RAILWAYS PENSION SCHEME

2022 Annual Report

and Audited Financial Statements

Principal Advisers to the Trustee

Professional service	Adviser
Scheme and Investment Administrator	Railpen Limited ('Railpen')
Investment Manager and Manager of Investment Managers	Railway Pension Investments Limited ('RPIL')
Actuaries	James Mason, WTW Martin Clarke, the Government Actuary (joint actuary for the 1994 Pensioners Section and BR Section)
External Auditor	KPMG LLP
Legal Advisors	Linklaters Sackers Slaughter and May
Custodian	BNY Mellon
Clearing Bankers	National Westminster Bank
Tax Advisors	PwC EY

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: www.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:

Money and Pensions Service
120 Holborn
London
EC1N 2TD

T: 0800 011 3797

Online enquiry:

www.moneyhelper.org.uk/en/contact-us/pensions-guidance/pensions-guidance-enquiry-form
W: www.moneyhelper.org.uk

Pensions Ombudsman

If MoneyHelper 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 0707
E: customersupport@tpr.gov.uk
W: www.thepensionsregulator.gov.uk

Pension Tracing Service

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

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

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

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

Railways Pension Scheme ('RPS')
Registration Number: 10203279

Summary of the Core Provisions of the Scheme

The Railways Pension Scheme ('RPS') is a registered scheme under the Finance Act 2004. All railway employees are eligible to join the Scheme if allowed by their contract of employment, or if they have a right under paragraph 8 of Schedule 11 to the Railways Act.

Members of each of the sections of the Shared Cost and the Defined Contribution ('DC') Arrangements of the RPS were contracted-out of the Additional State Pension arrangements ('S2P') until the option to contract-out was abolished, which was from 6 April 2012 for DC schemes, and from 6 April 2016 for defined benefit schemes. The IWDC Section has never been contracted-out of S2P.

Rules specific to sections

A broad outline of the main provisions of sections that have adopted the Shared Cost Arrangement is given below. However, some employers have introduced rules specific to their section only, which override the summary given. Each section's rules, and each section's Member Guide which summarises the rules, are available in the members' area of the Scheme's website, or upon request.

The outline of the main provisions of sections covers the standard situation whereby a section remains ongoing with a solvent employer backing the section. In the event of the employers in a section suffering a qualifying insolvency event, the benefits available from that section will depend on the assets in the section. If there are insufficient assets available to secure a minimum level of benefits, the Pension Protection Fund (PPF) will pay compensation to members. In these situations, the PPF will take over the pension scheme's assets and provide the compensation to the scheme's members. The compensation provided by the PPF would in many cases be lower than the pensions that members could have received from the scheme that has entered the PPF.

Industry Wide Defined Contribution ('IWDC') Section

IWDC Section participating employers can choose their contribution rates, normal retirement date and amount of lump sum on death in service. Contributions range from upwards of 6% of pensionable pay, and normal retirement ages range from 60 to 65; however, members have up to age 75 before they are required to start taking their benefits. Lump sums are typically either one times pensionable pay, or four times pensionable pay on death in service. At retirement, members have options to use their accumulated funds to provide an annuity purchased from an insurance company under an open market option, or they can transfer their funds to a specialist drawdown provider. They can also take tax-free cash up to the HMRC limit, or take 100% of their funds as a partially-taxed lump sum direct from the Scheme.

Pension increases

Pensions in the Defined Benefit Sections increased by 3.1% with effect from 11 April 2022. Pensions in payment and deferment in the Scheme 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.

Active members

Contributions

Contributions are based on section pay which is generally pensionable pay, plus any PRPs less 1½ times the basic State Pension for a single person. Pensionable pay is basic pay plus, where appropriate, pensionable allowances, excluding PRPs.

Pensionable Restructuring Premiums (‘PRPs’) are earnings which, as part of an agreement with the employer to restructure pay, become pensionable for future service only from the date that pay was restructured. Pensionable pay and PRPs are re-assessed on the first Monday in July each year, based on the member’s section pay on the previous 1 April. Contribution rates are subject to review at each actuarial valuation.

Additional Voluntary Contributions

Current members can pay extra contributions through BRASS and AVC Extra to secure additional benefits.

BRASS is the main AVC arrangement for the Shared Cost sections.

There are limits to the maximum amount that can be paid into BRASS. If members want to pay more than the maximum BRASS limit they can do so by paying the excess into AVC Extra. AVC Extra contributions are invested in the same way as contributions to the IWDC Section.

Death in service

Nominated dependants or personal representatives will receive:

A lump-sum death benefit of four times final average pensionable pay plus any PRPs.

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 up to two children may also be payable.

Full details of the provisions of the Scheme can be found in the Pension Trust and Rules.

Leaving the Scheme

When a member retires at or after age 60 (or later if Pension Age is later than 60)

He/She will receive

A pension of 1/60th of final average pensionable pay less 1/40th of the basic State Pension for a single person for each year of pensionable service.

Plus, for members with PRPs, a pension of 1/60th of the PRP, for each year since the PRP was introduced.

Plus a 5% bonus pension on membership before 7 April 1991.

Plus

A tax-free lump sum of 1/40th of final average pay for each year of pensionable service.

For members with PRPs, a lump sum of 1/40th of the PRP for each year since the PRP was introduced.

A 25% bonus lump sum on membership before 7 April 1991.

And on death

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

When a member retires between age 55 (or earlier if a Protected Pension Age applies) and age 60 (or later if Pension Age is later than 60)

He/She will receive

A pension and lump sum calculated as for retirement but reduced for early payment.

And on death

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

When a member retires because of incapacity

He/She will receive

A pension and lump sum calculated as for retirement at pension age with no reduction for early payment. The length of service used to calculate the pension may also be enhanced by up to ten years.

And on death

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

When an immediate pension is not payable

He/She will receive

A preserved pension and lump sum payable from age 60 (or later if pension age is later than 60) calculated as for retirement from pension age. In some sections, leavers with short service may receive a refund of their contributions.

Or

A transfer value payment payable to another registered pension arrangement.

All transfer values out of the Scheme 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.

Summary of the Core Provisions of the IWDC Section

Active members

Contributions

Contribution rates are determined by the employer and range from upwards of 6% of pensionable pay. Pensionable pay is as defined by the employer in its deed of participation.

At retirement, members have options to use their accumulated funds to provide an annuity purchased from an insurance company under an open market option, or they can transfer their funds to a specialist drawdown provider. They can also take tax-free cash up to the HMRC limit, or take 100% of their funds as a partially-taxed lump sum direct from the Scheme.

Additional Voluntary Contributions

Members may be able to 'top-up' their benefits by paying Additional Voluntary Contributions ('AVCs') to help increase the value of their Personal Retirement Account.

Death in service

Nominated dependants or personal representatives will typically receive:

A lump-sum death benefit, which is typically between one and four times final average pensionable pay, depending on what the employer has set within its deed of participation.

Plus

The value of the member's Personal Retirement Account.

Full details of the provisions of the Scheme can be found in the Pension Trust and Rules.

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 Railways Pension Scheme ('RPS' or 'the Scheme') 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 Scheme assets returned -8.5% in 2022 net of all fees, over the past 10 years the return has been 8.1% per annum. Scheme assets have increased from £16.7 billion to £30.3 billion over the past 10 years, and benefit payments have exceeded contributions by approximately £5.0 billion. This means that investment returns have delivered £18.6 billion, an increase of 111%, demonstrating the key role of investment returns to the Scheme, 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 Scheme's Defined Benefit Sections did not hold LDI assets. Overall, 2022 resulted in a notable improvement in funding positions across all of the Scheme'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 Scheme itself has continued to evolve, requiring us to carry out robust and controlled changes to systems and calculations and to implement special projects to support employer-driven initiatives.

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 Scheme, 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 Scheme 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 Scheme – 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. The turbulence of the last 12 months has made planning for the next actuarial valuation at 31 December 2022 especially difficult, but I am confident that the Scheme is on a strong footing to complete this important triennial milestone and agree on stable, long-term funding plans with our sponsoring employers.

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

The Railways Pension Scheme Background

The RPS was created in 1994, after the privatisation of the railway industry and reorganisation of the British Rail Pension Scheme.

It is the largest of the 4 pension schemes managed by the Trustee and one of the largest schemes in the UK. It provides pensions for 153 companies (2021: 146) operating within the privatised railway industry.

The RPS comprises 6 parts: the 1994 Pensioners Section, the Shared Cost Arrangement, the Defined Contribution Arrangement, the Defined Benefit Arrangement, the Omnibus Section and the IWDC Section. Employers may participate in more than one arrangement and in more than one section of the Shared Cost Arrangement. There are 107 sections (2021: 106 sections) across the 6 parts of the RPS as illustrated to the right:

Railways Pension Scheme

	1994 Pensioners Section	Shared Cost Arrangement	Defined Contribution Arrangement	Defined Benefit Arrangement	Omnibus Section	IWDC Section
sections	1	104	0	0	1	1
employers	1	104			42	37
members	83,122	256,032			773	14,137

Advantages of an industry-wide scheme

The industry-wide structure allows the assets to be combined into ‘pooled funds’. These investment funds are significantly larger than would be possible if the sections invested their assets separately, resulting in several advantages for the schemes and sections.

For example, the asset allocation needs of sections can be considered separately from the appointment and monitoring of individual investment managers. The size of the pooled funds also allows all sections to benefit from economies of scale in investment management costs and access to a wide range of investments. Sections wishing to invest in pooled funds in the first instance, where possible, buy pooled fund units from sections wishing to sell, thus avoiding some of the external investment transaction costs.

The industry-wide nature of the RPS can simplify the movement of employees between railway companies, allowing them to change employers while remaining in the same pension scheme.

The Trustee provides high-quality pensions services through its experienced administration, investment, secretariat, pensions policy, communications and finance teams, benchmarked in terms of quality standards against other providers.

A summary of the core provisions of the Scheme is shown on page 5.

The 1994 Pensioners Section

Pensioners and preserved pensioners in the BR Pension Scheme, on 30 September 1994, were transferred into a separate Section of the RPS – the 1994 Pensioners Section. On 30 December 2000, pensioners and preserved pensioners of the BR Section were also transferred to the 1994 Pensioners Section. The assets and liabilities of another 6 closed railway pension schemes were also transferred to the 1994 Pensioners Section in 2007, after agreement between the Trustee and the Department for Transport ('DfT').

The Secretary of State guarantees all past service liabilities and pensions in payment of the 1994 Pensioners Section at 1 August 2007, plus any future annual pension increases awarded to the 1994 Pensioners Section members.

The Shared Cost Arrangement

All active members of the BR Pension Scheme were transferred into the Shared Cost Arrangement on 1 October 1994. Transferred members with protected rights under the Railways Act 1993 have a statutory right to remain in the RPS while they continue to be employed in the railway industry.

A separate section within the Shared Cost Arrangement may be created for each designated employer. Originally, as each BR business was franchised or sold, a proportionate share of RPS assets was transferred to a new section of the Scheme. Subsequent sales and transfers of parts of businesses can now result in the creation or mergers of sections.

As at 31 December 2022, 90 of the 104 Shared Cost sections had active members and 44 of these Shared Cost sections remain open to new members. For open sections, employees of the participating employer who are employed in the railway industry may join the Scheme. New members are not protected under the Railways Act 1993 however, so their pension rights may differ from those who have protected rights. A full list of sections and participating employers is given in Note 12 to the Financial Statements

The Omnibus Section

Employers with fewer than 50 members are eligible to combine in a multi-employer Omnibus Section. Employers may remain in the arrangement if their membership increases above 50. At the end of 2022, 33 employers with active members (2021: 33 employers) were part of the Omnibus Section. A full list of participating employers is given in Note 12 to the Financial Statements.

Defined Contribution Sections, other Defined Benefit Arrangements and IWDC Section

As with the Shared Cost Arrangement, the Defined Contribution Arrangement and Defined Benefit Arrangements are part of the framework of the RPS and exist as possible alternatives to a section on the Shared Cost Arrangement basis. A handful of Defined Contribution sections were set up by employers, but these moved into the IWDC Section when it was created. No employers have set up sections adopting the provisions of the Defined Benefit Arrangement.

The IWDC Section of the RPS exists for rail employers who want to provide benefits on a DC basis.

The IWDC Arrangement was established on 1 November 2001. The IWDC Arrangement aims to provide employers with a flexible defined contribution scheme. At the end of 2022, 37 employers were part of this Arrangement (2021: 32 employers).

At 31 December 2022, there were no members in the Defined Contribution Arrangement as all members in the Defined Contribution Arrangement transferred to the IWDC Section on 14 February 2019. The Trustee may decide to wind up the Defined Contribution Arrangement in the future, as there are not expected to be any further members within it.

Reporting

There are separate records for each section and each section receives quarterly reports including accounts, investment and administration performance information. Each section is independently valued by the Scheme Actuary.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

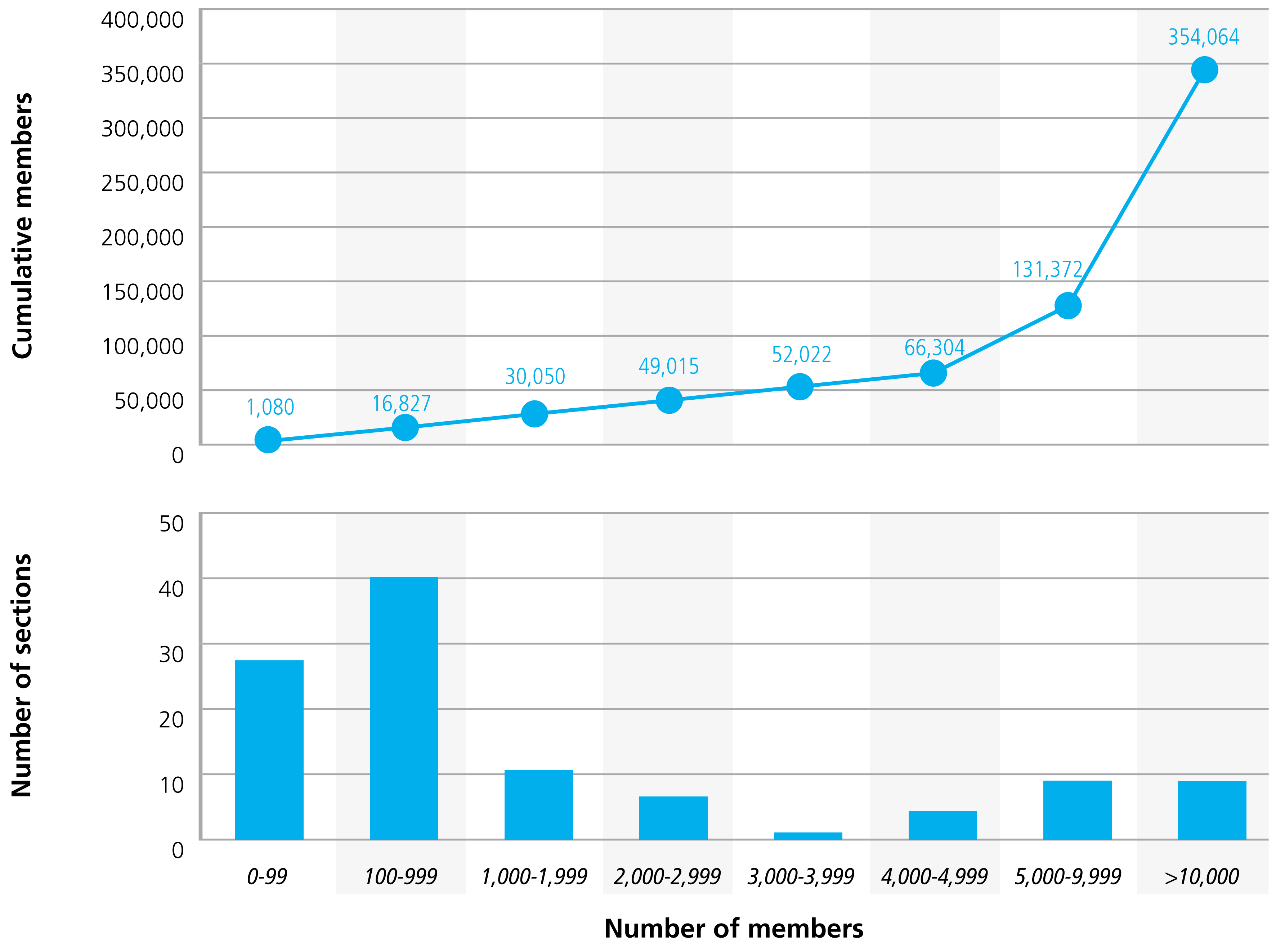
Pensions Committees

The designated employer of each Shared Cost Section may establish a pensions committee to which the Trustee will delegate certain powers and duties under Appendix 5 of the Pension Trust. This includes responsibilities such as the determination of incapacity and discretionary benefits. Setting investment strategy can also be vested in the committees under Clause 5G of the Pension Trust, subject to the Trustee's approval. All pensions committees have an equal number of employer and member nominees. The Chair of the committee alternates annually between the employer and member nominees. The Trustee, however, retains responsibility for supervising how the committees exercise their powers and monitors necessary training undertaken by committee members. There are currently 25 sections where the designated employer has established a Pensions Committee. Where a Pensions Committee has not been established, the Trustee itself shall exercise all powers, duties and discretions in respect of that section.

