links to The Climate Transition Trustee stewardship priority; and
- Also a large holding in our Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes).

Outcome and next steps: The issue failed to pass with only 17.7% support. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

<u>LGIM vote: UBS Group AG – Europe (ex UK) Equity Index Fund</u>

What the votes were about: Approve Climate Action Plan

Size of holding in fund (£): 53m

Link to Trustee's stewardship priorities?: Yes – The Climate Transition

Is the issue a member priority?: Yes

Approach: A vote against this proposal was applied following internal discussion. While we positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, we have concerns with the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios.

Gaining approval and verification by Science Based Targets initiative ('SBTi') (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.

LGIM considered this vote an escalation of our climate-related engagement activity and our public call for high-quality and credible transition plans to be subject to a shareholder vote.

Why most significant: Links to The Climate Transition Trustee stewardship priority.

Outcome and next steps: The issue passed with 77% support. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

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

<u>LGIM vote: Evolution AB – Europe (ex UK) Equity Index Fund</u>

What the votes were about: Elect Board Chairman

Size of holding in fund (£): 15m

Link to Trustee's stewardship priorities?: Yes – Sustainable Financial Markets (Board composition and diversity)

Is the issue a member priority?: No

Approach: In the absence of a Lead Independent Director, a vote against was applied to the Board Chair as LGIM expects the presence of an Independent Lead Director to ensure there is sufficient challenge to management.

A vote against the Board Chair was also warranted due to insufficient level of gender diversity on the Board.

Why most significant:

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

Outcome and next steps: The vote passed with 99.2% support. LGIM will continue to engage with investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

LGIM views diversity as a financially material issue for our clients, with implications for the assets managed on their behalf.

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 2022, RPIL began to apply its updated Manager Assessment Framework (as updated in 2021 and discussed in last year's Implementation Statement) to external managers across private markets and infrastructure – including to RPIL's Long-Term Income Fund ('LTIF'), which invests in real assets including infrastructure and real estate. The case study below gives an example as to how the Manager Assessment Framework was applied in a way that the Trustee is confident will help drive long-term value for beneficiaries.

IMPLEMENTATION STATEMENT (CONTINUED)

External manager accountability (continued)

Case Study: Applying the Manager Assessment Framework to LTIF

Approach: Our LTIF targets defensive real assets, including core infrastructure, renewable energy, and long-lease commercial real estate in the UK. These investments are intended to be long-dated and resilient through turbulent times, so it is critical that they are well positioned to meet emerging regulation and broader ESG risks.

Where the LTIF team works with external managers, we aim to ensure alignment with RPIL's approach to sustainable ownership. Therefore, building upon our efforts to implement a new ESG risk assessment process for LTIF's direct assets in 2021, we tailored the Manager Assessment Framework ('MAF') for application to the fund's external managers:

- When drafting RPIL's Infrastructure ESG due diligence questionnaire ('DDQ'), we drew upon the Principles for Responsible Investment's guidance for this asset class.
- As LTIF's external managers invest in both equity and debt, risk management scores were weighted differently according to financing type to reflect the varying importance of ESG integration and active ownership.
- Where external managers focus on one sector, we integrate the MAF into Materiality Maps to ensure sector-specific risks are considered.

Due to the extensive amount of information published by our external managers and understanding of their approaches, we decided to conduct an initial assessment of public disclosures before sending a DDQ or engaging for further insight.

Outcome and next steps: A summary of the assessment's initial results can be found below.

	Manager #1	Manager #2	Manager #3
Gross ESG risk	Low	Low	Medium
ESG risk management quality	High	High	Medium
Net ESG risk	Low	Low	Medium
	✓ Robust governance ✓ Developing an approach to ESG reporting in debt ✗ Limited evidence of stewardship in debt	✓ Established risk identification process ✗ Inconsistencies in ESG investment belief	✓ Post-investment stewardship of material issues ✗ Compliance-driven approach ✗ No Net Zero commitment or GHG tracking in place yet

In 2023, we plan to refine the scores through discussions on our findings and any gaps identified. The lowest scoring external manager will be prioritised for engagement, as we recognise that a score of 'medium net ESG risk', as it is based on public disclosures, may not yet accurately reflect their actual approach in practice. We aim to gain clarity through discussion, but will set expectations for improvement if necessary.