Five-year summary of RPS participation

At 31 December	2022	2021	2020	2019	2018
Sections	**107**	106	108	107	112
Employers	**184**	176	175	178	169
Active membership	**99,496**	99,904	99,751	98,724	95,963
Preserved membership	**112,050**	109,680	109,055	104,457	107,489
Pensioners	**142,518**	140,331	138,579	138,447	140,643
Total membership	**354,064**	**349,915**	**347,385**	**341,628**	**344,095**

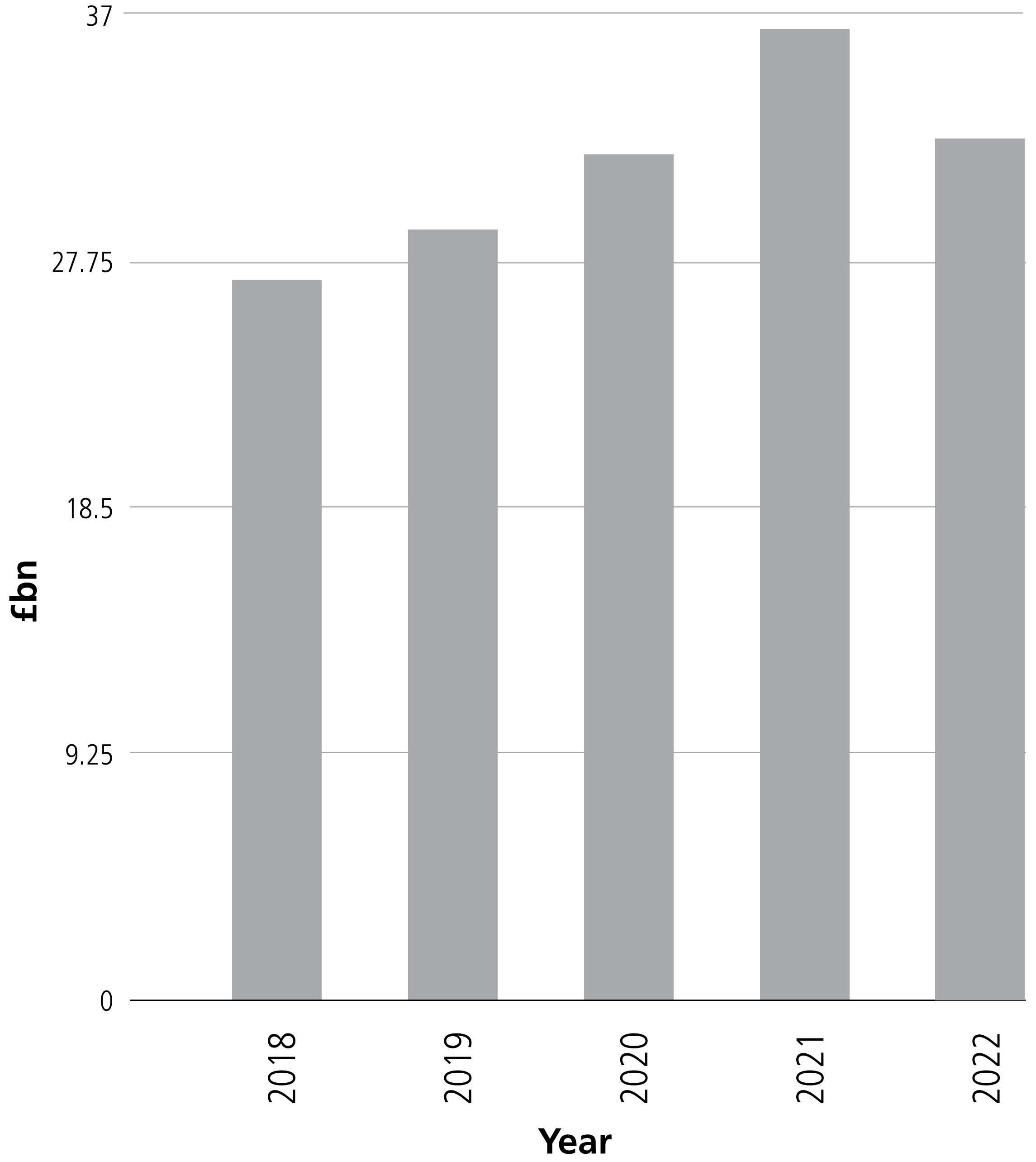
Comparison of membership of sections



Five-year summary of financial statements of the RPS

At 31 December	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Scheme benefits					
Pensions	**942**	900	889	861	827
Lump sums	**333**	262	216	232	225
Death benefits	**36**	36	41	29	24
Total benefits	**1,311**	**1,198**	**1,146**	**1,122**	**1,076**
Scheme income					
Member's contributions	**372**	362	346	312	296
Employer's contributions	**423**	419	407	412	371
Government support	**8**	8	13	14	15
Total contributions	**803**	**789**	**766**	**738**	**682**
Net transfer values	**(20)**	(29)	(27)	(322)	(44)
Admin expenses	**(26)**	(24)	(26)	(15)	(19)
PPF levies	**(52)**	(55)	(65)	(50)	(48)
Purchase of annuities	**(1)**	(2)	-	-	-
Taxation where lifetime allowance exceeded	**-**	(1)	(1)	(1)	(1)
Net investment income	**521**	380	303	400	386
Interest on cash deposits	**2**	-	-	-	-
Change in market value	**(3,790)**	4,748	2,385	3,530	(631)
Net (decrease)/increase in the Scheme	**(3,874)**	**4,608**	**2,189**	**3,158**	**(751)**
Net assets of the Scheme	**32,833**	**36,707**	**32,099**	**29,910**	**26,752**

Five year summary of net assets of RPS



Asset values should be viewed in the context of scheme liabilities. Even though asset values have fallen over the year, it is expected that liabilities will have fallen further than assets for many Sections, and therefore funding positions will have improved in general. Further information can be found in the Report on Actuarial Liabilities on pages 54-56.

Total membership	Net (decrease)/increase in the Scheme	Net assets of the Scheme
354,064	**(£3,874m)**	**£32,833m**

The Trustee Company Annual Report

Railways Pension Trustee Company Limited (‘the Trustee’)

The Trustee is the trustee of 4 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’)

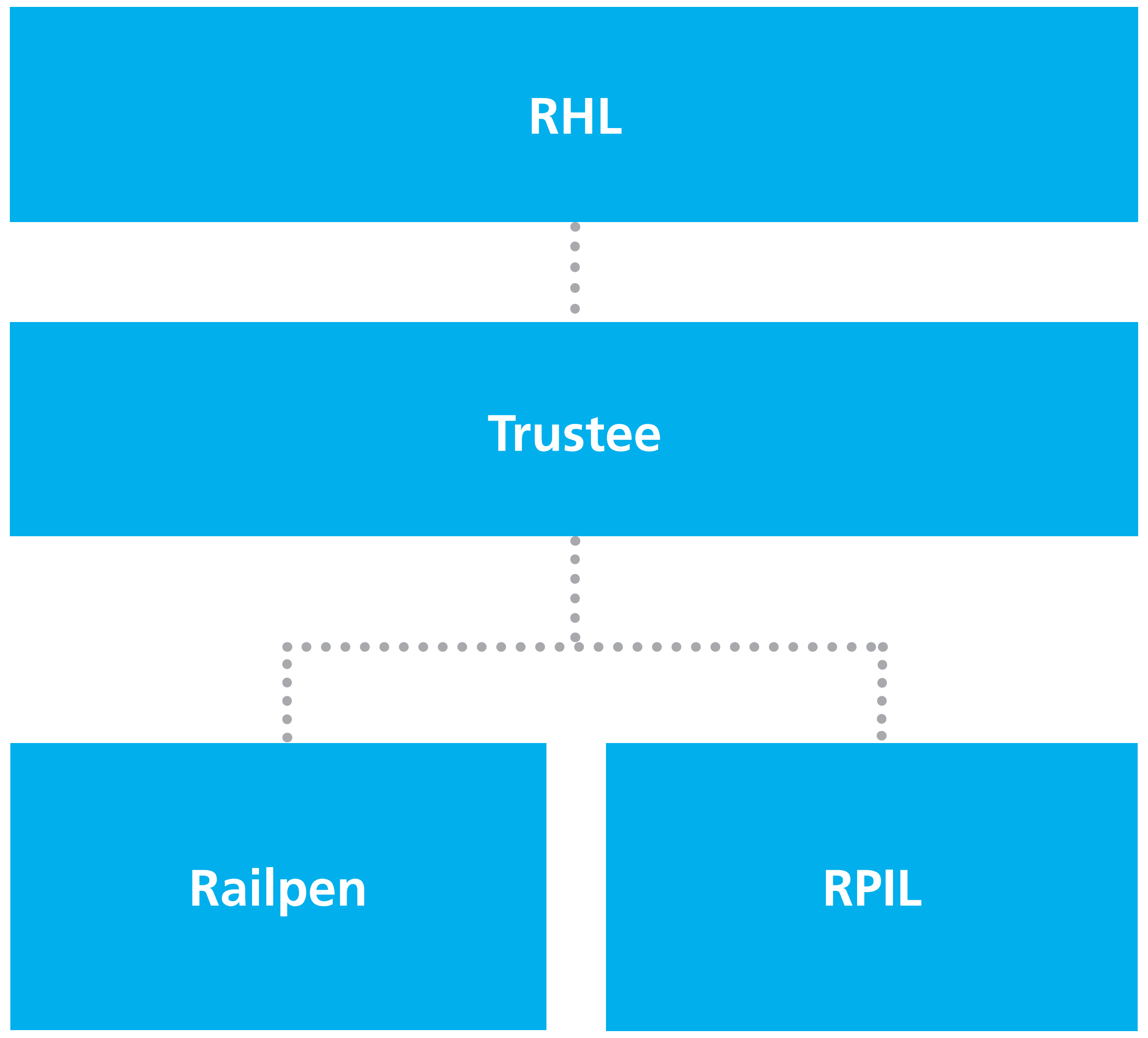
The Trustee is owned by RHL, a company limited by guarantee. Designated employers of sections in the RPS, Omnibus employers in the RPS, IWDC employers in the RPS and the principal employers of the other schemes, of which the Trustee is a trustee, are all encouraged to become a member of RHL. The company 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 16 directors in total, 8 elected by the members of RHL (‘employer directors’) and 8 on behalf of the members of the railway pension schemes (‘employee directors’). 6 of the employee directors are nominated on behalf of the employee members and 2 on behalf of the pensioner members (including preserved members). Approximately, one third of the directors retire by rotation every 2 years. The term of office is 6 years.

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

The structure of the RHL 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 railway pension schemes. Investment management of scheme assets is carried out by RPIL, which is regulated by the Financial Conduct Authority (‘FCA’). All other activities are carried out by Railpen.

A brief description of the governance arrangements for each of the two operating subsidiaries and their activities during 2022 are set out below:

Railpen

Railpen employs around 615 staff across 3 offices in Coventry, Darlington and London.

Railpen carries out activities on behalf of the Trustee including:

- administration and payment of pensions
- advisory and support services for the Trustee Board, its Committees and Pensions and Management Committees
- commission and oversight of the work of external advisors such as actuaries and lawyers
- preparation of and maintenance of accounts for schemes, pooled funds and sections

Railpen also supplies personnel and infrastructure to RPIL to enable it to manage the Schemes’ assets.

Railpen Board

Railpen's activities are overseen by the Railpen Board, whose membership during 2022 and up to the date of signing of the financial statements was as follows:

Name	Position
Michael Craston (Chair)	Independent Director
Stuart Blackett	Chief Financial Officer
Alison Burns	Independent Director
John Chilman	Chief Executive
Gerry Doherty	Trustee Director
Richard Jones	Trustee Director
Christine Kernoghan[1]	Trustee Director
Richard Murray[2]	Trustee Director
Maura Sullivan[3]	Independent Director
Gary Towse	Trustee Director

1. Christine Kernoghan resigned from the Board on 6 July 2022.
2. Richard Murray was appointed to the Board on 15 September 2022.
3. Maura Sullivan was appointed to the Board on 1 April 2022.

The Railpen Board has 2 committees that report solely to the Railpen Board: the Benefits Advisory Committee, which is to provide advice on the strategic initiatives of the Benefits business to the Railpen Limited Board; and the Mutual Committee, which oversees the correct allocation of costs, revenues and distributions between Trustee business and non-Trustee business.

The Railpen and RPIL Boards have committees that report into both Boards: the Remuneration and Nomination Committee, which oversees pay and reward issues in Railpen, and sets pay for Executive Directors and senior officers; the Railpen Enterprise Risk Committee is to oversee and monitor all enterprise and operational risk for the business on behalf of the RPIL and Railpen Boards, and review the adequacy and application of risk within each entity; and the Audit and Governance Committee is to provide the RPIL and Railpen Boards with assurance on the effectiveness of internal controls and the governance framework.

Railpen activities

2022 was a year of continued change as the business worked with a new hybrid working approach. We have embraced the positives from the impact of the COVID-19 pandemic, one of which has been the ability of our colleagues to deliver their objectives from multiple locations across the country and beyond. This new way of working has had its challenges, but it has also allowed us to deliver more. It has enabled better flexibility between work and home life for our employees and it has also helped to attract talent from outside our offices' geographical locations.

Our 2022 performance levels remained high and were achieved with service standards maintained and financial performance ahead of target. With relation to charges, these were reviewed in 2022 and a new rate card was introduced for the next 3 years from 1 January 2023.

Railpen, as a mutual, must cover the costs it incurs to support our Rail clients and the Trustee. This has been an extremely challenging year financially for many of our members and the employers we serve. We remain committed to delivering the best value service to our customers, cognisant of the challenges they are facing in these unusual economic times, not seen by many since the 1970s.

We continue to invest in our Investment Management Business unit, and the functions that support that, and, as a long-term investor, look to make decisions to meet members' needs across all their time horizons, not just in the short-term. However, with the unprecedented shift in bond yields during the Autumn of 2022, this has given us scope to potentially look to de-risk some of the pension liabilities for our more mature sections, something we are actively working on. The enhanced capability of our Fiduciary Business unit that we started in 2021, in preparation for the 2022 Actuarial Valuations, has been extremely beneficial in this regard.

We remain at the forefront of activity in the sustainable ownership area, and have received a number of industry awards during 2022 for our work in this area. Our Benefits Business unit was able to operate for the full year on its new BaNCS platform, and we started to leverage off the member portals and new flexibilities available to those retiring to enhance engagement.

We have continued to invest in our core IT infrastructure and this has boosted our overall resilience and our security systems architecture, which now ranks very highly. During the year, we successfully tested a complete failover of our IT systems to our backup provision. This gives the organisation further resilience. Our HR elements of the Workday project were delivered in January 2022, and have been in operation throughout the year. A continued investment is being made in ensuring the core platforms that support our Investment, Scheme and Corporate Accounting are fit for purpose. We successfully completed the first tranche to outsource our Investment Accounting systems to Bank of New York Mellon in November of this year. This programme of work will complete in 2023 and give us a more industry standard approach.

2022 saw the first full year of operation of our new governance framework. The governance changes were to ensure a clear understanding of accountability amongst the various boards and committees that exist to run the railways pension schemes and Railpen. Railpen and RPIL now operate concurrent Boards, with the same members. This ensures that joined up thinking between our corporate entities and the Trustee is maintained and we have already seen benefits from this in the year. Our rebranding in 2021 was part of delivering a unified company to support our single purpose, to secure our members' futures. This is now ensuring better alignment across our operations, whilst recognising the independence and perhaps differing cultures between sites and teams. We have built on this during the year with the first ever Railpen Leadership Programme and have introduced a number of new initiatives such as 'Managing the Railpen Way' and 'Belonging at Railpen'. These are as important to our future success as the investment in our underlying systems and processes and we will continue to invest in our people in the coming year.

Remuneration Policy and Railpen employee disclosures

Delivering value for members and employers

Our mission is to pay members' pensions securely, affordably and sustainably and we therefore have a responsibility to ensure that money and resources used in running the Scheme are done so in an efficient manner.

As set out on page 15, Railpen carries out activities on behalf of the Trustee and supplies personnel and infrastructure to RPIL to enable it to manage the Scheme's assets. The costs of Railpen employees working on administration activities are charged to the Scheme through a per capita charge and are therefore included within note 6 of the financial statements.

Costs associated with employees engaged in investment activities are charged to the pooled funds and are shown within note 1.4 of Appendix C. The total cost associated with employees provided by Railpen during the year ended 31 December 2022, was £60.0m (2021: £48.8m), an increase of 23.0%.

Reward Principles

The principles of the Railpen Reward Policy are to:

- attract and retain upper quartile performers through paying up to market median, compared to the appropriate market comparator group, whilst leveraging the advantages of Railpen's Employee Value Proposition and Defined Benefit pension scheme
- inspire trust through a transparent and open approach to reward, giving our governance structure the confidence to make the right decisions, whilst ensuring our managers understand, and own, the reward process, which our employees believe is fair
- ensure career and pay progression is focused on our superior performers and emerging talent
- ensure robust control and governance delivers value for money and mitigates the risk of attrition of critical skills and knowledge
- drive superior performance by aligning corporate, team and individual priorities, energy and focus and delivering the right balance between long-term/strategic and short-term objectives
- reward the right behaviours to help shape and maintain our cultural aspirations
- keep in step with compliance principles and detailed regulatory requirements (e.g. SMCR) for the various parts of our business

Our Reward Policy includes the following key elements:

- base salary, which is benchmarked annually
- annual bonus plan, aimed at motivating and rewarding top performance
- LTIP arrangement to align the interests of employees who have strategic impact with the long term success of the business. This is achieved by annual awards at the start of the financial year that grow in value in line with the overall Railpen portfolio.
- Trustee Board directors and other non-executives receive only the agreed remuneration for their services

The Remuneration and Nominations Committee are a formal sub-committee of the Railpen Board.

The reward aspect of the Remuneration and Nominations Committee's remit is to:

Establish and approve:

- the overarching remuneration policy for Railpen, ensuring that the remuneration policy and remuneration practices are established, implemented and maintained, in line with the business strategy and risk management strategy, risk profile, objectives, risk management practices, and the long-term interests and performance of Railpen as a whole, and incorporating measures aimed at avoiding conflicts of interest
- the specific remuneration arrangements for:
  - Executive Directors
  - ExCom
  - employees where total on target earnings (base salary plus on target total bonus) equates to £195,000 or above. The value of this threshold will be reviewed annually in May, following the conclusion of the annual salary and bonus review process, (which typically comprises base salary, annual bonus, long-term incentives, benefits, pension arrangements and service contracts) to ensure this is:

  - appropriate in the context of each individual's responsibility and seniority
  - consistent with the overall financial, risk and business position of the Company, and
  - fair in light of each individual's personal performance
- specifically, in respect of individuals identified above:
  - review and approve the remuneration principles, policy and framework that govern their remuneration arrangements
  - review and approve the design of incentive awards, including performance metrics (both corporate and personal) and their calibration, ensuring that they promote sound risk management and alignment with the long-term success of the company
  - review and approve the individual and corporate performance assessments and variable pay outcomes
  - review and approve the eligibility for variable pay awards
  - review and approve any salary adjustments or increases
  - review and approve the policy for, and scope of, pension, and benefit arrangements
  - review and approve any new starter contractual payment terms (e.g. bonus/share buy-outs or guaranteed bonuses)
  - review and approve any exceptional payments (e.g. retention payments)
  - ensure that the contractual terms and any payments made (including upon termination) are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is appropriately recognised in determining payments to be made, and
  - determine the expenses policy applicable for Executive Directors and ExCom
- specifically in relation to the wider workforce:
  - engage with the workforce to explain how executive remuneration aligns with wider company pay policy
  - review workforce remuneration and related policies and the alignment of incentives and rewards with culture, and
  - take workforce remuneration and related policies into account when setting the policy for director remuneration

Total Reward

Purpose of the elements of the Total Reward package:

a. Fixed pay (base and regular allowances)

Base salary (and any regular allowances) is determined by comparing what the job holder is accountable for delivering in Railpen, to what the external market is paying for the same/similar role. We aim to determine salary ranges that enable us to pay within a range informed by the market median for the relevant market (i.e. from where we would recruit the role).

b. Annual bonus or variable pay

Annual bonus or variable pay is used to reinforce the link between performance and reward and to ensure stronger alignment between the job holder and the goals of the business. The scheme is designed to reward the relative delivery of core accountabilities, short-term objectives/priorities (linked to longer term milestones) and required behaviours.

c. Long Term Investment Plan (LTIP)

LTIP is used to align our most senior employees and those with the highest strategic impact, to the long-term financial interests of the RPS. For those who receive LTIP, a proportion of their variable pay percentage (see b. above) will be allocated to LTIP. LTIP is not an additional award on top of the market based target variable pay percentage.

d. Benefits (market competitive and tailored to personal needs)

Benefits are provided to give employees and their families' security, to be market competitive and provide flexibility to meet personal needs, where it is cost-effective. Effective communication of the content and value of benefits is key and is supported by onsite visits from providers and materials on the intranet.

e. DB pension scheme

The Defined Benefit pension scheme is a unique selling point for Railpen that reflects the core purpose of our business and the service we provide to our customer. It is a retention tool and helps our employees understand our business. It is critical that we communicate the value of this part of the package effectively through onsite pension surgeries and Total Reward Statements.

Bonus payments

The Railpen Corporate Bonus Plan is discretionary and has 2 elements:

1. the Annual Bonus Plan for all employees, and
2. for senior employees, with a strategic long-term focus, the Long Term Investment Plan

The target bonus percentage is determined based on external market practice for that generic role. For employees with a target bonus of over 50% of salary, some element of this may be paid through the LTIP. An LTIP award in any given year does not imply a right to awards in following years.

Annual Bonus Plan

- The Annual Bonus Plan is a discretionary bonus scheme based on a performance period of 1 January to 31 December and is paid through the April payroll in the following year.
- Employees need to have joined the company by 30 September, and still be on the payroll at the following April to be eligible for payment for that performance year.
- Individual performance ratings and bonus percentages will be determined by line managers, and will be calibrated by the Executive Committee to ensure the distribution by both department and individual reflects relative performance outcomes, contribution and role modelling of behaviours.

- The individual performance outcomes will be aggregated to determine the size of the bonus pool requested.
- The Remuneration and Nominations Committee will review the size of the bonus pool, and determine whether in aggregate this concurs with its assessment of the overall performance of Railpen over the period. They will have the ability to flex this bonus pool up or down.
- The agreed bonus pool will then be distributed based on relative individual performance ratings.

LTIP arrangement

- Participation for the LTIP arrangement will be for ExCom members and individuals who have current total on-target incentives of 50% of basic salary or above and have on total on-target earnings of £195,000 or above.
- The split between Annual Bonus and LTIP will vary by seniority, with ExCom members and those with a basic salary in excess of £195,000 having 50% of the total incentive in each of Annual Bonus and LTIP. All other participants would have 65% of their total incentive in the Annual Bonus and 35% in the LTIP. Awards are made at the discretion of the Remuneration and Nominations Committee.
- The LTIP is linked to the asset returns for the Total Fund. Performance will be measured as it is currently for all pooled funds, allowing the Trustee to see the ongoing performance, all other things being equal. The LTIP award would vest after four years, subject to such assessment by the Remuneration and Nominations Committee that such vesting would not be "perverse", being inconsistent with the alignment with the Scheme and stakeholders.
- LTIP may be used to facilitate the "buy-out" of bonus left behind at a previous employer for new joiners; and to provide additional reward to top talent/flight risk individuals as agreed in advance with the Remuneration and Nominations Committee.

Remuneration in 2021/22

We remain committed to openly reporting the total remuneration of the Trustee Board directors, key management personnel and highly paid employees (who are typically the investment managers). Our remuneration disclosure goes significantly beyond what legislation requires and reflects our commitment to transparency. The table to the right shows total remuneration (base salary plus bonuses plus pension benefits) of 'high earners' (employees earning more than £150,000 total remuneration), including key management personnel:

Range	2022	2021
	Number	Number
£600,000 - £650,000	1	1
£550,000 - £600,000	2	-
£500,000 - £550,000	-	2
£450,000 - £500,000	1	2
£400,000 - £450,000	2	2
£350,000 - £400,000	6	5
£300,000 - £350,000	5	6
£250,000 - £300,000	13	11
£200,000 - £250,000	14	10
£150,000 - £200,000	32	32
Total	**76**	**71**

The above table includes the remuneration expense charged to the Scheme in respect of base salary, bonuses and pension benefits. This cost includes a significant proportion of LTIP bonuses, which are deferred for up to 4 years. These LTIP bonuses are allocated by individual and revalued annually until paid. Estimates of future investment performance and eligible staff turnover are used in the calculation. The direct costs associated with employing a team of highly skilled investment professionals in a very competitive financial services market are much lower than the embedded fees that would otherwise be charged by external managers.

The table below shows the total combined remuneration of the high earners shown above, and key management personnel. It reconciles amounts earned during the financial year to amounts paid (including taxable benefits received) during the year:

Remuneration for the year ended 31 December 2022	High earners £m	Executive Directors £m	Trustee Directors £m	Total key management personnel £m
Salary and benefits	12.5	0.7	0.4	13.6
Annual bonus	4.4	0.2	-	4.6
LTIP	1.8	0.2	-	2.0
Total compensation earned in 2022	**18.7**	**1.1**	**0.4**	**20.2**
Less:				
LTIP – will be revalued and paid in 2025	(1.8)	(0.2)	-	(2.0)
Add:				
Annual incentives from 2020 paid in the year	1.0	0.1	-	1.1
Total compensation paid in 2022	**17.9**	**1.0**	**0.4**	**19.3**

Long-Term Incentive Plan awards

A notional amount is awarded in respect of LTIP and amounts eventually payable depend on the performance and service conditions explained earlier in this report. 35 LTIP awards were made in the current year with a notional value of £2.0m, of which 2 related to Executive Directors with a notional value of £0.2m.

RPIL

RPIL is authorised by the FCA to carry out investment management and related activities on behalf of its client, the Trustee. An Investment Management Agreement between the Trustee and RPIL sets out the terms of the Trustee's delegation to RPIL.

The RPIL Board has one committee that reports solely to the RPIL Board: the Asset Management Committee, which is to provide advice on the pooled funds, macro-environment, investment plan, and investment risk, to make investment decisions, and to oversee investment and fiduciary activity on behalf of RPIL.

RPIL does not employ its own staff. Rather, staff and other resources are procured from Railpen. RPIL's access to these resources is set out in secondment letters for key individuals and in a service agreement between the two companies.

During 2022, and up to the date of signing of the financial statements, the membership of the RPIL Board was as follows:

Name	Position
Michael Craston (Chair)	Independent Director
Stuart Blackett	Chief Financial Officer
Alison Burns	Independent Director
John Chilman	Chief Executive
Gerry Doherty	Trustee Director
Richard Jones	Trustee Director
Christine Kernoghan[1]	Trustee Director
Richard Murray[2]	Trustee Director
Maura Sullivan[3]	Independent Director
Gary Towse	Trustee Director

1. Christine Kernoghan resigned from the Board on 6 July 2022.
2. Richard Murray was appointed to the Board on 15 September 2022.
3. Maura Sullivan was appointed to the Board on 1 April 2022.

Activity of Railway Pension Investments Limited

RPIL, with the support of its committee, the Asset Management Committee, is responsible for managing the investments of the pooled funds into which Scheme assets are grouped. The Asset Management Committee provides advice on the pooled funds, macro-environment, investment plan, and investment risk; makes investment decisions, and oversees investment and fiduciary activity on behalf of RPIL. The Growth Pooled Fund, which represents approximately two-thirds of Scheme assets, has a long-term investment objective of maximising risk-adjusted returns whilst targeting 75% of the total market risk of public equity. Other pooled funds have investment objectives tailored to their roles in meeting the needs of stakeholders. Further details on the pooled funds can be found in Appendix C.

RPIL delegates the day-to-day management of the pooled funds to the executive team. The Chief Investment Officer is responsible for the investment of all assets in the pooled fund range. The Chief Fiduciary Officer is responsible for recommending the high level investment strategy, needs, and risk appetite of the Scheme.

Trustee Company 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 service	2
All employers	1

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

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

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.

Trustee Company Employee Director appointment procedure

Nominations for each of the 6 Employee Directors to be appointed by the active members are sought from all of the railway trade unions, the British Transport Police Federation, and Pensions and Management Committees. Other organisations the directors consider to be representative of the employees may also be included.

Nominations for each of the 2 Employee Directors to be appointed by the pensioners (including preserved members) are sought from the British Transport Pensioners' Federation, the Retired Railway Officers' Society, the railway trade unions and the British Transport Police Federation. Other organisations the directors consider to be representative of the pensioners may also be included.

In all cases, if there are more nominations than vacancies, a secret ballot is held of all active members or pensioners (including preserved members), as appropriate, in the railway 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. Attendance is reported to the Board and published on page 24.

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

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.

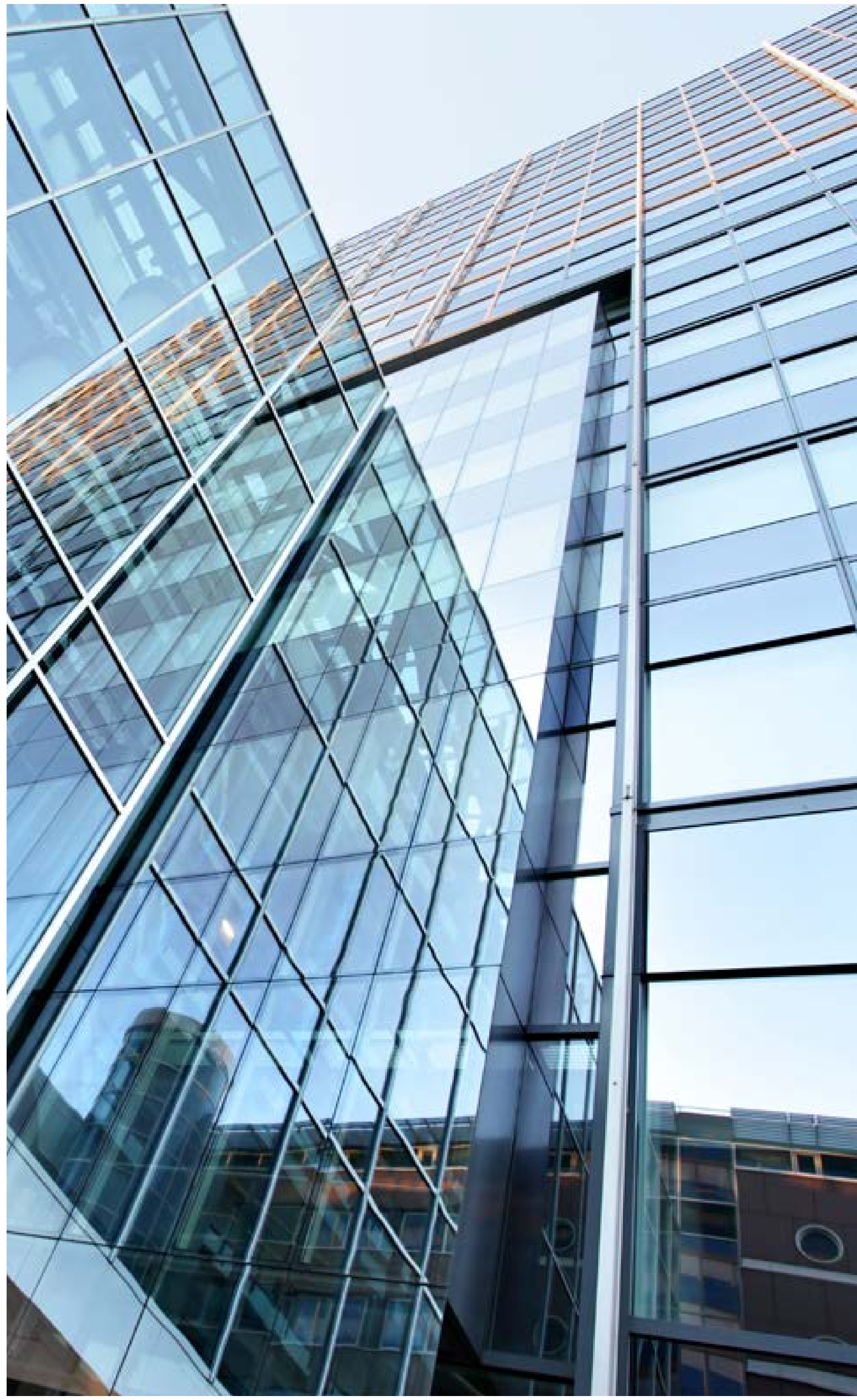
Each of these types of investments has its own risks associated with it, therefore the asset classes that the schemes are invested in are closely monitored to ensure that assets are not exposed to unnecessary risk as a result of investment choices. Further details of pooled fund investment exposures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

Pension Protection Fund ('PPF')

The PPF became operational on 6 April 2005 and impacts upon most defined benefit schemes in the UK which have to pay levies to the PPF. The PPF will pay compensation to members of eligible defined benefit schemes when there is a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. Schemes or sections with a Crown Guarantee are ineligible to join the PPF, and therefore do not pay the PPF levy.

Insolvent employers

There are some participating employers within the RPS that are no longer trading or who are in administration. Further details are given in Note 12 of the Audited Financial Statements.



Membership and activities of Board and principal committees during 2022

Attendance at the Trustee Board is shown in the table below.

The Trustee Board maintains oversight of the RPS and has delegated certain functions to five principal committees.

Name	Number of meetings attended	Number of meetings eligible to attend
Chris Hannon (Chair)[1]	3	3
Christine Kernoghan (Chair)[2]	7	7
Mick Cash	6	7
Gerry Doherty	7	7
Mark Engelbretson	6	7
Richard Goldson	7	7
Adam Golton	7	7
David Gott	6	7
Charles Harding	5	7
Fatima Hassan	7	7
Peter Holden	7	7
Richard Jones	7	7
Howard Kaye	7	7
Anjali Lakhani[3]	2	2
Richard Murray	6	7
Gary Towse	7	7
John Wilson	6	7

1. Chris Hannon retired as Chair of the Board on the 6 July 2022.
2. Christine Kernoghan was appointed Chair of the Board on the 6 July 2022.
3. Anjali Lakhani was appointed as an Employer Director with effect from 10 October 2022.

In addition to the above scheduled Trustee Board meetings, there were also 6 special committee meetings during the year that a number of Trustee Directors were eligible to attend.

A short report has been prepared on each of the Trustee Board's principal committees which provides an overview of the main activities of each committee during the year. The reports also list all meetings which Committee and Board members were eligible to attend. All Trustee Directors may, and some often do, attend meetings of the Trustee Board's Committees in addition to those of which they are formally members.

Trustee fee disclosures

The core fee for a Trustee Director is £15,477. Additional payments are made for extra responsibilities, such as chairing meetings.

The total fees paid in respect of Trustee Directors were as follows:

	2022	2021
Salaries and fees	£422,286	£375,534
Employer NI contributions	£28,744	£28,346
Expenses	£23,824	£6,760
Total	**£474,854**	**£410,640**

The total fees paid during 2022 and 2021 fall within the following bandings:

Range	2022	2021
£70,000 - £80,000	-	2
£50,000 - £60,000	1	-
£40,000 - £50,000	-	2
£30,000 - £40,000	4	2
£20,000 - £30,000	2	5
£0 - £20,000	10	6
Total	**17**	**17**

Audit and Risk Committee ('ARC')

The ARC comprises 6 directors of the Trustee Board, and includes members with appropriate accounting qualifications and experience. External auditors and the Internal Audit team attend meetings at the invitation of the ARC, and relevant directors and officers of Railpen also attend as appropriate.

Membership and attendance during 2022 are shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Goldson (Chair)	4	4
Adam Golton	4	4
Charles Harding	3	4
Fatima Hassan	4	4
Richard Jones[1]	3	3
Anjali Lakhani[2]	1	1
Gary Towse	4	4

1. Richard Jones resigned from the Committee on 15 September 2022.
2. Anjali Lakhani was appointed to the Committee on the 10 October 2022.

The key responsibilities of ARC are outlined in a formal Terms of Reference which is regularly reviewed and updated, and includes:

- recommending the appointment of the external auditor, approving their scope and planned programme of work and reviewing the effectiveness of the external auditor
- reviewing the adoption of accounting principles and policies
- reviewing all aspects of the annual accounts of Railtrust Holdings Limited ('RHL'), the Trustee Company, railways pension schemes, and pooled funds
- consulting with Internal Audit on the scope and planned programme of work of Internal Audit. Receiving periodic reports on the progress against the annual plan and key Internal Audit findings, and
- overseeing the internal control and risk management matters of the Trustee (Trustee and Scheme risks)

ARC is scheduled to meet up no less than 3 times a year to discuss, consider and review the audit work of the external auditors, financial reporting arrangements, the work of the Railpen Internal Audit team and general internal control and risk management issues. The Committee also reviews the Annual Report and Audited Financial Statements prior to Board approval.

During 2022, ARC met on 4 occasions. It considered the Annual Report of Internal Audit covering its internal audit and assurance activities during 2021, received reports on the progress of the 2022 audit plans, and considered and approved the Report of External Auditor.

ARC co-ordinates and monitors the risk management process, ensuring that it is effective in identifying, evaluating and managing the key risks faced by the Trustee. During 2022, ARC received regular reports from the Chief Risk and Compliance Officer ('CRCO') on the status of key risks, approved the proposed risk appetite statements and key risk indicators for recommendation to the Trustee Board, and received a Group Enterprise Risk Update. The CRCO also provided ARC with the Trustee and Scheme Risks Appetite Dashboard, along with the Trustee Executive Risk Committee ('TERC') minutes, the executive-level committee, for review. The TERC originated last year, with responsibility for oversight and challenge of Trustee and Scheme risks.

Financial reporting matters considered by ARC in 2022 included the Annual Report and Financial Statements of RHL and the Trustee, the railways pension schemes and pooled funds and the operating companies. ARC also received and considered the Report by the External Auditor on the 2021 Financial Statements and the External Audit Strategy for 2022.

Other matters considered by ARC were the Internal Control Assurance Report (ISAE 3402 and AAF 01/06) prepared for the pensions administration business of Railpen for the period from 1 January 2021 to 31 December 2021, Trustee Hospitality and Gifts and ARC members' ongoing training and competency.

ARC also receives reports of any significant security incidents or frauds and will consider any governance issues arising from external or internal reports via the Whistleblowing Policy. At each meeting of the Committee, private discussions are held in a closed session with the external auditors, the Chief Risk and Compliance Officer and the Director of Internal Audit.

ARC is satisfied that it has received sufficient, reliable and timely information to satisfy itself that the control and risk management systems are operating effectively.

Integrated Funding Committee ('IFC')

The Committee was established to manage and agree integrated funding plans for the railway pension schemes and their sections, incorporating integrated risk management of employer covenant, investment strategy and funding issues. It determines the allocation of individual schemes' and sections' assets to the Trustee's pooled funds and decides on changes to schemes' and sections' contribution rates and benefit structures. The membership and attendance of the Committee during the year is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Christine Kernoghan (Chair)[1]	4	4
Adam Golton (Chair)[2]	6	7
Mick Cash	4	7
Gerry Doherty	6	7
Mark Engelbretson	4	7
Fatima Hassan[3]	3	3
Peter Holden	7	7
Gary Towse	6	7
John Wilson	7	7

1. Christine Kernoghan resigned as Chair of the Committee on the 6 July 2022.
2. Adam Golton was appointed Chair of the Committee on the 15 September 2022.
3. Fatima Hassan was appointed to the Committee on the 15 September 2022.

Valuation

The Actuarial Valuation of the Railways Pension Scheme as at 31 December 2016 is largely complete for the non-TOC sections; one section remains outstanding. The TOC valuations are considered separately.

A valuation of each section of the RPS was due as at 31 December 2019. Of the 105 sections as at 31 December 2019, 78 were non-TOC sections and each requires a valuation. Each section is treated as a separate entity with its own valuation results. Agreement on the valuation results is needed with each sponsoring employer. In addition, 2 new sections were set up in 2020, and their initial valuations as at 31 December 2020 were completed during 2022.

By the end of 2022, valuations as at 31 December 2019, had been finalised for 76 out of 78 non-TOC sections.

The Trustee's integrated funding approach addresses funding, investment and employer covenant matters together. For sections which are closed to new entrants, the Trustee adopts a term-dependent approach to setting discount rates which reflects the anticipated progression of the investment strategy as sections mature.

A report from the Scheme Actuary is included on pages 54 - 56 which refers to the requirement to produce individual Statements of Funding Principles and Schedules of Contributions for each section. The individual actuarial certificates of the latest completed valuation for each section have not been included in the annual report, but are available on request from Railpen at the address on page 4.

Employer covenant

A key factor when considering each valuation is the strength of the sponsoring statutory employer, and the Committee has the task of assessing this for all the sponsoring employers in the RPS. In undertaking this work, the Committee continues to be advised by Railpen's team of experienced employer covenant professionals, supplemented by external advisors, as appropriate.

The Committee has agreed a range of covenant enhancement proposals with certain employers to improve the employer covenant of the relevant section. These include a range of guarantees, loan subordination agreements, and other security-enhancing arrangements.

As well as assessing employer covenant strength for valuation purposes, the Committee also considers the impact of various corporate transactions and, where appropriate, agrees mitigation or covenant support arrangements with the employers.

Rule changes

During the year, the Committee agreed a range of benefit and contribution changes for individual sections of the RPS. Each proposal from an employer, after review by Pensions Committees, where applicable, is considered in detail and the impact on funding and contributions addressed. Where such proposals are approved, changes are normally reflected in the rules of the section.

Investments

The Committee reviews section-specific investment strategy and allocations to pooled funds. As part of the integrated funding approach, the Committee considers strategy within a framework which allows for individual section characteristics, such as maturity, strength of employer covenant and tolerance for illiquidity, to be taken into account when deciding the appropriate asset allocation. Investment strategies are thus considered as part of overall valuation proposals.