Following the refinement of our initial scores, the Sustainable Ownership and LTIF teams will coordinate to arrange regular ESG monitoring meetings with our existing managers. We will also apply the Infrastructure ESG DDQ to new managers.

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

External manager accountability (continued)

The Trustee believes that the most effective manager monitoring, which helps guide ESG and stewardship activities towards positive member outcomes, is an ongoing process that leverages key opportunities for influence across the life-cycle of the Trustee-manager relationship. We therefore welcomed RPIL's work in 2022 to engage with Baillie Gifford and ensure the manager's ongoing alignment with the expectations that were set out during the appointment process, and incorporated into legal documents (as outlined in last year's Implementation Statement). Further details are provided in the case study below.

Case Study: Regional equities mandate – 2022 external manager engagement

Background and setting expectations

Before appointing RPIL's regional equities manager, several internal teams followed an extensive due diligence process. The Sustainable Ownership team focused on the integration of ESG factors into the manager's investment decision making and ongoing stewardship.

Our approach to the manager's initial appointment in 2021, and ongoing monitoring, follows the team's MAF. Throughout the process, we have articulated the expectations set out in the MAF, including:

- deep integration of ESG into investment beliefs, governance and culture;
- use of high-quality ESG resources, data sources, and tools;
- a robust approach to active ownership, including clear targets for engagement and escalation processes; and
- a strategy to reach net zero alignment.

Articulating specific recommendations

During due diligence, we were reassured by the manager's incorporation of ESG factors into their investment processes. Therefore, our 2022 dialogue focused on the enhancement of existing processes and ongoing alignment with the MAF.

A key point of discussion has been ensuring the manager possesses sufficient resources to meet RPIL's expectations on ESG integration, both in terms of the regionally-based team and also the centralised ESG research inputs. Prior to appointment, we agreed with the manager that an ESG analyst on the ground would be the most effective way to enhance their identification and understanding of ESG-related risks and opportunities. Ensuring the analyst was a speaker of the local language would further support the manager's engagement activities. Since appointing the manager, a new ESG analyst has joined the regional office and provides RPIL with detail on both company-specific and broader regional ESG issues. The analyst joins all investment team and company meetings to ensure a fully integrated approach.

RPIL additionally agreed with the manager to enhance the integration of ESG data into their equity analysis framework. We decided on the use of third-party ratings as red-flag indicators that would prompt further analysis by the manager's global and regional teams. We also agreed on the use of international standards to provide further insight on potential company risks, both reputational and operational.

In terms of reporting, we requested that the manager integrated material ESG issues in their standard reporting and not as a separate document. RPIL's belief that ESG factors are financially relevant underpins our requests for integrated reporting, in which the financial risk and opportunity attached to ESG matters can be clearly contextualised and understood.

External manager accountability (continued)

As the region's exposure to ESG risks is higher than average, it was felt that six-monthly monitoring by the Sustainable Ownership team would be appropriate. Additionally, the team joins quarterly investment monitoring meetings. During these meetings, we have discussed the efficacy of their approach to ESG risk management.

Outcome and next steps

Our expectations of the manager have been well met during the mandate's first year. We believe they have been successful in using research providers to complement more widely used global ESG specialists and to support their growth-focused, in-house fundamental analysis. Nonetheless, we continue to monitor the ongoing development of ESG data models by the manager, alongside the role of the regional ESG analyst in ensuring ESG analysis is fully integrated into the investment decision-making process.

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's Investment Operations team.

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.

From 2022, RPIL instituted a policy whereby none of its Fundamental Growth Portfolio holdings would be eligible for the securities lending programme. 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 railway 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.

STATEMENT OF INVESTMENT PRINCIPLES (CONTINUED)

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 railway 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.

STATEMENT OF INVESTMENT PRINCIPLES (CONTINUED)

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.

STATEMENT OF INVESTMENT PRINCIPLES (CONTINUED)

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

STATEMENT OF INVESTMENT PRINCIPLES (CONTINUED)

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 railway 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.

STATEMENT OF INVESTMENT PRINCIPLES (CONTINUED)

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 railway 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 3 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 2022. The 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 audited 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. These consolidated non-statutory pooled fund accounts are also 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 2022 was £33,584m (2021: £37,654m). There are in addition £1,019m (2021: £988m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £34,603m (2021: £38,642m).