Case Committee ('CC')

The Case Committee meets to consider decisions on case work applications from individual members, of the RPS, including the IWDC Section, where the decision making powers have not been delegated to a Pensions Committee or to Railpen. The membership and attendance of the Committee during the year is shown in the following information:

Name	Number of meetings attended	Number of meetings eligible to attend
David Gott (Chair)	4	5
Mark Engelbretson[1]	4	4
Charles Harding	5	5
Fatima Hassan[2]	4	4
Peter Holden[3]	1	1
Richard Jones[4]	1	2
Howard Kaye[5]	4	4
Anjali Lakhani[6]	1	1
John Wilson	5	5

1. Mark Engelbretson resigned from the Committee on the 15 September 2022.
2. Fatima Hassan resigned from the Committee on the 15 September 2022.
3. Peter Holden resigned from the Committee on the 24 March 2022.
4. Richard Jones was appointed to the Committee on the 15 September 2022.
5. Howard Kaye was appointed to the Committee on the 24 March 2022.
6. Anjali Lakhani was appointed to the Committee on the 10 October 2022.

In addition to the 5 scheduled Case Committee meetings, there was one additional special meeting scheduled during the year.

As at 31 December 2022, the Case Committee had responsibility for 84 sections of the Railways Pension Scheme.

During 2022, the Case Committee considered and made decisions on 62 cases, which can be categorised as follows:

- applications and reviews of incapacity benefits
- applications for payment of lump sum death benefit
- applications for spouse's, children's and dependant's pensions
- appeals under stage 2 of the internal disputes resolution procedure

Defined Contribution Committee ('DCC')

The Defined Contribution Committee ensures appropriate management and governance of the AVC arrangements of the Scheme ('BRASS' and 'AVC Extra') and the IWDC Section of the Railways Pension Scheme (together the 'DC arrangements'), including compliance with the requirements of master trust authorisation for the IWDC Section. It helps to shape and articulate the Trustee's policy on DC matters.

The membership and attendance of the DCC during 2022 is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Jones (Chair)	6	6
Mick Cash	6	6
Mark Engelbretson	5	6
Richard Goldson	6	6
Howard Kaye	6	6
Richard Murray	6	6

There were no changes to the Committee membership in 2022.

The Trustee Board has delegated responsibility to the DCC for ensuring that the DC arrangements can deliver good outcomes for members at retirement, and finding the best ways to support members to achieve their objectives.

The DCC's mission is to provide DC arrangements which are designed for the long term and offer good value for members. This includes default investment strategies which are suitable for the majority of members throughout their Scheme membership, and an appropriate range of fund choices for those who wish to self-select. Members are provided with the right information and support to ensure they retire with the best possible outcome.

As an authorised Master Trust, the Scheme's governance, systems and processes, and the fitness and competence of the Trustee, are supervised by the Pensions Regulator ('TPR'). The DCC has ensured that the master trust accreditation is maintained effectively. Each year an updated Business Plan (with supporting appendices) and Continuity Strategy are approved by the Committee and provided to TPR. The latest versions were approved by the Trustee and submitted in March 2023.

The DCC receives regular reports on the administration of the DC arrangements, reviews Railpen's administration service levels, and monitors the timelines with which employers remit contributions and data. It sets and monitors the implementation of the Communications Strategy for the DC arrangements and approves Railpen's Guide to Services for the IWDC Section.

The DCC is responsible for evaluating the investment performance of the DC arrangements and ensuring that the investment objectives and characteristics of the DC funds are appropriate. To do this, it oversees the investment funds offered to members, including the default options, as well as members' choices at retirement. It also oversees how issues relating to investments in the DC arrangements are communicated to members.

The DCC monitors members' investment choices and tailors communications to encourage them to make the best decisions for their circumstances and to plan for their future. The same suite of investment funds is offered to new members of all of the DC arrangements, although the default approaches may be slightly different to reflect the characteristics of each arrangement.

A formal, in-depth review of the default investment arrangement is required under legislation at least every 3 years or immediately following any significant change in investment policy or the membership profile. The latest investment strategy review was completed in March 2020, having been considered by the DCC on 18 March and the full Trustee Board on 19 March. That was a comprehensive review, covering the default investment arrangement, alternative lifestyle arrangements and the self-select fund range.

Following that review, and approval of the proposal, a new fund range was introduced in Q2 of 2022. The new fund range consists of 3 lifestyle strategy options, and 7 investment funds:

- Three new lifestyle investment strategies (Full Cash Withdrawal, Annuity Purchase and Flexible Drawdown) replaced the existing lifestyle strategies. The Flexible Drawdown Lifestyle strategy was set as the default approach for the Master Trust scheme.

- The introduction of 4 new investment fund options (taking the total self-select funds available to members to 7) including a Socially-Responsible Equity Fund, which invests in shares (equities) of companies from around the world with very strong environmental, social and governance ratings. Environment, Social and Governance (ESG) issues are becoming increasingly important to some members.

- The other funds introduced were:
  - the Corporate Bond Fund
  - the UK Government Fixed-Interest Bond Fund, and
  - the UK Government Index-Linked Bond Fund

Two investment funds were closed: the Aggregate Bond Fund, and the Index-Linked and Global Bond Fund. The 2 previously existing lifestyle strategies were also closed - the Global Equity Lifestyle strategy and the Long Term Growth Lifestyle strategy.

A Sharia-Compliant Equity Fund is still in scope for future delivery. Due to some practical challenges it could not be implemented at the same time as the other changes. This was reported in the Business Plan submitted in March 2022.

Each year, the DCC undertakes a comprehensive assessment of the extent to which the DC arrangements offer good value for members. The conclusions of the latest assessment are included in the Defined Contribution Chair's Statement attached to this report. This requirement, introduced by legislation in 2015, is designed to give members and employers confidence that the RPS offers high quality DC arrangements. In 2020 and 2021, the assessments were performed by an external supplier, Willis Towers Watson. Those assessments were valuable and helped shape several improvement initiatives. In September 2022, the DCC concluded that an external assessment was only required biennially, and that an internal assessment by the scheme administrator, Railpen, would be sufficient in the intervening years.

This approach ensures that the IWDC is still subject to a wholly independent assessment regularly, and at the same time the cost of using an external supplier is limited, where possible. The service provided to IWDC members has made good progress in recent years and, as such, a biennial external assessment is deemed proportionate.

The DC Vision Statement is supported by a framework of core principles, which set out the key areas of focus required to deliver the overall DC Vision Statement and its sub-principles. As a result of the recent assessments, a number of improvements have been made to the DC proposition, particularly in the digital space. The DCC has overseen all of these changes, and provided direct support to some of them.

From April 2021, members have had access to a high-quality, value for money drawdown vehicle through the Legal & General Investment Management ('LGIM') Master Trust, underpinned by robust and affordable advice provided by Liverpool Victoria ('LV'). Committee members provided support to assess various solutions and ultimately approve the preferred option. The DCC have maintained oversight of both services and will assess their ongoing value in 2023.

Members continue to show a propensity to use digital services, with many now registered on the member website. Take up is particularly good amongst the active population, with circa 5,000 members in total now registered out of a population of circa 14,000 IWDC members. New functionality is added to the website regularly. In 2022, a virtual assistant was implemented, which helps members answer general questions and find information on the website. Existing communication materials, such as newsletters, have been leveraged to promote the website, alongside bespoke campaigns.

The guidance and support offered to members is evaluated and strengthened as part of continuous improvement. Railpen's progress has culminated in 2 industry awards, including one from the PLSA for member engagement. The team was shortlisted for the 2023 Pensions Age award for communication.

Enhancements include a retirement budgeting calculator, video content focusing on retirement options and new DC-focused web content. In addition, the DCC approved the implementation of a financial wellness tool provided by AHC Gallagher called Moneyfit. These tools provide DC members with an end-to-end guidance journey that allows them to understand their benefits, how much they might need in retirement, assess where they are in terms of saving for their retirement and take steps to save more, where it is financially viable to do so.

Crucially, the statutory money purchase illustration ('SMPI') has been overhauled in line with the simpler benefit statement guidance. It will be implemented in Q2 of 2023. The pre-login area of the member website is being rebuilt and will include a dedicated IWDC section. It will also be live in Q2 of 2023.

The DCC has continued to assess the DC arrangements against the requirements of TPR's code of practice and supporting guides to ensure compliance with legislation and TPR's expectations. It has also received regular updates on DC consultations, and statutory and regulatory developments. We will continue to engage with policymakers via consultation responses, and review as appropriate the operation of the railways pension schemes to ensure that they remain both compliant and attractive to employers and members.

A Statement of Investment Principles ('SIP') is provided as an appendix to this document. The SIP has recently been updated to reflect the new investment fund range.

The Trustee Investment Report

Introduction

The Trustee is responsible for ensuring that suitable investment strategies are agreed for all sections of the RPS. The policies that guide how the assets of each section of the RPS are invested are set out in the SIP, which is shown in Appendix B.

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

Investment strategy for each section is set taking account of, amongst other factors, the specific liability profile of that section. 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 2 wholly-owned operating subsidiaries, Railpen and RPIL, to which it delegates the day-to-day operation of the Scheme.

Investment management arrangements

The assets of the Scheme 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. Each section holds units in some or all of the pooled funds. Sections may also hold annuity contracts with an insurance company regulated by the Prudential Regulation Authority. The use of these pooled funds enables sections 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 individual sections, whilst also allowing Scheme assets to be invested as much as possible as if they belonged to a single pension 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 RPS sections to hold a managed portfolio of assets rather than a fixed allocation. This should result in a less volatile return profile.

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.

Investment strategy

The IFC is the body that sets investment strategy for all sections without a pensions committee, and reviews and approves strategies requested by pensions committees. In setting investment strategies for sections, their liability and maturity profile are taken into account, along with their funding position and covenant strength, 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 sections.

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.

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 a 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 3 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 10-year government bond yield rose from 1.0% to 3.7%, whilst the US 10-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 3-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 3-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 3-year period.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private market investments. It is made up of a series of sub-funds, each representing a different vintage year of private equity investment. In aggregate, the Private Equity Pooled Fund returned -6.3% in 2022, and 21.0% per annum over a 3-year period. The Private Equity Pooled Fund is closed to new investments. New investments in private markets are predominantly made within the Illiquid Growth Pooled Fund. The 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 3-year period.

The Long Term Income Pooled Fund delivered a return of -7.6% for the year, and 0.6% per annum over a 3-year period.

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

The De-Risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Non-Government Bond Pooled Fund, Long Duration Index-Linked Pooled Fund, and Short Duration Index-Linked Pooled Fund.

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 3-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 3-year period.

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 3-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 3-year period.

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

Section returns

There is a diverse range of different investment strategies amongst RPS sections, reflecting differences in terms of section liability profiles and employer covenants. In 2022, the investment return produced by section assets broadly ranged between -22% and -6%, net of fees and costs. This range reflected the diversity of returns seen in the major asset classes over the year.

Over a 3-year period, the investment returns of RPS sections broadly ranged from -3% to 7% per annum, while over a five-year time horizon the range of returns was broadly -1% to 7% per annum. Over a 10-year time horizon, the range of returns was broadly 4% to 9% per annum.

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.

The RPS is in a special position. It is a multi-employer scheme for non-associated employers, with actuarially independent sections. The rules for self-investment therefore apply on a section-by-section basis.

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.

AVC arrangements (excludes IWDC Section)

The Scheme's Additional Voluntary Contribution ('AVC') investments in the DC Pooled Funds as at 31 December 2022 were £1,503.3m (2021: £1,851.6m).

The total value of these pooled funds as at 31 December 2022 was £1,510.2m (2021: £1,860.0m).

The AVC arrangements for the Scheme, known as 'BRASS' and 'AVC Extra', are administered by Railpen. BRASS is open to all contributing members of the Shared Cost Arrangement and the Omnibus Section. AVC Extra is the second contribution top-up arrangement for contributing members of the Shared Cost Arrangement (except those in the Network Rail Section) and the Omnibus Section.

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 3 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 investment comparators for the investment funds in the fund range are shown in the table right:

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)

RPS 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 RPS can be found within the RPTCL TCFD Report 2022, available at **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 RPS), 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.

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 Bank of New York Mellon ('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 Scheme, 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 3 key areas:

1. ESG integration
2. active ownership, and
3. 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.

Our global voting policy reflects Railpen's 3 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.

Pooled fund equity holdings

The largest 10 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 **railpen.com/investing/responsible-investing/**.

For and on behalf of the Trustee:

Christine Kernoghan
Chair, Trustee Company
28 June 2023

Statement of Trustee Responsibilities in Relation to 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 Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme Year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme Year and of the amount and disposition at the end of the Scheme Year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme Year, and
- 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 financial statements 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 Scheme'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 Scheme, 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 Scheme prescribed by pensions legislation, which it should ensure is fair and impartial

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 has 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 Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme'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

Independent Auditor's Report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2022

Opinion

We have audited the financial statements of the Railways Pension Scheme ('the Scheme') 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 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme 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 Scheme 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 Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. 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 Scheme, and as it has concluded that the Scheme'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 Scheme and analysed how those risks might affect the Scheme'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 Scheme'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 Scheme 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 Scheme's high-level policies and procedures to prevent and detect fraud, and the Scheme'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 Scheme'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 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 related to compliance with laws and regulations

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

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme'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 Scheme 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 Scheme 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 Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation, data protection legislation, anti-money laundering, and recognising the financial and regulated nature of the Scheme'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.

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), the Chair's Statement, the Implementation Statement and the Taskforce on Climate-Related Financial Disclosure. 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 36, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme'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 Scheme, 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 **frc.org.uk/auditorsresponsibilities**.

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

This report is made solely to the Scheme 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 Scheme 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 Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
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 DB £m	2022 DC £m	2022 Total £m	2021 DB £m	2021 DC £m	2021 Total £m
Contributions and benefits							
Members' contributions	4	359	13	372	351	11	362
Employers' contributions	4	408	15	423	405	14	419
Government support		8	-	8	8	-	8
Individual transfers in		5	-	5	12	-	12
		780	**28**	**808**	**776**	**25**	**801**
Pensions		(942)	-	(942)	(900)	-	(900)
Lump-sum retirement benefits		(330)	(3)	(333)	(260)	(2)	(262)
Death benefits		(34)	(2)	(36)	(35)	(1)	(36)
Purchase of annuities		-	(1)	(1)	(1)	(1)	(2)
Taxation where lifetime or annual allowance exceeded		-	-	-	(1)	-	(1)
Individual transfers out		(20)	(2)	(22)	(21)	(3)	(24)
Group transfers out	5	(3)	-	(3)	(17)	-	(17)
		(1,329)	**(8)**	**(1,337)**	**(1,235)**	**(7)**	**(1,242)**
Administrative expenses	6	(26)	-	(26)	(24)	-	(24)
PPF levies		(52)	-	(52)	(55)	-	(55)
Total withdrawals		**(1,407)**	**(8)**	**(1,415)**	**(1,314)**	**(7)**	**(1,321)**
Net (withdrawals)/additions from dealings with members		**(627)**	**20**	**(607)**	**(538)**	**18**	**(520)**
Returns on investments							
Change in market value of investments	7	(3,752)	(38)	(3,790)	4,722	26	4,748
Net investment income		518	3	521	378	2	380
Interest on cash deposits		2	-	2	-	-	-
Net returns on investments		**(3,232)**	**(35)**	**(3,267)**	**5,100**	**28**	**5,128**
Net (decrease)/increase in the Scheme during the year		(3,859)	(15)	(3,874)	4,562	46	4,608
Net assets at the start of the year		36,479	228	36,707	31,917	182	32,099
Net assets at the end of the year		**32,620**	**213**	**32,833**	**36,479**	**228**	**36,707**

The notes numbered 1 to 13 on pages 42 to 53 form an integral part of these audited financial statements.

Statement of net assets (available for benefits) as at 31 December 2022

	Notes	2022 DB £m	2022 DC £m	2022 Total £m	2021 DB £m	2021 DC £m	2021 Total £m
Pooled funds	7	30,115	209	30,324	33,643	223	33,866
BRASS and AVCs	7	1,504	-	1,504	1,851	-	1,851
Substitution orders	7	862	-	862	830	-	830
Annuities	7	27	-	27	45	-	45
Cash and cash instruments	7	158	5	163	151	5	156
		32,666	**214**	**32,880**	**36,520**	**228**	**36,748**
Current assets	8	41	2	43	44	1	45
Current liabilities	9	(87)	(3)	(90)	(85)	(1)	(86)
Net assets at the end of the year	**12**	**32,620**	**213**	**32,833**	**36,479**	**228**	**36,707**

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee on an aggregate basis. This is because the RPS is a multi-employer scheme with financially ring-fenced sections.

They do not take account of the obligations to pay pensions and benefits which fall due at the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 54 to 56, and should be read in conjunction with these financial statements. Benefits payable for the 1994 Pensioners Section and the BR Section are backed by Crown Guarantees.

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 notes numbered 1 to 13 on pages 42 to 53 form an integral part of these audited financial statements.

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 issued by the Financial Reporting Council, and with the guidance set out in the Statement of Recommended Practice ('SORP') (revised 2018).

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 Scheme including future plans.

The reassessment was completed with reference to the Scheme's investment and contributions income, benefits paid and return on investments, as well as the requirement for the Scheme in the future, even in the event of some further nationalisation. The Scheme 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 employers most heavily impacted by COVID-19, the Train Operating Companies ('TOC's') received guaranteed backing by the DfT. The Trustee has ensured that cash reserves are available for a period of at least three months to cover any employer's failure to make contributions payments on time, and benefits payable are modest in relation to Scheme assets.

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

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included on page 4.

3. Accounting policies

The financial statements have been prepared on an accruals basis. The functional and presentational currency of the Scheme is Sterling. The principal accounting policies of the Scheme are as follows:

Investments

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

- the majority of the assets of the Scheme are invested in a portfolio of pooled funds, which operate as internal unit trusts for those railway 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 Scheme in each pooled fund at the year end. Unit prices reflect the fair 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 extracts from the pooled fund accounts in Appendix C
- assets are held in a portfolio of pooled funds valued at their bid price or last traded price at the year end date, as advised by the investment manager
- substitution orders refer to deferred payments due under the Transport Act 1980, and are valued as certified by the Scheme Actuary. The Scheme Actuary is James Mason, of WTW. The Government Actuary is joint Actuary for the 1994 Pensioners Section and the BR Section
- annuities are issued by Legal & General Assurance Society Limited and revalued at the year end date, as advised by the provider

Change in market value

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 funds is reinvested within the pooled funds, reflected in the unit prices and reported within change in fair values.

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 underlying 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.

Investment Income

Investment income comprises income arising from underlying investments of pooled investment vehicles which is not reflected in change in market value.

Interest on cash deposits

Interest is accrued on a daily basis.

Contributions

Contributions are expressed as a rate of pensionable pay. Member and employer normal contributions are accounted for when deducted from members' pay.

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.

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedules of Contributions and Recovery Plan under which they are being paid.

Employer s75 debt contributions are accounted for when a reasonable estimate of the amount due can be determined.

Payment to members

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

Benefits are accounted for in the period in which they fall due for payment. Where there is a 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 Scheme. The employees can then opt out of the Scheme if they wish within one month of being enrolled. Opt outs are accounted for when the Scheme is notified of the opt out.

Administrative expenses

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

Pension Protection Fund levies

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

Transfer values

Transfer values, including PPF transfers, are determined on the advice of the Scheme Actuary and, where applicable, the PPF. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement. TUPE and other intra-RPS transfers are settled by a mixture of pooled fund units and cash pro rata to the asset mix of the transferring section.

Tax

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

4. Contributions receivable

	2022 DB £m	2022 DC £m	2022 Total £m
Members' contributions			
Normal	232	11	243
Additional Voluntary Contributions	119	2	121
Deficit funding	8	-	8
	359	**13**	**372**
Employers' contributions			
Normal	322	15	337
Deficit funding	77	-	77
BRASS matching	7	-	7
Augmentation	2	-	2
	408	**15**	**423**
Totals	**767**	**28**	**795**

	2021 DB £m	2021 DC £m	2021 Total £m
Members' contributions			
Normal	235	9	244
Additional Voluntary Contributions	108	2	110
Deficit funding	8	-	8
	351	**11**	**362**
Employers' contributions			
Normal	325	14	339
Deficit funding	72	-	72
BRASS matching	7	-	7
Augmentation	1	-	1
	405	**14**	**419**
Totals	**756**	**25**	**781**

Included within members' normal contributions is £195m (2021: £194m) that represents salary sacrifice contributions paid in by the employer.

Deficit funding contributions are payable into the Scheme by both members and employers, in accordance with the Schedules of Contributions and Recovery Plans to improve the funding position of sections of the Scheme.

During 2022, there were 655 instances of late payment of contributions with a total value of £37.7m, which represents 4.74% of contributions payable under the Schedules of Contributions. The largest individual amount was £3.0m, which was paid one day after the due date. Of the 655 instances of late payment, 2 were required to be reported to the Pensions Regulator.

Further information on contribution rates can be found in the Report on Actuarial Liabilities on pages 54 to 56.

5. Group transfers out

Group transfers out include amounts relating to Stagecoach Supertram externally transferring out of the Omnibus Section of the RPS to the Stagecoach Group Pension Scheme. There were further transfers to the PPF, following realisation of RPS assets that relate to Sections that have previously transferred to the PPF.

6. Administrative expenses

	2022 £m	2021 £m
Pensions administration	(13)	(12)
Actuarial fees	(4)	(4)
Trustee governance	(4)	(3)
Legal fees	(2)	(3)
Other professional fees	(2)	(1)
Audit fees	(1)	-
	(26)	**(24)**

Pensions administration charges cover the processing of member transactions and preparation of financial statements and other reports. These activities are carried out by Railpen and are allocated in line with the per capita charge.

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

7. Investments

(a) Value of investments

DB Section	Value at 31 December 2021 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2022 £m
Pooled funds					
Growth**	22,731	111	(524)	(2,733)	19,585
Illiquid Growth**	2,442	304	-	508	3,254
Private Equity**	2,557	-	(470)	(79)	2,008
Long Duration Index-Linked Bond**	195	1,529	(44)	34	1,714
Long-Term Income	1,181	270	-	(231)	1,220
Passive Equity	1,075	-	(92)	(169)	814
Global Equity	660	-	(78)	(48)	534
Government Bond	1,429	12	(777)	(142)	522
Non-Government Bond	375	14	(9)	(56)	324
Cash	66	4	(4)	1	67
Short Duration Index-Linked Bond	809	36	(727)	(57)	61
Infrastructure	123	-	(113)	2	12
	33,643	**2,280**	**(2,838)**	**(2,970)**	**30,115**
BRASS and AVC Extra*	1,851	698	(772)	(273)	1,504
Substitution orders	830	5	-	27	862
Annuities	45	1	(1)	(18)	27
	36,369	**2,984**	**(3,611)**	**(3,234)**	**32,508**
Cash and cash instruments	151				158
	36,520				**32,666**

DC Section	Value at 31 December 2021 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2022 £m
DC Pooled Fund	223	122	(101)	(35)	209
Cash and cash instruments	5				5
	228				**214**

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

** Concentration of investment: these investments represent more than 5% of the total value of the net assets of the Scheme.

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 fair values of investments. Although income is not distributed, the pooled fund regulations allow the Scheme 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.

Further analysis of investments, charges and fees for each pooled fund is provided in the pooled fund accounts in Appendix C. The percentages of the pooled fund assets that relate to RPS investments are shown in the table on the next page.

	% of pooled fund owned by the RPS 31 December 2022	% of pooled fund owned by the RPS 31 December 2021
Pooled Funds		
Passive Equity	100.0	100.0
Non-Government Bond	100.0	100.0
Private Equity	95.6	95.8
Infrastructure	95.3	95.3
Growth	95.1	94.9
Global Equity	94.7	94.4
Government Bond	94.7	93.7
Cash	94.4	94.4
Illiquid Growth	93.4	93.3
Long Duration Index-Linked Bond	91.6	97.5
Long-Term Income	89.9	89.2
Short Duration Index-Linked Bond	56.8	88.0

(b) 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 Scheme 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 Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme'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 Scheme's exposures to credit and market risks are set out in Appendix C.

(c) 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 includedwithin 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).

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within hierarchy categories as follows:

DB Sections as at 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	19,585	-	19,585
Illiquid Growth	-	-	3,254	3,254
Private Equity	-	-	2,008	2,008
Long Duration Index-Linked Bond	-	1,714	-	1,714
Long-Term Income	-	-	1,220	1,220
Passive Equity	-	814	-	814
Global Equity	-	534	-	534
Government Bond	-	522	-	522
Non-Government Bond	-	324	-	324
Cash	-	67	-	67
Short Duration Index-Linked Bond	-	61	-	61
Infrastructure	-	-	12	12
	-	**23,621**	**6,494**	**30,115**
BRASS and AVC Extra	-	1,504	-	1,504
Substitution orders	-	-	862	862
Annuities	-	-	27	27
Cash and cash instruments	158	-	-	158
	158	**25,125**	**7,383**	**32,666**

DB Sections as at 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	22,731	-	22,731
Private Equity	-	-	2,557	2,557
Illiquid Growth	-	-	2,442	2,442
Government Bond	-	1,429	-	1,429
Passive Equity	-	1,075	-	1,075
Long-Term Income	-	-	1,181	1,181
Short Duration Index-Linked Bond	-	809	-	809
Global Equity	-	660	-	660
Non-Government Bond	-	375	-	375
Infrastructure	-	-	123	123
Long Duration Index-Linked Bond	-	195	-	195
Cash	-	66	-	66
	-	**27,340**	**6,303**	**33,643**
BRASS and AVC Extra	-	1,851	-	1,851
Substitution orders	-	-	830	830
Annuities	-	-	45	45
Cash and cash instruments	151	-	-	151
	151	**29,191**	**7,178**	**36,520**

DC Sections as at 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	209	-	209
Cash and cash instruments	5	-	-	5
	5	**209**	**-**	**214**

DC Sections as at 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	223	-	223
Cash and cash instruments	5	-	-	5
	5	**223**	**-**	**228**

Passive Equity was classified as Level 3 in the prior year. After consideration, it has been reclassified as Level 2 this year.

The above analysis has been performed with reference to the nature of the pooled funds in which the Scheme is invested in (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.

8. Current assets

	2022 £m	2021 £m
Contributions due from employers	31	29
PPF levies	12	16
	43	**45**

At the year end £6,273 (2021: £576,087) of contributions due under the Schedules of Contributions were not paid by their due date. Of this amount, £6,273 (2021: £576,087) has since been paid and £nil (2021: £nil) remains outstanding as at the date of signing these financial statements.

Of the £31m (2021: £29m) of contributions due post year-end, all have now been paid but £281,909 (2021: £26,207) was paid after the due date per the Schedule of Contributions.

9. Current liabilities

	2022 £m	2021 £m
Benefits payable	(41)	(29)
Assets payable to the PPF	(31)	(45)
Taxation and social security	(12)	(10)
Administration expenses	(3)	(2)
Investment creditor	(3)	-
	(90)	**(86)**

10. Related party transactions

The Trustee and its subsidiaries, Railpen and RPIL, provide services to the Scheme (explained on pages 15 to 21). The charges payable, and those of external service providers, are detailed in note 6 on page 44. As at 31 December 2022, administration expenses within current liabilities included a liability of £3.3m in respect of these charges (2021: a liability of £1.0m).

As at 31 December 2022, 13 directors of the Trustee were members of the Scheme. Three of these directors were also Non-Executive Directors of Railpen. One Executive Director of Railpen was also a member of the Scheme. Contributions received in respect of Trustee Directors who are members of the Scheme have been made in accordance with the Pension Trust Deed and Rules. All directors receive benefits on the same basis as other members of the Scheme. Certain directors of the Trustee and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Scheme bears its share of this remuneration through recharges, which are included within the Trustee governance line in note 6 on page 44.

11. Employer-related investments

As at 31 December 2022, investments in employers amounted to no greater than 5% of the assets of the Scheme, and, for any single section, the investment in its sponsoring company was not greater than 5% of the assets of the section. £6,273 of overdue contributions at the Scheme year end constitute employer-related investments, although they are exempt from counting towards the statutory restrictions. Investment securities issued by HM Government are excluded from the definition of employer-related investments for the purposes of these audited financial statements.

12. Net assets at the end of the year

The net assets of each section of the Scheme at 31 December 2022 are shown below:

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
Shared Cost Arrangement			
1994 Pensioners*	The Secretary of State for Transport	83,122	2,841
Abellio	Abellio Transport Holdings Ltd	56	13
Abellio East Midlands	Abellio East Midlands Limited	5,507	493
AECOM	AECOM Infrastructure & Environment UK Limited	214	54
Alpha Trains	Alpha Trains (UK) Limited	28	9
Alstom Railways	Alstom Transport UK Limited	2,199	189
Alstom Signalling	Alstom Transport UK Limited	83	32
Alstom UK	Alstom Engineering and Services Limited	1,154	136
Alstom UK C2C	Alstom Engineering and Services Limited	158	15
Alstom UK Signal	Alstom Engineering and Services Limited	362	48
AMCO	Amalgamated Construction Ltd	17	2
Amey Rail	Amey Services Limited	2,330	226
Angel Trains	Angel Trains Limited	239	76
Anglia Railways	Abellio East Anglia Limited	1,141	149
Atkins	Atkins Limited	849	255
ATOC Limited	ATOC Limited	903	81
Atos	**ATOS IT Services UK Limited** Atos UK International IT Services Limited	1,081	205
Babcock Rail Ltd	Babcock Rail Limited	2,205	262

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
Balfour Beatty	Balfour Beatty Group Employment Limited	2,982	342
BAM Nuttall	BAM Nuttall Limited	10	2
BR*	**The Secretary of State for Transport** BRB (Residuary) Limited Channel Tunnel Rail Link Limited London & Continental Railways Limited London Underground Limited National Highways Limited Scottish Ministers	937	156
British Transport Police	British Transport Police Authority	6,095	244
BT	**British Telecommunications PLC** EE Limited	307	15
BUPA Occupational Health	Occupational Health Care Limited	97	11
Caledonian Sleeper	Serco Caledonian Sleepers Limited	224	12
Carlisle Cleaning Services	Carlisle Cleaning Services Limited	56	3
Chiltern Railway Company Limited (Maintenance)	The Chiltern Railway Company Limited	339	38
Clientlogic	Clientlogic (UK) Limited	63	5
Colas Rail	Colas Rail Limited	2,143	199
Crossrail	Crossrail Limited	961	91
CSC Computer Sciences	CSC Computer Sciences Limited	10	2
DB Cargo (UK) Ltd	**DB Cargo (UK) Limited** DB Cargo (UK) Holdings Limited DB Cargo International Limited DB Cargo Services Limited Engineering Support Group Limited	10,424	1,308
East Coast Main Line	London North Eastern Railway Limited	9,333	763
Eurostar	Eurostar International Limited	4,968	561
Eversholt Rail Limited	Eversholt Rail Limited	112	44
First Great Western	First Greater Western Limited	14,792	1,372

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
Freightliner	**Freightliner Limited** Freightliner Group Limited Freightliner Heavy Haul Limited Freightliner Maintenance Limited	4,324	525
GB Railfreight	GB Railfreight Limited	366	75
Gemini Rail Services	Gemini Rail Services UK Ltd	66	3
Global Crossing	Lumen Technologies UK Limited	225	50
Govia Thameslink Railway	Govia Thameslink Railway Limited	7,705	644
Govia Thameslink Railway (Southern & Gatwick Express)	Govia Thameslink Railway Limited	11,619	980
Great Eastern Railway	Abellio East Anglia Limited	2,414	310
Hitachi Rail Europe	Hitachi Rail Limited	476	45
HS1	HS1 Limited	34	11
Hull Trains	Hull Trains Company Limited	133	13
Intelenet Global BPO (UK) Limited****	Teleperformance Global BPO UK Limited	6	-
Island Line	First MTR South Western Trains Limited	115	11
ISS Transport Services	ISS Facility Services Limited	198	8
Jacobs UK	Jacobs U.K. Limited	238	55
London and North Western Railway	London and North Western Railway Company Limited	68	16
London Eastern Railway (West Anglia)	Abellio East Anglia Limited	1,140	149
London Overground	Arriva Rail London Limited	2,690	280
London Underground	London Underground Limited	43	2
Merseyrail	Merseyrail Electrics 2002 Limited	3,007	272

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
MITIE Facilities Services	MITIE Limited	40	1
MTR Elizabeth Line	MTR Corporation (Crossrail) Limited	1,202	105
National Express Services Limited	National Express Services Limited**	137	4
Network Rail	Network Rail Infrastructure Limited	53,522	8,695
New Cross Country	XC Trains Limited	4,990	589
Northern (ex North East)	Northern Trains Limited	7,597	782
Northern (ex North West)	Northern Trains Limited	6,665	662
Omnibus*****	Aggregate Industries UK Ltd Allvotec Limited Alstom Engineering and Services Ltd Atalian Servest Ltd Belmond (UK) Limited Bridgeway Consulting Limited CAF Rail UK Limited CapGemini UK Plc Carnforth Railway Restoration and Engineering Services Limited Churchill Contracts Services Ltd Computacenter (UK) Ltd CSC Computer Sciences Limited DHL Services Limited EB Central Services Ltd Elior UK Plc Emagination Productions Ltd** Forth and Oban Limited Gate Gourmet Support Services UK Limited Harsco Rail Limited Ide Group Holdings PLC Keolis (UK) Limited Loram UK Ltd	773	111

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
Omnibus*****	Lorne Stewart Plc Mitie Cleaning & Environmental Services Limited Mitie FM Limited Mitie FS (UK) Limited Mitie Technical Facilities Management Limited O2 Unify Limited Rail Management Services Limited Rail Operations (UK) Limited Signet Solutions Limited Staveley Industries t/a Integral Telent Technology Services Limited The Arch Company TIALIS Essential IT PLC TTEC UK Solutions Limited Voestalpine Turnout Technology UK Ltd VolkerRail Specialist Businesses Limited Vossloh Cogifer UK Limited Weedfree Limited Wetton Cleaning Services Xeiad Limited		
Owen Williams Railways	Amey Services Limited	334	73
Porterbrook	**Porterbrook Leasing Company Limited** Porterbrook Maintenance Limited	189	53
Qjump	Qjump Limited	123	5
Rail Gourmet UK Limited	Rail Gourmet U.K. Limited	402	31
Railpen	Railpen Limited	1,271	112
Resonate Group (Link)	Resonate Group Limited	198	33
Resonate Group (Rail)	Resonate Group Limited	268	70
Resonate Group (TCI)	Resonate Group Limited	123	27

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
RSSB	Rail Safety and Standards Board Limited	667	118
Scotrail	Scotrail Trains Limited	10,044	1,042
SE Trains Limited	SE Trains Limited	11,312	1,080
SERCO	SERCO Limited	531	69
Siemens	**Siemens PLC** Siemens Mobility Limited	87	15
SNC-Lavalin Rail & Transit Limited	SNC-Lavalin Rail & Transit Limited	325	67
Socotec UK Limited	**Socotec UK Limited** Socotec Asbestos Limited	291	31
South Western Railway	First MTR South Western Trains Limited	13,720	1,244
Specialist Computer Centres	Specialist Computer Centres PLC	30	4
Stadler Greater Anglia	Stadler Rail Service UK Limited	49	2
Stadler Rail	Stadler Rail Service UK Limited	184	8
Swirl Service Group****	ISS Facility Services Limited	8	-
Systra Ltd	Systra Ltd	545	58
Thales Information Systems	Thales UK Limited	22	7
Thales Transport and Security	**Thales Ground Transportation Systems Limited** Thales UK Limited	1,881	321
The Chiltern Railway Company Limited	The Chiltern Railway Company Limited	1,790	209
The QSS Group Limited	The QSS Group Limited RIQC Limited	71	9
Torrent Trackside Limited	Torrent Trackside Limited	11	1
TransPennine Express (Former Arriva Trains Northern)	First Transpennine Express Limited	1,393	160
TransPennine Express (Former North Western Trains)	First Transpennine Express Limited	1,170	92

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
Transport for Wales	**Transport for Wales** Seilwaith Amey Cymru / Amey Infrastructure Wales Limited	41	3
Transport for Wales (Rail)	Transport for Wales Rail Ltd	5,363	527
Trenitalia c2c Limited	Trenitalia c2c Limited	2,002	163
Unipart Rail - NRS	Unipart Rail Limited	600	71
Unipart Rail - Railpart	Unipart Rail Limited	339	57
Unisys	Unisys Limited	30	4
UPS	UPS Limited	323	31
Voith	Leadec Limited	18	2
Wabtec Rail Limited	Wabtec UK Limited	9	2
West Coast Partnership	First Trenitalia West Coast Rail Limited	9,391	963
West Coast Traincare	Alstom Transport UK Limited	998	162
Westinghouse Rail Systems	Siemens Mobility Limited	882	267
West Midlands Trains	West Midlands Trains Limited	7,412	708
Worldline IT Services UK Limited	Worldline IT Services UK Limited	159	66
Wrexham, Shropshire & Marylebone Railway Company	Wrexham, Shropshire & Marylebone Railway Company Limited**	27	1
		339,927	**32,620**

Section	Employer	Total membership as at 31 December 2022	Net assets as at 31 December 2022 £m
Industry-Wide Defined Contribution Section			
	Abellio East Anglia Limited	14,137	213
	Abellio East Midlands Limited		
	AECOM Infrastructure & Environment UK Limited		
	Amey Keolis Infrastructurer/Seilwaith Amey Keolis Ltd		
	Babcock Rail Limited		
	Colas Rail Limited		
	Eversholt Rail Limited		
	First Greater Western Limited		
	First MTR South Western Trains Limited		
	First Transpennine Express Limited		
	Freightliner Group Limited		
	Freightliner Heavy Haul Limited		
	Freightliner Limited		
	Freightliner Maintenance Limited		
	Freightliner Railports Limited		
	GB Railfreight Limited		
	Govia Thameslink Railway Limited		
	Hull Trains Company Limited		
	London North Eastern Railway Limited		
	MTR Corporation (Crossrail) Limited		
	Network Rail Consulting Limited		
	Northern Trains Limited		
	Pentalver Cannock Limited		
	Pentalver Transport Limited		
	Porterbrook Leasing Company Limited		
	Porterbrook Maintenance Limited		
	Rail Gourmet UK Limited		
	Rail Safety and Standards Board Limited		
	Railpen Limited		
	Swietelsky Construction Company Ltd		
	Systra Ltd		
	The Chiltern Railway Company Limited		
	Tram Operations Limited		
	Transport for Wales Rail Ltd		
	UK Bulk Handling Services Limited		
	Unipart Rail Limited		
	XC Trains Limited		
		354,064	**32,833**

For those sections that have more than one participating employer, the designated employer is shown in **bold**.

*	Denotes sections with a Crown Guarantee
**	Denotes employers that were in administration or no longer trading as at 31 December 2022
***	Denotes employers that were in administration as at 31 December 2022 and sections that are currently in a PPF assessment period
****	Denotes sections with assets less than £0.5m
*****	List only includes Omnibus employers with active membership

13. Contingent liabilities

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. A further judgment was handed down on 20 November 2020 in relation to equalisation of historic transfer values paid out. The issues determined by the judgments 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.

Report on Actuarial Liabilities

(forming part of the Trustee Company 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 relevant employer and set out in a Statement of Funding Principles, which is available to Scheme members on request.

Most of the Sections of the Railways Pension Scheme are subject to the Pensions Act 2004, the exceptions to this being the 1994 Pensioners Section and the BR Shared Cost Section. Nevertheless, the valuations for these two Sections are also carried out in a consistent manner with the requirements of the Act.