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 110 summarises the investments of each of these pooled funds as at 31 December 2022. The notes on pages 114 to 131 analyse the total pooled assets of £33,584m 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 pages 110 and 112, and the unit prices on page 114 and 115.

ACCOUNTING POLICIES

Investments

Investments are held at fair value. Comparative disclosures have been updated to conform with the current year presentation. The principal bases of investment valuation adopted by the pooled funds are set out below:

a. Listed investments are stated at the bid price 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 advice from the investment managers or other 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 fair value. This asset has been valued independently by Ernst and Young who have used agreed assumptions to model expected cashflows and discount back to valuation date.

f. Properties 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.

ACCOUNTING POLICIES (continued)

Foreign currencies

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 accounts 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 funds named above. All the entities are controlled by the Trustee on behalf of the funds, and hence are subsidiary undertakings of the pooled funds. A subset of these have been included in the pooled fund accounts on a full consolidation basis. This consolidation is done voluntarily as this is not a requirement of the SORP.

ACCOUNTING POLICIES (continued)

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.

FUND STATEMENT AS AT 31 DECEMBER 2022

Pooled Fund	Equities £m	Fixed interest securities £m	Index linked securities £m	UK property £m	Pooled investment vehicles £m	Derivative assets £m	Derivative liabilities £m	Cash deposits and cash instruments £m	Other assets £m	Other liabilities £m	Cross holdings £m	Net assets attributable to unit holders £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%

Analysis of cross holdings

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

The accounting policies on pages 106 to 109 and the notes on pages 114 to 131 form part of these financial statements.

FUND STATEMENT AS AT 31 DECEMBER 2022

MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Net reinvested income	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)	(3,333)	315	-	**21,555**
Private Equity	2,669	1	(490)	(75)	(4)	-	**2,101**
Property	2,224	225	-	(217)	56	-	**2,288**
Illiquid Growth	2,619	321	-	551	(6)	-	**3,485**
Defined Contribution	2,083	824	(882)	(307)	1	-	**1,719**
Government Bond	1,525	28	(848)	(169)	16	-	**552**
Long Term Income	1,324	290	-	(279)	19	-	**1,354**
Passive Equity	1,074	-	(91)	(167)	(2)	-	**814**
Short Duration Index Linked Bond	919	52	(801)	(139)	76	-	**107**
Global Equity	700	-	(85)	(50)	(1)	-	**564**
Non-Government Bond	412	99	(52)	(78)	14	-	**395**
Long Duration Index Linked Bond	214	1,696	(67)	(31)	75	-	**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)**	**(4,292)**	**560**	**192**	**33,584**

Approved on behalf of the Trustee Company on 28 June 2023

Christine Kernoghan
Chair,
Trustee Company

Christine Kernoghan

Richard Goldson
Director and Chair,
Audit and Risk Committee

CRB Goldson

The accounting policies on pages 106 to 109 and the notes on pages 114 to 131 form part of these financial statements.

FUND STATEMENT AS AT 31 DECEMBER 2021

	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	16,247	-	-	-	3,168	73	(41)	3,490	62	(19)	2,224	25,204
Private Equity	2	-	-	-	2,504	-	-	164	-	(1)	-	2,669
Property	-	-	-	2,079	-	-	-	120	67	(42)	-	2,224
Illiquid Growth	450	-	-	-	2,117	-	-	52	-	(1)	1	2,619
Defined Contribution	-	-	-	-	369	-	-	426	1	(1)	1,288	2,083
Government Bond	-	1,516	-	-	-	-	-	3	6	-	-	1,525
Long Term Income	47	178	-	136	875	-	-	78	10	-	-	1,324
Passive Equity	-	-	-	-	1,075	-	-		-	(1)	-	1,074
Short Duration Index Linked Bond	-	-	918	-	-	-	-	1	-		-	919
Global Equity	-	-	-	-	700	-	-	-	-	-	-	700
Non-Government Bond	-	392	-	-	-	7	-	9	4	-	-	412
Long Duration Index Linked Bond	-	-	214	-	-	-	-		-	-	-	214
Infrastructure	-	-	-	-	126	-	-	4	-	-	-	130
Cash	-	-	-	-	-	-	-	70	-	-	-	70
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,513)	(3,513)
Total	**16,746**	**2,086**	**1,132**	**2,215**	**10,934**	**80**	**(41)**	**4,417**	**150**	**(65)**	**-**	**37,654**
%	44.47%	5.54%	3.01%	5.88%	29.04%	0.21%	(0.11%)	11.73%	0.40%	(0.17%)	0.00%	100.00%

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	-	2,224	-	-	2,224
Defined Contribution	1,237	14	-	-	37	1,288
Illiquid Growth	-	-	-	1	-	1
Total	**1,237**	**14**	**2,224**	**1**	**37**	**3,513**

The accounting policies on pages 106 to 109 and the notes on pages 114 to 131 form part of these financial statements.