The results of the most recent full actuarial valuation formally completed for each Section at the time of writing are summarised below:

Date of last valuation	Number of sections	Composite value of the sections' Technical Provisions £m	Composite value of the sections' assets £m
31 December 2013	26	6,734	6,525
31 December 2015	1	31	31
31 December 2016	2	68	65
31 December 2019	74	16,847	17,029
31 December 2020	2	3	3

For those Sections that have not already completed a formal Actuarial Valuation as at 31 December 2019, such valuations are under way.

In addition to the summary above, for one Section established in 2015 an initial valuation as at 31 December 2015 and formal valuations as at 31 December 2016 and 2019 have not yet been completed. Initial valuations as at 31 December 2020 for two Sections established in 2020 were completed in 2022.

Method

The method and assumptions adopted for determining the technical provisions for each Section are consulted on by the Scheme Actuary and ultimately agreed between the Trustee and relevant employers. While "standard" methods and assumptions are adopted as far as possible, as summarised below, some Sections have different assumptions. All assumptions adopted are set out in each Section's Statement of Funding Principles.

The actuarial method used in the calculation of the technical provisions is the Projected Accrued Benefit Method.

Significant actuarial assumptions

The 'standard' actuarial assumptions that have been proposed (and, where relevant, agreed) by the Actuary and Trustee for valuations as at 31 December 2019, are as follows:

Discount rates:

- For sections which are sponsored by employers classified as passenger Train Operating Companies: a single nominal discount rate of 5.37% pa.

- For other Sections which are open to new entrants: dual discount rates which differ depending on the Covenant Category of the Section. The nominal discount rates assumed for each covenant category are summarised in the following table:

Covenant category	Pre-retirement discount rate % per annum	Post-retirement discount rate % per annum
Other Covenant Category 1 Sections	5.47	3.73
Open Covenant Category 2 Sections	4.96	3.12

- For Sections which are closed to new entrants: a flexible discount rate structure, to allow any long-term investment plans that may be in place for particular Sections to be reflected more explicitly, so that each closed Section has an individual discount rate structure. This comprises an initial discount rate based on the Section's short-term investment strategy and an ultimate discount rate based on the Section's expected long-term investment strategy when all members have retired. After an initial period during which the initial discount rate is assumed to be maintained, the discount rate is assumed to change annually in equal steps from the initial to the ultimate discount rate over an appropriate transition period.

Future Retail Price inflation: 2.80% per annum.

Future Consumer Price inflation: 2.00% per annum.

Pay increases: general pay increases of 2.80% per annum. Promotional pay increases of 0.4% per annum.

Mortality base tables

To set the mortality base tables, members have been segmented into groups that are expected to experience similar levels of mortality depending on category of member, postcode and pension amount. The base table assumptions (including resulting cohort life expectancy) for each mortality group are summarised in the following table:

Category	Combined group by postcode/ pension amount	Mortality base table	Base table multiplier	Expected age at death for 65 year old at 31 December 2019
Male pensioners	1	S3 normal males very light	98%	89.3
	2	S3 normal males light	103%	88.2
	3	S3 normal males medium	103%	86.5
	4	S3 normal males heavy	100%	85.0
	5	S3 normal males heavy	112%	84.1
	6	S3 normal males heavy	127%	83.1
Female pensioners	1	S3 normal females heavy	94%	88.6
	2	S3 normal females heavy	111%	87.3
Widows	1	S3 dependant females light	102%	89.0
	2	S3 dependant females	105%	88.0
	3	S3 dependant females	121%	86.9
Male ill-health pensioners		S3 ill-health males	142%	81.5
Female ill-health pensioners		S3 ill-health females	150%	84.7
Widowers		S3 dependant males	103%	84.2

- S3 refers to the SAPS (self-administered pension schemes) mortality tables published by the CMI in December 2018 based on their mortality investigation over the period 2009 to 2016.
- The SAPS ‘heavy’, ‘medium’, ‘light’ and ‘very light’ tables are based on mortality experience for pensioners and dependants with relatively low to relatively high pension amounts.
- ‘Normal’ refers to pension scheme members who did not retire on grounds of ill health.

The overall resulting life expectancy assumed for each Section depends on the proportion of members in each mortality group, which differs significantly between sections.

Future mortality improvements

Allowance for future improvements in mortality from 1 January 2019 onwards has been made in line with the 2019 version of the ‘CMI core projection’ model published by the Institute and Faculty of Actuaries, assuming a long-term improvement rate of 1.5% pa and extended parameters set to their core values. For the period 1 January 2013 to 31 December 2018, allowance for future improvements in mortality has been made in line with the 2018 version of the ‘CMI core projection’ model assuming a long-term improvement rate of 1.5% pa and extended parameters set to their core values.

Glossary of Common Terms

Abbreviation	Description
AAF	Audit and Assurance Faculty
AMC	Annual Management Charges
ARC	Audit and Risk Committee
ASLEF	Associated Society of Locomotive Engineers & Firemen
AVC	Additional Voluntary Contribution
AVC Extra	AVC arrangement for RPS
BRASS AVC	AVC arrangement for RPS
BRB	British Railways Board
BRSF	British Railways Superannuation Fund
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CSEU	Confederation of Shipbuilding and Engineering Unions
DC	Defined Contribution
DC Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DfT	Department for Transport
DWP	Department for Work and Pensions
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FGP	Fundamental Growth Portfolio
FRS	Financial Reporting Standard
FX	Foreign exchange

Abbreviation	Description
GMP	Guaranteed Minimum Pension
ICAEW	Institute of Chartered Accountants in England and Wales
IFC	Integrated Funding Committee
IoD	Institute of Directors
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
PAF	Pension Assured Fund
PPF	Pension Protection Fund
PRI	Principles for Responsible Investment
PRP	Pensionable Restructuring Premiums
RHL	Railtrust Holdings Limited
RIB	Railpen Investment Board
RPIL	Railway Pension Investments Limited
RRL	Return, risk and liquidity
RMT	National Union of Rail, Maritime and Transport Workers
RPS	Railways Pension Scheme
RROS	Retired Railway Officers’ Society
S2P	Second state pension
s75	Section 75 employer debt

Abbreviation	Description
SIP	Statement of Investment Principles
TKU	Trustee Knowledge and Understanding
TOC	Train Operating Company
TPAS	The Pensions Advisory Service
Trustee	Railways Pension Trustee Company
TSSA	Transport Salaried Staffs' Association
TUPE	Transfer of undertakings (protection of employment)

Appendices

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:

member.railwayspensions.co.uk/knowledge-hub/about-the-scheme/scheme-documents

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

How the SIP has been followed during the year

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

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.

A review of the DC fund range was completed in 2020, 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.

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:

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	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.

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.

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.

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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.

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

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.

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 on the page 64.

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 4 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

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.

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 10 Pensions Committee members, and 2 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 9 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.

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 on page 67, 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.

Approach: Prior to the AGM, we held 2 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:

- 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 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).

We expect RPIL to continue to use its influence, both directly and in collaboration with other investors and organisations[1], 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 4 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.

[1] 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.

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'

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 managers
- 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.

In 2022, we sought to refine our approach to workforce issues by focusing on tackling these 3 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 2 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, cyber security 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 of 2022. Further details on priority engagement and voting priorities are outlined in the following excerpt from RPIL's 2023 Global Voting Policy:

Workforce issues

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.

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:
    - 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.

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:

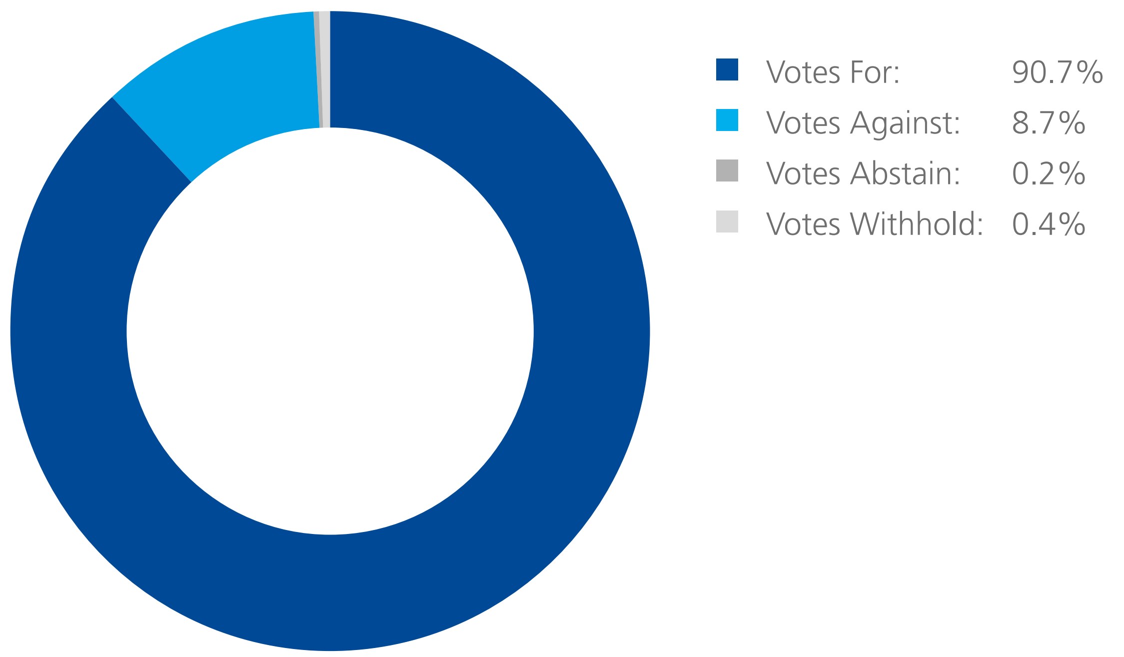
- RPIL continues to use its voting rights to vote against executive remuneration packages where the quantum and approach were insufficiently aligned with the long-term interests of shareholders and other stakeholders
- RPIL demonstrated significant levels of support for shareholder resolutions which 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.

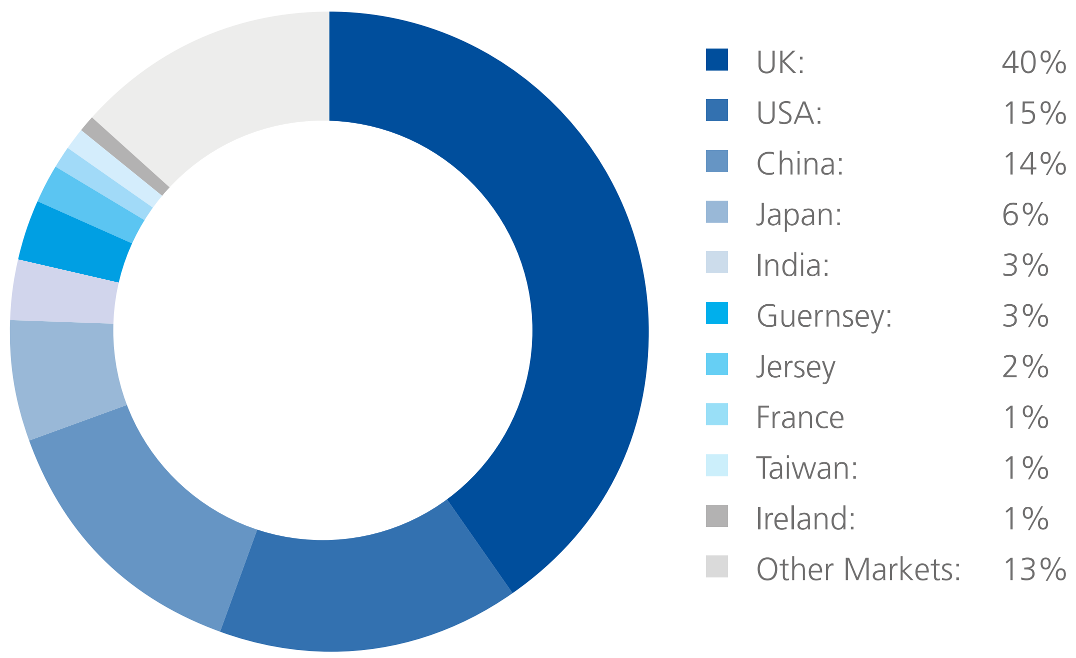
2022 Voting Statistics

Number of meetings voted	1,601
Percentage of meetings voted	99.02%
Percentage of meetings with at least one vote against, withhold or obstain	55.00%

Voting Outcomes

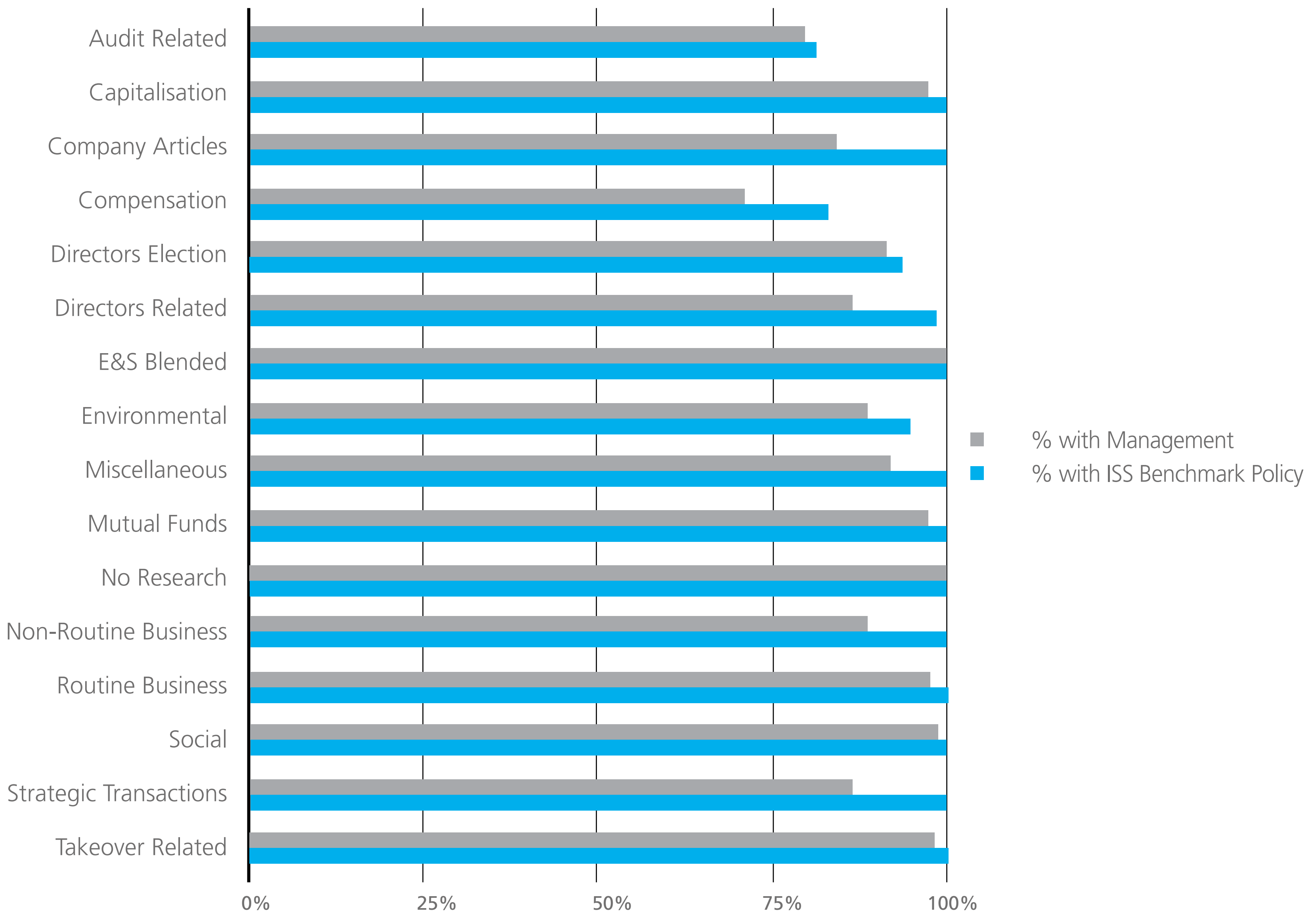


Meetings Voted by Market



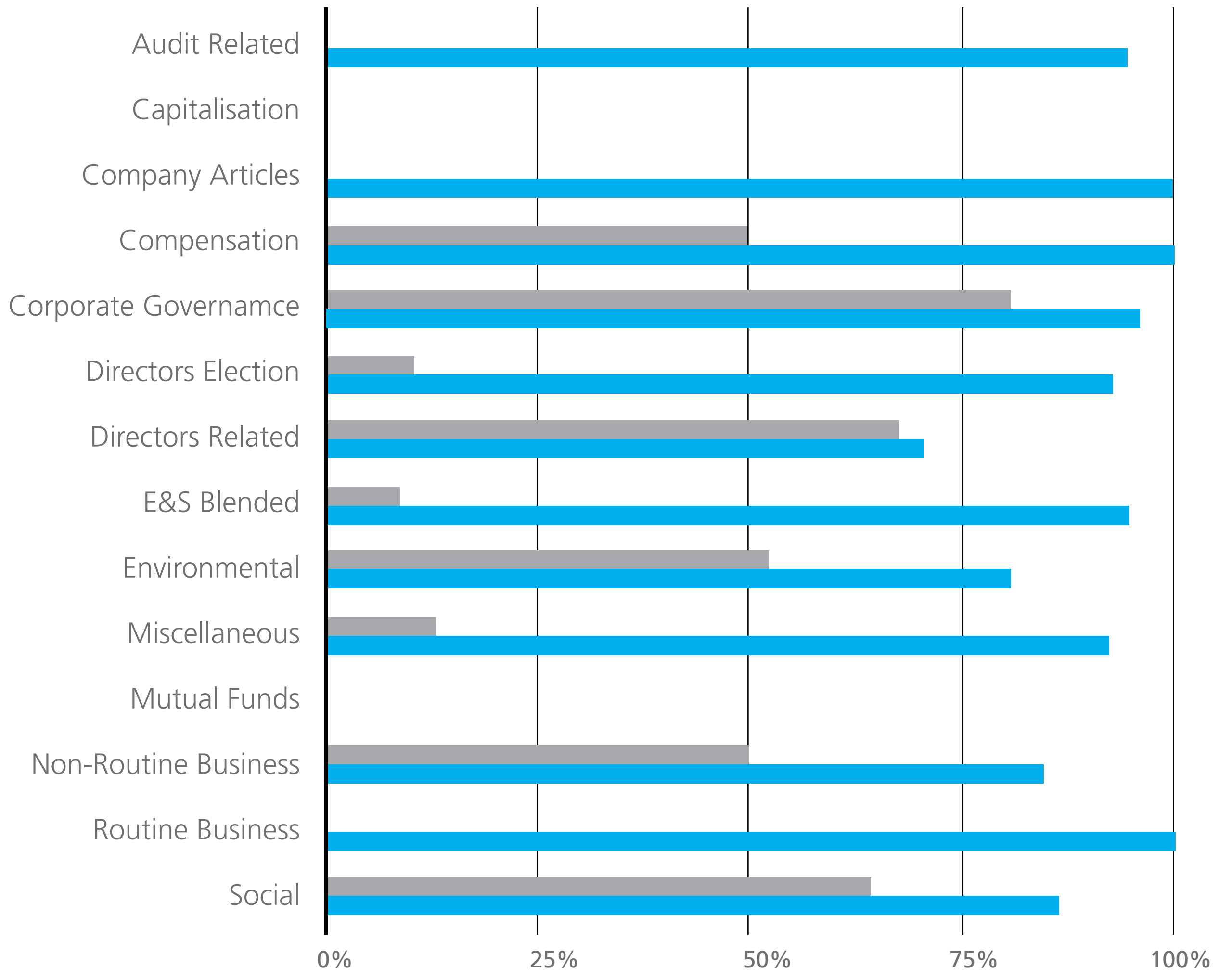
Votes Cast on Management Proposal Catagories

- 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.