FUND STATEMENT AS AT 31 DECEMBER 2021

MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Reinvested net income	Change in market value of investments	Change in cross holdings	Total unit holders' funds as at 31 December 2021
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	21,901	361	(561)	254	3,249	-	**25,204**
Private Equity	2,435	3	(619)	(6)	856	-	**2,669**
Property	2,137	-	(230)	74	243	-	**2,224**
Illiquid Growth	1,926	120	-	(5)	578	-	**2,619**
Defined Contribution	1,760	442	(353)	(3)	237	-	**2,083**
Government Bond	1,355	274	(68)	20	(56)	-	**1,525**
Long Term Income	1,111	160	-	9	44	-	**1,324**
Passive Equity	1,082	-	(234)	(2)	228	-	**1,074**
Short Duration Index Linked Bond	728	246	(93)	43	(5)	-	**919**
Global Equity	684	-	(86)	(1)	103	-	**700**
Non Government Bond	412	65	(63)	13	(15)	-	**412**
Long Duration Index Linked Bond	205	17	(17)	6	3	-	**214**
Infrastructure	166	-	(40)		4	-	**130**
Cash	77	-	(7)		-	-	**70**
Cross holdings	(3,293)	-	-	-	-	(220)	**(3,513)**
Total	**32,686**	**1,688**	**(2,371)**	**402**	**5,469**	**(220)**	**37,654**

The accounting policies on pages 106 to 109 and the notes on pages 114 to 131 form part of these financial statements.

CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2022

	Note	2022	2021
		£m	£m
Assets			
Equities		15,655	16,746
Fixed interest securities		1,098	2,086
Index linked securities		1,984	1,132
UK property		2,378	2,215
Pooled investment vehicles	1.5	10,195	10,934
Derivative contracts			
Futures - exchange traded	1.6	-	20
FX contracts - OTC	1.6	186	60
Other assets			
Other investment assets	1.7	113	117
Current assets	1.8	89	33
Cash deposits and cash instruments	1.9	2,111	4,417
Total assets		**33,809**	**37,760**
Liabilities			
Derivative contracts			
Futures - exchange traded	1.6	(42)	(4)
FX contracts - OTC	1.6	(51)	(37)
Other liabilities			
Other investment liabilities	1.10	(3)	-
Current liabilities	1.11	(129)	(65)
Total liabilities		**(225)**	**(106)**
Net assets attributable to unit holders		**33,584**	**37,654**

1.2 Pooled fund unit prices as at 31 December

	2022 £/unit	2021 £/unit
Growth Pooled Fund	23.31	26.50
Property Pooled Fund	107.41	114.28
Illiquid Growth Pooled Fund	25.51	21.29
Government Bond Pooled Fund	12.47	13.64
Long Term Income Pooled Fund	7.99	9.54
Passive Equity Pooled Fund	24.65	29.35
Short Duration Index Linked Bond Pooled Fund	10.55	10.88
Global Equity Pooled Fund	126.18	136.32
Non Government Bond Pooled Fund	14.23	16.68
Long Duration Index Linked Bond Pooled Fund	65.33	119.61
Infrastructure Pooled Fund	27.49	22.19
Cash Pooled Fund	10.57	10.45
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	9.46	14.06
Private Equity Pooled Fund 2001	42.67	43.58
Private Equity Pooled Fund 2004	53.93	50.22
Private Equity Pooled Fund 2005	59.52	62.48
Private Equity Pooled Fund 2007	63.68	70.95
Private Equity Pooled Fund 2009	58.92	71.42
Private Equity Pooled Fund 2011	63.70	70.11
Private Equity Pooled Fund 2013	61.71	51.67

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

	2022 £/unit	2021 £/unit
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	18.89	21.49
DC Global Equity Fund	20.41	24.30
DC Deposit Fund	10.34	10.23
DC Aggregate Bond Fund	13.46	15.43
DC Index Linked and Global Bond Fund	15.07	17.17
DC Corporate Bond Fund	9.65	-
DC UK Government Fixed-Interest Bond Fund	7.08	-
DC UK Government Index-Linked Bond Fund	6.78	-
DC Socially Responsible Equity Fund	9.65	-

1.3 Value of the Pooled Funds

	2022 £m	2021 £m
Growth Pooled Fund	21,555	25,204
Private Equity Pooled Fund*	2,101	2,669
Property Pooled Fund	2,288	2,224
Illiquid Growth Pooled Fund	3,485	2,619
Defined Contribution Pooled Fund*	1,719	2,083
Government Bond Pooled Fund	552	1,525
Long Term Income Pooled Fund	1,354	1,324
Passive Equity Pooled Fund	814	1,074
Short Duration Index Linked Bond Pooled Fund	107	919
Global Equity Pooled Fund	564	700
Non Government Bond Pooled Fund	395	412
Long Duration Index Linked Bond Pooled Fund	1,887	214
Infrastructure Pooled Fund	13	130
Cash Pooled Fund	71	70
Cross holdings		
Property Pooled Fund	(2,288)	(2,224)
Growth Pooled Fund	(946)	(1,237)
Non Government Bond Pooled Fund	(71)	(37)
Long Duration Index Linked Bond Pooled Fund	(16)	(14)
Private Equity Pooled Fund	-	(1)
Net assets attributable to unit holders	**33,584**	**37,654**

* See breakdown into pooled fund segments below.

1.3 Value of the Pooled Funds (continued)

	2022 £m	2021 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	1	2
Private Equity Pooled Fund 2001	7	8
Private Equity Pooled Fund 2004	11	15
Private Equity Pooled Fund 2005	34	44
Private Equity Pooled Fund 2007	606	779
Private Equity Pooled Fund 2009	177	263
Private Equity Pooled Fund 2011	768	1,103
Private Equity Pooled Fund 2013	497	455
	2,101	**2,669**
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	946	1,238
DC Global Equity Fund	191	349
DC Deposit Fund	239	424
DC Aggregate Bond Fund	-	43
DC Index Linked and Global Bond Fund	-	29
DC Corporate Bond Pooled Fund	71	-
DC UK Government Fixed-Interest Bond Fund	254	-
DC UK Government Index-Linked Bond Fund	16	-
DC Socially Responsible Equity Pooled Fund	2	-
	1,719	**2,083**

1.4 Investment income

	2022 £m	2021 £m
Dividends from equities	357	284
Income from fixed interest securities	34	41
Income from index linked securities	153	51
Income from UK property	83	99
Income from pooled investment vehicles	16	20
Interest from cash deposits	31	-
Income from securities lending	5	2
Other income	8	4
	687	**501**
Irrecoverable withholding tax	(24)	(3)
Total income	**663**	**498**
Administration, custody and other expenses	(39)	(41)
Investment administration fees	(1)	-
Investment management fees	(3)	(2)
Railpen fees	(60)	(53)
	(103)	**(96)**
Reinvested net income (accrued in unit prices)	**560**	**402**

1.5 Pooled investment vehicles

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

	2022 £m	2021 £m
Equity	1,713	2,338
Debt	254	21
Private equity	4,240	4,251
Private debt	1,740	2,849
Infrastructure	168	162
Hedge funds	727	25
Property	147	268
Insurance-linked securities	869	703
Healthcare royalties	317	305
Music royalties	5	12
Other	15	-
	10,195	**10,934**

The pooled funds are the sole investor in twenty-six (2021: twenty-seven) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2022 £m	2021 £m
Private markets	1,096	837
Private debt	180	253
Property	(4)	122
Healthcare royalties	317	297
Insurance-linked securities	44	43
Infrastructure	2	1
	1,635	**1,553**

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 2022, the cost estimates amount to £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 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.

1.5 Pooled investment vehicles (continued)

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 to date, no contractual arrangements are in place to recover any monies.

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 the ground rents portfolio. The exercise has resulted in a total reduction of approximately £9.9m in the valuation of related properties, in addition to the amount noted above, which is also reflected in the valuation of the Long Term Income Pooled Fund, as at 31 December 2022.