Votes Cast on Shareholder Proposal Categories

- Comparing the votes cast in support of Shareholders 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, shows 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 proposal show the closest alignment to the ISS Benchmark Policy guidlines.



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 10 '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 more than 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.

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.

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.

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.

Why most significant:

- 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.

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 is engaging 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.

Case Study: AbbVie | Cybersecurity

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.

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).

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.

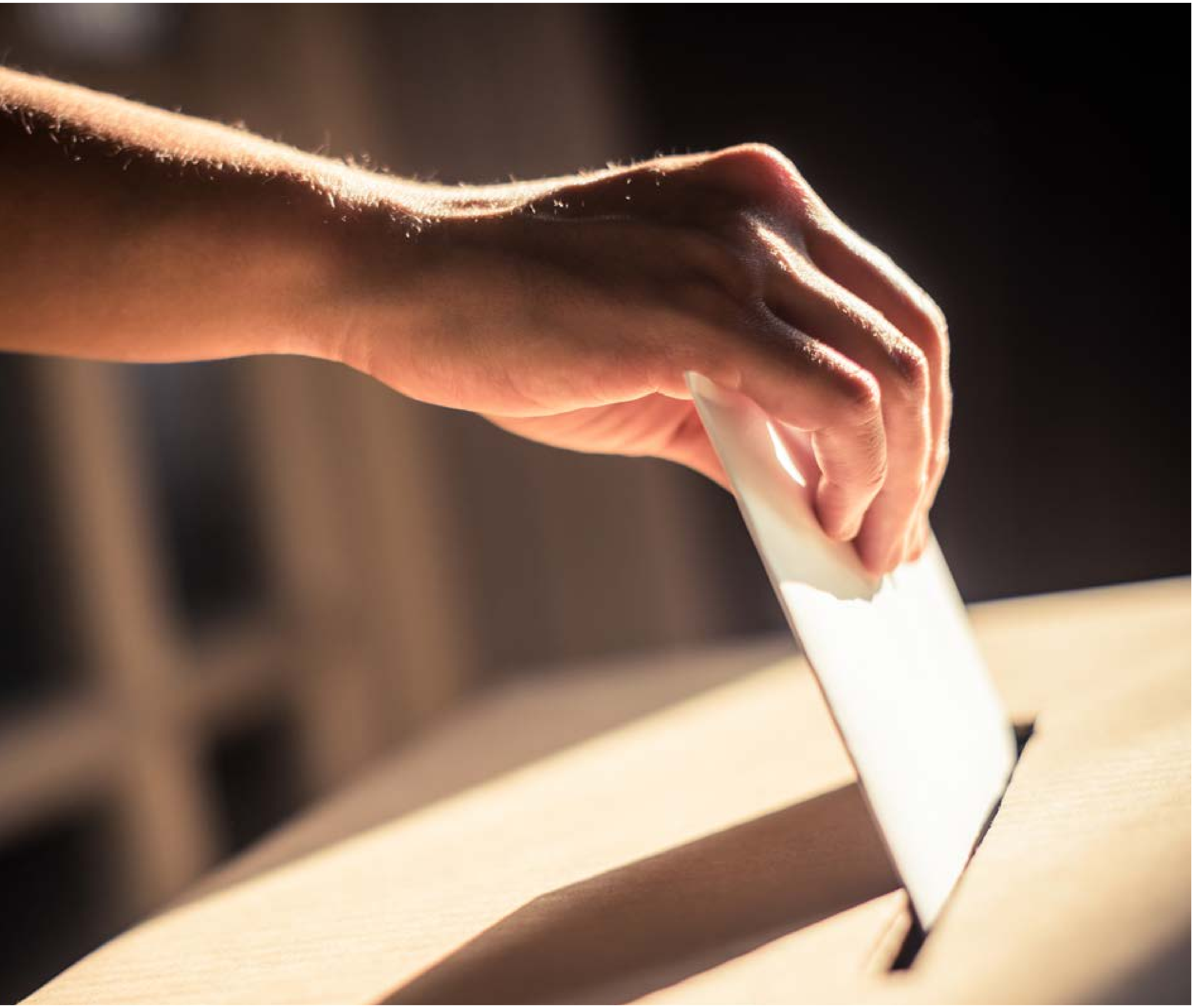
The Chair of the Remuneration Committee was elected with 94.5% of the votes.

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 on the following page.

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%

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

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.

LGIM vote: UBS Group AG – Europe (ex UK) Equity Index Fund

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.

LGIM vote: Evolution AB – Europe (ex UK) Equity Index Fund

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.

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 ☒ Inconsistences 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.

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.

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.

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

Defined Contribution Chair's Statement

Welcome to the Defined Contribution Chair's Statement. By way of introduction, I am Christine Kernoghan the Trustee Chair appointed on 6 July 2022.

On behalf of the Trustee Directors of the Industry-Wide Defined Contribution Section of the Railways Pension Scheme (the 'IWDC Section'), I am pleased to present the Chair's Statement for the period from 1 January 2022 to 31 December 2022 ('the Scheme Year').

This statement explains how the Trustee Board has met the legal requirements for running the IWDC Section for the Scheme Year, including:

- funds for members who don't choose their own investment options (the 'default' investment arrangement)
- reviewing the default investment arrangements
- return on investments
- charges and transaction costs paid by members
- good value for members
- processing core financial transactions
- trustee knowledge and understanding
- additional governance requirements for multi-employer schemes, and
- contacting the Trustee Board

Having seen the benefits of remote working during the pandemic, we put in place permanent hybrid working arrangements with teams using a mix of in office and remote working practices, effective for each individual team reflecting the particular requirements of their function.

The Trustee has continued to adapt well to working remotely to carry out its duties and has ensured, through Railpen (the Scheme administrator), that the high standards of service to Scheme members and employers have been maintained throughout the year.

The volume of face-to-face meetings did increase in 2022, with all six Defined Contribution Committee meetings having some onsite presence. We continue to reap the benefits of a blended approach, evidenced by strong performances across all teams and a year-on-year improvement in customer satisfaction.

Reviewing the default investment arrangements

A formal, in-depth review of the default investment arrangement is required under legislation at least every three years or immediately following any significant change in investment policy or the membership profile.

A formal investment strategy review was completed in March 2020, having been considered by the Trustee's Defined Contribution Committee ('DCC') on 18 March 2020 and the full Trustee Board on 19 March 2020. That was a comprehensive review, covering the default investment arrangement, alternative lifestyle arrangements and the self-select fund range.

Following that review, and approval of the proposal, a new fund range was introduced in Q2 2022. The new fund range consists of 3 lifestyle strategy options, and 7 investment funds.

- Three new lifestyle investment strategies (Full Cash Withdrawal, Annuity Purchase and Flexible Drawdown) replaced the existing lifestyle strategies. The Flexible Drawdown Lifestyle strategy was set as the default approach for the Master Trust Scheme.
- The introduction of four new investment funds options including the Socially Responsible Equity Fund, which invests in shares (equities) of companies from around the world with very strong environmental, social and governance ratings. Environment, Social and Governance (ESG) issues are becoming increasingly important to some members.

The other funds introduced were:

- the Corporate Bond Fund
- the UK Government Fixed-Interest Bond Fund, and
- the UK Government Index-Linked Bond Fund

Two investment funds were closed: the Aggregate Bond Fund, and the Index-Linked and Global Bond Fund. The two previously existing lifestyle strategies, the Global Equity Lifestyle Strategy and the Long Term Growth Lifestyle Strategy, were also closed.

A Sharia-Compliant Equity Fund is still in scope for delivery at a future date to be agreed. Due to some practical challenges we were not able to implement it at the same time as the other changes. This was reported in the Business Plan submitted in March 2022.

A full communication campaign underpinned implementation, including letters to members explaining the changes and what they needed to do, web articles and information in their regular newsletters. Members have access to fund factsheets online, and a dedicated area of the member website providing information about each lifestyle strategy. They can also switch their investment choices in the post login area of the website.

During the Scheme Year, the DCC monitored the performance of the investment funds offered, including those comprising the default investment arrangement, at each of its quarterly meetings (8 March 2022, 23 June 2022, 27 September 2022 and 1 December 2022).

Funds for members who don't choose their investments (the 'default' investment arrangements)

The Trustee has selected a default investment arrangement for members who do not choose their own investments. Members can also make an active choice to invest in the default investment arrangement, an alternative lifestyle arrangement or the self-select investment funds offered.

Today, circa 85% of all IWDC members are solely invested in the default investment option. The current default strategy was introduced in 2022 and has been constructed on the basis that DC members are expected to flexibly draw their benefits.

The default strategy invests in the Long Term Growth Fund until 10 years from a member's Target Retirement Age, and gradually switches to a 25% allocation in the Long Term Growth Fund, a 50% allocation in the UK Government Fixed-Interest Bond Fund and a 25% allocation in the Corporate Bond Fund, until the members Target Retirement Age. Whilst very small funds may be fully encashed on retirement, this will change over time as the Scheme funds grow in scale.

In addition to this there are two further lifestyle strategy options, and seven investment funds. This reflects the needs of those who want to take a more active approach to managing their fund choices. The options available to members were expanded in 2022, including the introduction of a Socially Responsible Equity Fund.

Insight gathered in 2022 indicated that Environment, Social and Governance ('ESG') issues are becoming increasingly important to some members. Railpen has responded with significant work in this space, recognised by industry awards in 2022.

There is more information about aims and objectives in the Trustee's Statement of Investment Principles (SIP), which is included as Appendix 1 to this statement.

The default arrangement for the IWDC Section is shown below:

DC Arrangement	Growth Portfolio	Portfolio at Target Retirement Age	Length of switching period
IWDC Section	100% Long-Term Growth Fund	• 25% Long-Term Growth Fund • 50% UK Government Fixed-Interest Bond Fund • 25% Corportate Bond Fund	10 Years

Return on investments

The Trustee has taken account of statutory guidance and as required reports the net investment returns for the default arrangement and each fund which Scheme members were able to invest in during the Scheme Year ending 31 December 2022.

The return for the Scheme Year is reported to enable employers and members to spot immediate trends. Returns over longer periods, dating back to the funds' inception, are included to reflect the investment strategy's performance through different market conditions. The below table sets out the return on investments (net of charges and transaction costs) for each fund:

Existing DC funds	Annualised Returns %		
	Since Inception (May 2013 to 2022)	5 years (2017 to 2022)	1 year (2022)
Long Term Growth Fund	**6.7**	**4.4**	**-12.0%**
Global Equity Fund	7.3	5.8	-16.1%
Deposit Fund	0.4	0.4	1.1%

New DC funds	Since Inception (May 2022 to December 2022)
Socially Responsible Equity Fund	2.6%
Corporate Bond Fund	-4.5%
UK Government Fixed-Interest Bond Fund	-27.6%
UK Government Index-Linked Bond Fund	-34.9%

The market experienced some volatility in 2022 which impacted fund performance, and in turn could have affected the retirement outcome for some members. This can be seen from the annualised returns over the last year.

The Long Term Growth Fund (highlighted in bold) is the default fund for members who are 10 or more years from their Target Retirement Age ('TRA'). The UK Government Fixed-Interest Bond Fund and the Corporate Bond Fund form part of the default arrangement, as from 2022, for members within 10 years of their TRA.

Within the Long Term Growth Fund, the main driver of returns over the last year has been the underlying exposure to equities. The performance has been impacted by equity markets falling in 2022 and high inflation.

Charges and transaction costs paid by members

The Trustee has taken account of statutory guidance when preparing this statement about charges and transaction costs. The annual management charge ('AMC') covers all costs and charges relating to general scheme administration and investment administration.

Costs incurred as a result of holding or maintaining property are listed separately. Transaction costs are excluded. This is also known as the total expense ratio ('TER'). The TER is paid by the members and is reflected in the unit price of the funds.

During the Scheme Year ending 31 December 2022, the level of charges applicable to the funds in the IWDC Section, including the funds which are part of the default lifestyle strategy, were:

DC fund	AMC %	Property costs %	TER
Long-Term Growth Fund	0.45	0.06	0.51
Global Equity Fund	0.22	N/A	0.22
Deposit Fund	0.23	N/A	0.23
Aggregate Bond Fund (until the change)	0.28	N/A	0.28
Index-Linked & Global Bond Fund (until the change)	0.32	N/A	0.32
Funds introduced as part of the new fund range (Q2 2022)			
Socially Responsible Equity Fund	0.35	N/A	0.35
Corporate Bond Fund	0.37	N/A	0.37
UK Government Fixed-Interest Bond Fund	0.21	N/A	0.21
UK Government Index-Linked Bond Fund	0.31	N/A	0.31

Railpen, which manages the Scheme's investments, gives full transparency to the DCC on the underlying costs making up the AMC, such as investment management costs, legal costs, and IT costs.

Railpen is also at the forefront in the pensions industry of obtaining full transparency from investment managers about costs in underlying investment funds (indirect costs) that the IWDC Section funds may invest in.

The IWDC Section funds are invested alongside the Scheme's Defined Benefit ('DB') arrangements, using the same underlying pooled funds where possible. This means that IWDC Section members benefit from many of the same investment opportunities and economies of scale as members of the DB arrangements.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds. Such costs include broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty.

Transaction cost information has been requested from the fund managers before their accounts are published but not all the managers have been able to supply the information by the date of signing this statement.

The table below shows the transaction costs obtained for each fund, along with the percentage of the fund by asset value for which we have managed to obtain transaction cost information.

DC fund	Average 2022 asset value £m	2022 transaction costs % of asset value	Cost info available % of asset value
Long-Term Growth Fund	131.4	0.12	98
Global Equity Fund	45.3	0.06	100
Deposit Fund	5.7	N/A	N/A
Aggregate Bond Fund	26.7	0.01	100
Index-Linked and Global Bond Fund	2.9	N/A	N/A

At the time of writing, February 2023, it is not possible to obtain complete audited cost information for the year ended December 2022. This is a timing issue as many fund managers are unable to provide finalised cost information until months following their year-end. Railpen begin an annual exercise of collating this data in the second quarter of each year.

The primary method adopted is using the PLSA Cost Transparency Initiative's templates, which are distributed to managers for completion. If managers do not engage, steps are taken to escalate the issue higher within the organisation. As a contingency method, Railpen will source this information from annual reports and audited accounts of the underlying funds, which again will become available as reports are published over the coming months.

The Trustee minimises transaction costs arising from buying and selling assets, as far as possible, through the pooling arrangements within the RPS. Where it can, it matches members and sections that wish to sell units in a particular fund with those who wish to buy them, so it is not necessary to trade assets in the markets. There are strict policies and procedures in place to ensure that any trading costs are spread fairly between all IWDC Section members.

The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their TRA. This means that the level of charges and transaction costs will vary depending on how close members are to their TRA and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme's default arrangement complied with the charge cap.

Time to retirement years	Fund mix	TER %	Transaction costs %
10	100% Long Term Growth Fund	0.51	0.12
5	62.5% Long Term Growth Fund 12.5% UK Government Fixed-Interest Bond Fund 25% Corporate Bond Fund	0.44	0.08
1	25% Long Term Growth Fund 25% UK Government Fixed-Interest Bond Fund 50% Corporate Bond Fund	0.37	0.05

Railpen continues to make improvements to ensure that IWDC Section members get the best possible returns from their investments after all fees and transaction costs have been accounted for. The Trustee will continue to monitor the funds' costs and charges closely.

The Trustee is required to illustrate the cumulative effect of costs and charges on the value of members' fund values over time. There is a prescribed method for doing this, based on a 'representative' member of the IWDC Section. This illustration is included at Appendix 2 to this statement.

Good value for members

Each year, the DCC undertakes a comprehensive assessment of the extent to which the DC arrangements offer good value for members. This requirement, introduced by legislation in 2015, is designed to give members and employers confidence that the RPS offers high quality DC arrangements.

In 2020 and 2021, the assessments were performed by an external supplier, WTW. They concluded on both occasions that the IWDC Section offers 'good' value to members.

Those assessments were valuable and helped shape several improvement initiatives, set out below. In September 2022, the DCC concluded that an external assessment was only required biennially, and that an internal assessment would be sufficient in the intervening years.

This approach ensures that the IWDC is still subject to a wholly independent assessment regularly, and at the same time the cost of using an external supplier is limited where possible. The service provided to IWDC members has made good progress in recent years and, as such, a biennial external assessment is deemed proportionate.

The most recent external assessment, completed in March 2022, helped shape several improvement initiatives which were initiated and in some cases delivered in 2022, including:

- the implementation of a new fund range including 2 further lifestyle strategy options, and 7 investment funds
- new web content and guidance videos
- a review of member-facing outputs, including overhauling the Annual Benefit Statement ('ABS') and statutory money purchase illustration ('SMPI') in line with the simpler benefit statement guidance, and
- rebuilding the pre-login member website, developing a separate IWDC section

The most recent internal assessment was undertaken by Railpen in Q1 2023. The framework established by WTW is both proven and understood by senior stakeholders. As such, that approach was replicated for this review. Railpen's Internal Audit Team reviewed the approach to provide some independence.

The assessment concluded the IWDC Section provides 'good' value to members. Member satisfaction for the Section was captured for first-time as part of the annual Institute of Customer Service (ICS) survey. Member satisfaction is at an all-time high at 92.0, compared to a UK average of 78.4 across all industries.

A key deliverable for the Scheme was the new DC fund range, implemented in Q2 2022. The project was ongoing at the time of the last assessment, and as such the scope of services provided was based on the previous funds and results were impacted. The implementation of the new fund range, in particular the Socially Responsible Equity Fund, has raised the overall rating for the investment services to 'good'. Due to external factors and unforeseen market conditions, the performance of all funds has been impacted compared to previous years.

The performance of the Administration team remains consistently good. Delivery against service levels remains outstanding, with the function achieving an average of 98.7%. Across the year, a total of just 18 complaints were received and all were resolved in-year. The Administration team have handled incoming contacts from members well, supporting circa 96,500 calls and 68,000 emails across the RPS.

As in the previous 2 years, Scheme communications continued to improve in 2022. This was recognised in February 2022, when Railpen won the Pensions Age award for Communications. The digital offering was again strengthened in 2022.

Members continue to show a propensity to use digital services, with many members now registered for the member website. Take up is particularly good amongst the active population, with circa 5,000 members across all types now registered out of a population of circa 14,000 IWDC members.

The new content standard, developed in partnership with language expert Quietroom, has been applied to a number of outputs and almost all web content. The standards have been rolled out internally to key business areas, such as the Complaints and Correspondence teams.

IWDC members receive an annual newsletter, Insight, which consistently receives positive feedback. The member website contains DC-focused web content on a range of subjects from investment information to at-retirement support. This includes DC-specific video content, including one focusing on retirement options.

In terms of Scheme management, the performance remains excellent. The Supervisory Return, which includes the Business Plan, was provided to TPR in March 2022 and received no comments or clarifications from them. All governance was adhered to through the year. A bi-monthly internal DC Working Group took place, underpinned by minutes and actions, which fed into the quarterly DCC. The DC Working Group was refined and new terms of reference documented to ensure that it was delivering the best outcomes for the Scheme.

Processing core financial transactions

The Trustee must ensure that core financial transactions are processed both promptly and accurately. These include:

- investment of contributions
- transfer of members' assets to and from the Scheme, and between sections within the Scheme
- switching between investments within the Scheme, and
- payments out of the Scheme to members and beneficiaries

Service Level Agreements ('SLAs') are in place for all of these core financial transactions. The DCC received quarterly updates on these key process activities throughout the year via Quarterly Administration Reporting. The report features as a standing agenda item for the DCC to consider the performance, trends and consider any matters arising requiring further attention. The report includes a narrative section to highlight any matters for attention to the Trustee.

During 2022, the average aggregate SLA attained was 98.7%. This reflects the robust controls and oversight placed on the financial transactions to ensure members' benefits are processed accurately and promptly.

Our insights tell us that members' preferred channel of engagement is the website. The number of IWDC members registered for the site continues to grow, with over 90k members across the entire Scheme. Where members can complete a transaction online they generally do so, and for some processes they are almost exclusively done online, for example 95% of all nominations (Scheme-wide).

We continue to promote the member website and encourage members to use the wide-range of self-serve functionality and guidance tools available to them. Longer term, we plan to take a digital-first approach for some processes. At the same time we ensure no members are left behind, particularly our vulnerable customers.

To ensure day-to-day compliance with the core financial transactions, a number of controls are in place, including:

- a dedicated operational performance team to triage and allocate inbound and outbound work
- daily unit reconciliations to ensure investments and disinvestments have been completed effectively
- a dedicated Employer Support team to monitor the timely receipt of employer contributions
- system validations to ensure incoming data from employers meets minimum standards
- daily system start-of-day health checks to ensure any system issues or anomalies are identified and rectified immediately
- functional segregation of duties between the Finance function dealing with cash and the Administration function who execute member transactions
- daily bank reconciliations support
- regular review of the financial suspense account to investigate miscellaneous financial transactions, and
- application role profiles are commensurate to skill levels and ensure segregation of duties with four eye checks employed for payments out. Senior approval is required for transactions over certain amounts

The core financial transactions are overseen by key controls which are annually tested and reported within the AAF 01/20 Internal Controls Report. The testing is carried out by external auditors, who along with Management, sign off the report in full. Underpinning this, Internal Audit perform an independent governance role, carrying out internal audits over the financial environment operating. Any improvements to the current environment formulate an action plan which is overseen by the Trustee.

Where necessary ad-hoc reports are commissioned so the DCC can review the progress of any issues raised. The DCC continues to receive additional reports pertaining to the volume of DC contributions. The oversight on suspense transactions and reconciliations remains in place as a robust governance measure, with close executive oversight.

In Q2, TPR was notified of a pricing error which impacted a very small number of IWDC members. The error was considered to be a Significant Event under master trust legislation and impacted the accuracy of some financial transactions for this minority of members. A thorough investigation was undertaken, impacted members were contacted and rectification measures applied to ensure members were safeguarded. A review of the control environment operating has been carried out by our Internal Audit and Risk functions and enhanced control measures have been adopted.

Trustee knowledge and understanding ('TKU')

Railpen runs a comprehensive induction programme for new Trustee Directors which ensures that they have good awareness and understanding of the Scheme's governing documentation (including the trust deed and rules, statements of investment principles and funding principles, and relevant policies), scheme funding and investment, pensions and trust law, and the role of a trustee.

Individuals who have been nominated to become a Trustee Director must complete TPR's Trustee Toolkit before they can be appointed as a Trustee Director of the Railways Pension Trustee Company Limited and this process was completed for the Trustee Director who was appointed in 2022.

The Trustee Toolkit is an online learning programme from TPR aimed at trustees of occupational pension schemes. The Toolkit includes a series of online learning modules and downloadable resources developed to help trustees meet the minimum level of knowledge and understanding introduced by the Pensions Act 2004. There is also a requirement for current Trustee Directors to refresh the Trustee Toolkit every 3 years, which they evidence by providing copies of their development records.

In addition to all Trustee Directors having completed the Pensions Regulator's Trustee Toolkit, 10 out of 16 Trustee Directors hold the Pensions Management Institute's Award in Pension Trusteeship, providing formal recognition of these Trustee Directors' knowledge and understanding. Existing Trustee Directors received regular training throughout the year, either at quarterly Trustee/Committee meetings or additional Trustee workshops. They are also encouraged to attend external conferences and webinars on specific topics of interest and to increase their general knowledge and understanding.

To further ensure the Trustee Directors, and the Board and Committees as a whole, meet the required level of knowledge and understanding introduced by the Pensions Act 2004, the Trustee Directors must review their training needs each year and this was completed as part of their annual review conversations with the Trustee Chair in Q1 2022.

Alongside this conversation, the Trustee compiles a skills matrix to detail the relevant skills and experience of each member of the Trustee Board. Together, these demonstrate the strength and depth of expertise that each is able to bring to the role, and the skills and expertise across the Trustee Board.

A subset of the skills matrix is compiled for each Committee to ensure that relevant knowledge and expertise is present for each Committee according to its terms of reference. The annual review of the skills matrix ensures that any gaps are identified and that the necessary additional training and development is undertaken, or that additional advice can be sought as necessary to support the Board or Committee in the specified areas.

The particular topics identified for further training are built into the training provided by Railpen and also third parties at the Trustee's meetings and workshops throughout the year. The skills analysis is also recorded in the Trustee's succession plan, allowing the Trustee to monitor the future needs of the Board and Committees well ahead of any vacancies occurring.

Throughout 2022, the Trustee developed a succession plan for the Trustee Board which brings more transparency to the planning and selection processes. In addition to this, the Trustee developed and introduced a Diversity and Inclusion Policy, which promotes diversity and inclusion on its Board, and throughout its pension schemes.

During the Scheme Year, Railpen provided training for Trustee Directors on:

- Railpen's enhanced enterprise risk approach
- mortality assumptions for the RPS 2022 Actuarial Valuation (DB)
- managing conflicts of interest
- investment strategies for the RPS 2022 Actuarial Valuation (DB)
- sustainable ownership
- climate change
- regulatory changes, and
- powers of the Pensions Regulator

In addition to the training provided to the Trustee Board, members of the DCC were provided with:

- DC Communications training, and
- DCC members were also given access to Railpen's internal Master Trust e-learning module, which is mandatory for specified Railpen employees

These topics were identified as appropriate training based on the 2022 training requirements and skills analysis review, or were requested on an ad-hoc basis by the Trustee.

The Trustee Board is made up of 16 Trustee Directors who each possess individual skills and experience that are relevant to the role of Trustee of a Master Trust, like the Railways Pension Scheme Industry-Wide Defined Contribution (IWDC) Section.

The Trustee Board is diverse in employment experience and history. Many are long-standing Trustee Directors and have served on several of the Trustee's committees and subsidiary boards over the years. They, therefore, have significant experience of all aspects of the Railways Pension Scheme (RPS) and its corporate management activities, and this is spread across the whole Board rather than concentrated in 1 or 2 individuals.

The Trustee Directors have a wide range of experience, from working as Pensions Managers for employers in the rail or other large scale industries, to senior financial professionals with large employers. A number of Trustee Directors have a background in trade unions, including sitting on their Executive Committees or senior appointments including General Secretary. Many worked on their unions' own schemes and have negotiated with employers on pensions and benefits on behalf of their members.

In addition, the Trustee's professional advisors are available to attend Trustee meetings when needed to provide guidance on various Scheme matters. With a sufficiently diverse Trustee Board, their broad collective experience ensures that they are in a position to challenge robustly the advice they receive. In particular, as all Directors are nominated and elected by the Scheme's stakeholders, the Board gains insight into the employers' and members' perspectives of how the Scheme is run and the benefits it offers.

As a result of the training activities which the Trustee Directors have completed, individually and collectively as a Board, the broad range of experience held by Trustee Directors, and the annual training analysis, skills matrix review and regular effectiveness reviews, I am confident that the combined knowledge and understanding of the Board, together with the professional advice available to it, enables it to exercise properly its functions as the Trustee of the IWDC Section and the RPS generally.

Additional governance requirements for multi-employer schemes

The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the "Administration Regulations"), require the Trustee Board of any 'relevant multi-employer scheme' to have a majority of 'non-affiliated trustees', including the Chair.

From April 2016, the Trustee has been required to comply with this additional governance standard, which is designed to offer additional protections for members and ensure that the Trustee acts in their best interests.

The Trustee Board has considered these requirements and determined that all Trustee Directors, including the Chair, can be classed as 'non-affiliated trustees' for the purpose of the legislation. This means that we have considered carefully any links that Trustee Directors may have with companies providing services to the Scheme, and reviewed the procedures in place for managing any conflicts of interest that may arise, and concluded that all of the Trustee Directors are independent of any undertaking which provides advisory, administration, investment or other services in respect of the IWDC Section, taking account of the matters set out in Regulation 28(3) of the Administration Regulations.

We have also reviewed our appointment process to ensure that it is open and transparent and allows representation on the Trustee Board from across the rail industry. We will ensure that non-affiliated Trustee Directors, including the Trustee Chair, are always in the majority on the Trustee Board.

One non-affiliated Trustee Director was appointed during the Scheme Year, in accordance with the governing documents of Railtrust Holdings Limited:

Nominations were sought from Freight Train Operating Companies and support services as part of the Scheme's process for filling an Employer Director vacancy in the Freight TOCs and Support Services Electoral Group. There was only one nomination and Anjali Lakhani was appointed to the Trustee Board following the completion of all appropriate 'fit and proper person' checks.

Three existing Trustee Directors (myself, Richard Jones and Gary Towse) were also reappointed to the Board for a further term of office, in line with the relevant procedures for appointment of directors set out in the RHL Articles of Association. All three Trustee Directors continue to be non-affiliated Trustee Directors. I was appointed as Trustee Chair on 6 July 2022 following a robust succession planning process. The Employee Director Appointment Procedure is consistent with the requirements of the Pensions Act 2004 for the nomination and selection of member nominated directors.

The Trustee Board has been kept informed of developments relating to TPR's authorisation and supervision regime introduced by the Pension Schemes Act 2017 and the Occupational Pension Schemes (Master Trusts) Regulations 2018. The supervision regime continued throughout 2022 and raised no areas of concern.

Contacting the Trustee Board

The Trustee Board encourages Scheme members to share their views about the Scheme, the benefits it offers, the investment options available, and their plans for how they intend to use their funds to provide an income in retirement. IWDC active and preserved members receive the annual Insight newsletter in May. The newsletter provided to members in 2022 encouraged members to provide feedback via an online survey.

A dedicated online member advisory group has also been established, and promoted through the newsletter and website, giving members the chance to share their views on key topics. This insight is reported to the Trustee and directly shapes the development of member communications, such as investment guides, fund fact sheets and educational video content.

In addition to this, an annual member survey is undertaken in partnership with the Institute of Customer Service ('ICS'). In 2022, for the first time ever, the survey was able to segregate IWDC feedback. Members are given the opportunity to give a satisfaction, net-promoter and effort score as well as provide verbatim comments.

Alternatively, if members prefer they can contact the member Helpline on the free phone number 0800 012 1117 or email csu@railpen.com. The annual newsletter, bulk member communications and the member website have referred to the Helpline number and email address as standard throughout the Scheme Year. Additionally many Trustee Directors also have regular contact with members through their day-to-day activities, for example as Pensions Managers of participating employers or as trade union officials.

The Trustee has considered the size, nature and demographics of the Scheme and by providing multiple channels and media through which members may contact the Scheme, in line with its Communications Strategy, the Trustee is satisfied that all members from all sections of the Scheme are encouraged to share their views, in particular in response to key communications or Scheme events.

Christine Kernoghan, Trustee Chair
28 June 2023

Appendix 1	Statement of Investment Principles (also forming part of the Trustee's Annual Report)
Appendix 2	Illustration of the cumulative effect of costs and charges on the value of members' fund values over time

Appendix 1: Statement of Investment Principles ('SIP') (also 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.

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 **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:

- The framework assumes buyout is the long-term goal for maturing non-Covenant 1 Sections.
- Allocations to illiquid assets are reduced as Sections mature whilst targeting higher levels of interest rate and inflation hedging.
- The framework assumes that sections de-risk as they become more mature.
- 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.

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.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:

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 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: **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.

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: **railpen.com/knowledge-hub/reports/**.

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

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

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

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

Performance measurement

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

Risk management

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

26.1. maintaining a Trustee risk register

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

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

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

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

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

27. The Schemes provide DC benefits in the form of Additional Voluntary Contributions ('AVCs') in the DB sections and the 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.

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 **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.

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.

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

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.

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 **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 Ltd (RPTCL) is "The Trustee":

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

Schedule 2: Additional Voluntary Contribution ('AVC') funds

1. Introduction

This schedule is appended to and should be read in conjunction with the Statement of Investment Principles ('SIP') adopted by the Railways Pension Trustee Company Limited ("the Trustee") for the 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 DB 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 DB 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 (TRA).

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 TRA.

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 member website at **member.railwayspensions.co.uk/defined-benefit-members/saving-more-BRASS-AVC-Extra/brass-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 10 years prior to TRA. 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 10 years prior to TRA. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in AVC Extra.

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 3 years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the IWDC Section.

6. Fund annual charges

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

7. Risks

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

- risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation although this is not guaranteed over any given period.
- risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age.
- risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings.
- risk of underlying Fund Managers and/or RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL and the Fund Managers on a regular basis, and
- risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

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

Schedule 3: Industry-Wide Defined Contribution Section

1. Introduction

This schedule is appended to and should be read in conjunction with the Statement of Investment Principles ('SIP') adopted by the Railways Pension Trustee Company Limited ("the Trustee") for the 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 TRA.

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 TRA.

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 the Scheme's website at **member.railwayspensions.co.uk/iwdc-members/managing-investments/fund-choices**.

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 3 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 2: Illustration of cumulative effect of costs and charges on the value of members' fund values over time

The effect of costs and charges for each of the funds is provided in the table below:

Years	Long-Term Growth Fund		Global Equity Fund		Corporate Bond Fund		UK Government Fixed Interest Bond Fund		UK Government Index Linked Bond Fund		Socially Responsible Equity Fund		Deposit Fund		Flexible Drawdown Lifestyle Strategy	
	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£7,603	£7,557	£7,557	£7,536	£7,404	£7,381	£7,327	£7,306	£7,250	£7,232	£7,557	£7,530	£7,281	£7,263	£7,603	£7,557
3	£13,207	£13,006	£13,006	£12,913	£12,352	£12,257	£12,034	£11,949	£11,723	£11,649	£13,006	£12,889	£11,847	£11,775	£13,207	£13,006
5	£19,377	£18,925	£18,925	£18,718	£17,492	£17,289	£16,815	£16,635	£16,163	£16,010	£18,925	£18,665	£16,421	£16,271	£19,377	£18,925
10	£37,592	£36,002	£36,002	£35,286	£31,224	£30,580	£29,107	£28,561	£27,154	£26,708	£36,002	£35,105	£27,917	£27,472	£37,592	£36,002
15	£60,477	£56,794	£56,794	£55,166	£46,296	£44,948	£41,929	£40,829	£38,057	£37,195	£56,794	£54,756	£39,550	£38,676	£60,477	£56,794
20	£89,033	£81,958	£81,958	£78,888	£62,817	£60,476	£55,333	£53,496	£48,950	£47,562	£81,958	£78,121	£51,383	£49,953	£89,033	£81,958
25	£124,463	£112,258	£112,258	£107,060	£80,904	£77,250	£69,378	£66,617	£59,911	£57,899	£112,258	£105,771	£63,478	£61,376	£124,463	£112,258
30	£168,217	£148,585	£148,585	£140,381	£100,682	£95,366	£84,124	£80,254	£71,016	£68,291	£148,585	£138,362	£75,900	£73,013	£168,217	£148,585
35	£222,032	£191,972	£191,972	£179,651	£122,288	£114,926	£99,639	£94,470	£82,338	£78,819	£191,972	£176,641	£88,715	£84,936	£222,032	£191,972
40	£287,999	£243,624	£243,624	£225,785	£145,867	£136,037	£115,992	£109,332	£93,954	£89,562	£243,624	£221,460	£101,992	£97,215	£279,443	£237,130
45	£368,626	£304,937	£304,937	£279,832	£171,576	£158,819	£133,258	£124,910	£105,936	£100,600	£304,937	£273,793	£115,800	£109,924	£326,360	£273,556

The projected pot and effect of costs and charges for the default lifestyle arrangement is also provided:

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. The starting pot size is assumed to be £5,000.
3. Inflation is assumed to be 2.5% each year.
4. Member is assumed to be aged 20, with a target retirement age of 65.
5. Monthly contributions are assumed to start at £200, increasing at 4% (assumed earnings inflation of 1.5%) each year until target retirement age.
6. The assumed growth rates for each fund are in line with AS TM1 guidance at 31 December 2022, and so consistent with those used for Statutory Money Purchase Illustrations at this date.
7. The growth rates assumed are as follows (costs and charges shown in brackets):
   - Long-Term Growth Fund: 6.25% (0.75%)
   - Global Equity Fund: 5.50% (0.35%)
   - Corporate Bond Fund 3.00% (0.37%)
   - UK Government Fixed-Interest Bond Fund: 1.75% (0.34%)
   - UK Government Index-Linked Bond Fund: 0.50% (0.30%)
   - Socially Responsible Equity Fund 5.50% (0.44%)
   - Deposit Fund 1.00% (0.29%)
8. The assumed growth rates, costs and charges for the default arrangement reflects those of the underlying funds that are held at each point in time.
9. Costs and charges include property expenses and transaction costs.
10. Transaction costs are based on an average of the last 5 years for funds with a history of 5 years or more, and since inception (annualised) for funds with a shorter history. All other costs and charges are forward looking.
11. Values shown are estimates and are not guaranteed.

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.

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 105 summarises the investments of each of these pooled funds as at 31 December 2022. The notes on pages 111 - 127 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 page 113, and the unit prices on page 112.

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.

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.

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

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

The accounting policies on pages 103 and 104 and the notes on pages 111 to 127 form part of these financial statements.

Fund statement as at 31 December 2022
Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Property	Non Government Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£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 103 and 104 and the notes on pages 111 to 127 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
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

Richard Goldson
Director and Chair, Audit and Risk Committee

The accounting policies on pages 103 and 104 and the notes on pages 111 to 127 form part of these accounts.

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%

The accounting policies on pages 103 and 104 and the notes on pages 111 to 127 form part of these accounts.

Fund statement as at 31 December 2021
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	1,298
Illiquid Growth	-	-	-	1	-	1
Total	**1,237**	**14**	**2,224**	**1**	**37**	**3,513**

The accounting policies on pages 103 and 104 and the notes on pages 111 to 127 form part of these accounts.

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**
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 103 and 104 and the notes on pages 111 to 127 form part of these accounts.

Consolidated notes to the Fund Statement

1.1 Fund statement as at 31 December 2022

Assets	Notes	2022 £m	2021 £m
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	Notes	2022 £m	2021 £m
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

	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
Defined Contribution Pooled Fund		
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 on the right.

	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 26 (2021: 27) 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 rent properties, 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, which 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.

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	Asset value at year end	Liability value at year end
		£m	£m	£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 million	Currency sold million	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
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 Railways Pension Scheme are not included in the lending programme.

Further details on the securities lending policy can be found on page 32.

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)

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.
- **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 £m	2021 £m	Credit risk	Market risk		
				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

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.

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.

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	150	95
Presidio Investors	149	81
Carried forward	**31,275**	**35,157**

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

	2022 £m	2021 £m
Brought forward	**31,275**	**35,157**
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
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
Carried forward	**32,916**	**36,766**

	2022 £m	2021 £m
Brought forward	**32,916**	**36,766**
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
Carried forward	**33,485**	**37,451**

	2022 £m	2021 £m
Brought forward	**33,485**	**37,451**
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
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	25.00	25.00
FTSE All Share Index	20.00	20.00
FTSE Developed Europe (ex UK) Index	20.00	20.00
FTSE Developed Asia Pacific Index	20.00	20.00
MSCI Emerging Markets Index (50% hedged to GBP)	15.00	15.00
	100.00	**100.00**

The Global Equity Pooled Fund adopts a passive hedging strategy whereby 50% of the overseas developed markets currency exposure in the pooled fund is hedged back to Sterling.

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	MSCI 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)

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 5 years therefore the figures given in the table are since inception returns rather than 5 year returns.