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	Notional value at year end £m	Asset value at year end £m	Liability value at year end £m
S&P indices	Mar 2023	(384)	-	(13)
MSCI EM index	Mar 2023	(179)	-	(4)
Japanese topix index	Mar 2023	(108)	-	(3)
Euro Stoxx index	Mar 2023	(55)	-	-
US 10 Year Note	Mar 2023	(4,258)	-	(22)
		(4,984)	**-**	**(42)**

Included within cash balances is £171m (2021: £117m) in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end.

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

Type of contract	Settlement Date	Currency bought £m	Currency sold £m	Value at year end £m
Assets				
US dollar/Sterling	Jan – Mar 2023	(2,985)	3,171	186
Sterling/US dollar	Jan 2023	(4)	4	-
				186

1.6 Derivative contracts (continued)

Type of contract	Settlement Date	Currency bought £m	Currency sold £m	Value at year end £m
Liabilities				
US Dollar/Sterling	Jan 2023	(1,973)	1,946	(27)
Euro/Sterling	Jan –Apr 2023	(1,098)	1,074	(24)
				(51)

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 £160m (2021: £5m) 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

	2022 £m	2021 £m
Asset in respect of investment settlements	-	4
Investment income accrued	44	25
Recoverable tax	46	38
Rent receivable	23	50
	113	**117**

1.8 Current assets

	2022 £m	2021 £m
Asset in respect of unit trades	-	1
Trade debtors	68	18
Other debtors	21	14
	89	**33**

1.9 Cash deposits and cash instruments

	2022 £m	2021 £m
Cash held in liquidity funds	1,806	4,180
Cash held at brokers in respect of futures margin	171	117
Cash at bank	134	120
	2,111	**4,417**

1.10 Other investment liabilities

	2022 £m	2021 £m
Tax payable	(3)	-
	(3)	**-**

1.11 Current liabilities

	2022 £m	2021 £m
Accrued management fees and expenses	(52)	(24)
Property income received in advance	(14)	(16)
Trade creditors	(50)	(12)
Liability in respect of unit trades	(2)	(1)
Tax	(3)	(12)
Other creditors	(8)	-
	(129)	**(65)**

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 Railway Pension Scheme are not included in the lending programme.

Further details on the securities lending policy can be found on page 22.

At 31 December 2022, the market valuation of securities that had been lent in the market was £1,196m (2021: £2,325m).

Collateral held in respect of the securities on loan at 31 December 2022 had a total value of £2,059m (2021: £2,446m).

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2022
	£m	£m	£m	£m	£m
Directly held assets					
Equities	16,746	6,644	(5,714)	(2,021)	15,655
Fixed interest securities	2,086	467	(1,229)	(226)	1,098
Index linked securities	1,132	1,910	(887)	(171)	1,984
UK property	2,215	475	(47)	(265)	2,378
Pooled investment vehicles	10,934	2,525	(3,265)	1	10,195
	33,113	**12,021**	**(11,142)**	**(2,682)**	**31,310**
Derivatives					
Futures	16	(484)	751	(325)	(42)
FX contracts	23	74,192	(73,056)	(1,024)	135
	39	**73,708**	**(72,305)**	**(1,349)**	**93**
Cross holdings	3,513	359	(227)	(324)	3,321
Other					
Cash and current assets	4,502			63	2,181
	41,167			**(4,292)**	**36,905**
Cross holdings	(3,513)				(3,321)
Net Assets	**37,654**				**33,584**

1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £29m (2021: £9m) 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 £1m (2021: £1m) relating to legal and due diligence fees.

Together these costs are attributable to the key asset classes as follows:

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**

Year to 31 December 2021	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	5	4	-	-	9
UK property	-	-	-	1	1
	5	**4**	**-**	**1**	**10**

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 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £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
UK property	-	-	2,378	2,378
Pooled investment vehicles	2	2,524	7,669	10,195
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**

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	16,248	47	451	16,746
Fixed interest securities	1,646	440	-	2,086
Index linked securities	1,132	-	-	1,132
UK property	-	-	2,215	2,215
Pooled investment vehicles	-	3,553	7,381	10,934
Derivatives				
Futures	16	-	-	16
FX contracts	-	23	-	23
Other				
Cash and current assets	4,502	-	-	4,502
	23,544	**4,063**	**10,047**	**37,654**

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.

- **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.

1.16 Investment risks (continued)

Market risk (continued)

- **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.

A summary of risk exposure for the pooled funds by asset class is provided below:

Strategic asset class groupings	**2022**	**2021**	**Credit risk**	**Market risk**		
	£m	**£m**		**Interest rate risk**	**Currency risk**	**Other price risk**
Equities	15,655	16,746	○	○	●	●
Fixed interest securities	1,098	2,086	◖	●	◖	◖
Index linked securities	1,984	1,132	◖	●	○	○
UK Property	2,378	2,215	●	◖	○	●
Pooled investment vehicles	10,195	10,934	◖	●	●	●
Futures	(42)	16	●	●	◖	●
FX contracts	135	23	◖	◖	●	○
Cash and other assets	2,181	4,502	◖	◖	◖	○
	33,584	**37,654**	◖	◖	●	●

● Significant exposure	◖ Some exposure	○ No exposure

1.16 Investment risks (continued)

A summary of risk exposure for the pooled funds is provided below:

Strategic asset class groupings	2022 £m	2021 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Growth Pooled Fund	21,555	25,204	◖	◖	●	●
Private Equity Pooled Fund	2,101	2,669	○	◖	●	●
Property Pooled Fund	2,288	2,224	●	◖	○	●
Illiquid Growth Pooled Fund	3,485	2,619	◖	◖	●	●
Defined Contribution Pooled Fund	1,719	2,083	◖	●	●	●
Government Bond Pooled Fund	552	1,525	◖	●	○	◖
Long Term Income Pooled Fund	1,354	1,324	◖	●	○	●
Passive Equity Pooled Fund	814	1,074	○	○	◖	●
Short Duration Index Linked Bond Pooled Fund	107	919	◖	●	○	○
Global Equity Pooled Fund	564	700	○	○	●	●
Non Government Bond Pooled Fund	395	412	●	●	◖	◖
Long Duration Index Linked Bond Pooled Fund	1,887	214	◖	●	○	○
Infrastructure Pooled Fund	13	130	○	○	●	○
Cash Pooled Fund	71	70	◖	○	○	○
Cross holdings*	(3,321)	(3,513)				
	33,584	**37,654**	◖	◖	●	●

● Significant exposure	◖ Some exposure	○ No exposure

*Cross holdings consist of a mixture of the funds included in the table above, see note 1.3 for a breakdown.

1.17 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:

	2022 £m	2021 £m
Railpen*	22,057	27,602
Legal and General Investment Management	1,826	2,306
Nephila Capital Ltd	822	643
Aspect Capital Ltd	701	-
Baillie Gifford	671	-
Horsley Bridge Partners	603	702
Sequoia Capital	439	474
Insight Investment	395	413
Avenue Capital Group	366	291
Columbia Capital	322	219
CRC LLC	320	159
HealthCare Royalty Partners	317	297
Amplo	302	256
Generate Capital	241	143
LocalGlobe	203	176
Riverside	201	205
Motive Partners	194	123
Intermediate Capital Group	184	159
The Cranemere Group	174	104
Macquarie Infrastructure	167	235
OneFamily Lifetime Mortgages Limited	166	232
Varde	154	100
Long Harbour Limited	151	142
Greencoat Capital (From May 2020)	150	95
Presidio Investors	149	81
Soundcore Capital Partners	146	74
Westbridge Capital Partners	139	117
Constellation	133	125
Innisfree Limited	117	117
Orion Energy Partners	103	78
Accel Partners	94	100
Private Advisors	87	83
White Oak	70	68
WP Global Partners	69	51
Morningside Ventures	66	218
Bain Capital	64	69
Highland Capital Partners	63	40
Blossom Capital	60	45
Venor Capital Management	59	69
Carried forward	**32,545**	**36,411**

*Included in this balance is cash invested in Liquidity Funds totalling £1,246m (2021: £4,170m).

1.17 Investment managers during the year (continued)

	2022 £m	2021 £m
Brought forward	**32,545**	**36,411**
Astra Capital	52	43
Index Ventures	50	67
Dalmore Capital Limited	50	47
Broad Sky Partners	49	-
Khosla Ventures	45	75
Credit Suisse ILS Limited	44	43
Great Hill Partners	41	43
Pensions Infrastructure Platform	40	37
Limerston Capital Partners	36	35
KPS Capital Partners	36	21
Thoma Bravo	34	49
Andreessen Horowitz	33	45
Bessemer Venture Partners	30	44
HarbourVest Partners	28	41
Duke Street	28	23
General Atlantic	27	34
Anacap Financial Partners	25	19
Blackstone Alternative Asset Management	24	25
Clearsight Investments	22	23
Palatine	22	18
Apax Partners	18	27
Scale Venture Partners	18	20
Adams Street Partners	17	25
General Catalyst	17	15
ClearVue Partners	16	20
Schroder Adveq	16	18
Cinven	15	25
Standard Life Investments	15	20
Amaranthine Partners LLC	15	17
Charlesbank Capital Partners	15	12
Institutional Venture Partners	14	29
Grosvenor Capital Management	13	10
Balderton Capital	12	39
Innovation Works	12	18
Hony Capital	11	13
Berkshire Partners	11	10
Pantheon Ventures	10	20
Triton Partners	10	9
Peak Rock Capital	9	8
Semble Partners II LLC	9	2
Goldman Sachs Asset Management	8	9
Domain Partners	6	7
Southern Cross Group	6	6
Kobalt Music Group	5	12
Navis Capital Partners	5	9
Oaktree Capital Management	5	4
Ares Management	3	9
Innova	3	8
Archer Capital	3	5
Abry Partners	2	2
Warburg Pincus	2	2
AQR Capital Management	1	1
Headland Capital Partners	1	1
Carried forward	**33,584**	**37,654**

1.17 Investment managers during the year (continued)

	2022 £m	2021 £m
Brought forward	**33,584**	**37,575**
Mount Elbert Capital Partners	-	40
H.I.G. Capital	-	30
Sankaty Advisors	-	5
CI Capital Investors	-	4
	33,584	**37,654**

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.

The performance of the Global Equity Pooled Fund is measured against a composite comparator which at the year end comprised:

	2022 %	2021 %
FTSE North America Index	25	25
FTSE All Share Index	20	20
FTSE Developed Europe (ex UK) Index	20	20
FTSE Developed Asia Pacific Index	20	20
MSCI Emerging Markets Index (50% hedged to GBP)	15	15
	100	**100**

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.

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 +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
Private Equity	MSCI ACWI Index
Property	UK Consumer Prices Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
DC Long Term Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Prices 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 Prices Index +6% from 1 May 2021 (previously UK Retail Prices Index +4%)
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 +1% from 1 May 2021 (previously UK Retail Prices Index)
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilts 1 to 10 Years Index
Infrastructure	UK Retail Prices Index +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)

1.18 Performance (continued)

The return of each pooled fund as measured by Railpen is shown in the table below:

Pooled fund	Actual 2022 (%)	Comparator 2022 (%)	Actual last 5 years (%)	Comparator last 5 years (%)
Growth	(12.0)	14.9	4.6	8.8
Private Equity	(6.3)	(8.1)	20.5	7.7
Property	(6.0)	14.9	4.2	8.8
Illiquid Growth	21.2	17.1	15.8	9.5
Government Bond	(8.6)	(10.2)	(1.3)	(1.6)
Long Term Income	(16.2)	11.6	(5.8)	4.9
Passive Equity	(16.1)	(16.4)	5.8	5.5
Short Duration Index Linked Bond	(3.0)	(4.3)	1.1	1.0
Global Equity	(7.6)	(8.1)	5.0	4.7
Non-Government Bond	(14.7)	(15.3)	(0.4)	(0.6)
Long Duration Index Linked Bond	(45.4)	(46.7)	(7.0)	(7.4)
Infrastructure	21.8	18.0	8.9	9.5
Cash	1.1	1.4	0.5	0.6
DC Long Term Growth	(12.0)	14.9	4.4	8.8
DC Global Equity	(16.1)	(16.4)	5.7	5.5
DC Deposit	1.0	1.4	0.4	0.6
DC Corporate Bond[1]	(4.5)	(3.9)	(4.5)	(3.9)
DC UK Government Fixed Interest Bond[1]	(27.6)	(27.5)	(27.6)	(27.5)
DC UK Government Index-Linked Bond[1]	(34.9)	(36.4)	(34.9)	(36.4)
DC Socially Responsible Equity[1]	2.6	0.6	2.6	0.6

[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.