

# RAILPEN

## **Case Study: Railpen (UK) Investor Climate Action Plan**

### *ICAPs Expectation Ladder Area: Investor Disclosure, Corporate Engagement, and Policy Advocacy*

Railpen manages the pensions of over 500,000 members, holding £35bn in AUM. The organisation signed the PAII Asset Owner commitment and published a Net Zero Plan in September 2021. Railpen utilizes target setting, stewardship and engagement with portfolio companies and policy advocacy to support the global transition to net zero, as well as the transition of its own portfolio.

### **Target Disclosures**

Railpen use target setting as an instrument to move towards a net zero future, as outlined in its 2021 [Net Zero Plan](#). These targets are guided by the [PAII Net Zero Investment Framework Implementation Guide](#) and include:

- Increasing the proportion of underlying assets in the portfolio that are considered net zero and 'aligned to net zero' to 100% by 2040.
- An engagement target that aims to increase the proportion of financed emissions that are under engagement and stewardship actions, from a baseline of 70% in 2021 to 90% by 2040.
- Portfolio decarbonisation targets of 25-30% CO<sub>2</sub>e/£mn invested by 2025, 50% by 2030, and 100% by 2050 or sooner.
- Increasing the proportion of the portfolio invested in climate solutions.

### **Corporate Engagement**

Railpen has set an engagement target of increasing the proportion of financed emissions that are under engagement and stewardship actions from a baseline of 70% in 2021 to 90% by 2040. Railpen recognizes successful engagement leads to significantly superior societal outcomes than disinvestment, which can be a blunt instrument. The aim of Railpen's direct and collaborative engagement efforts is to align underlying portfolio companies with a net zero trajectory, so Railpen work collectively with other investors through [Climate Action 100+](#). Figure 1 below shows the industries considered within scope of Railpen's engagement targets, highlighting the key material sectors that Railpen is engaging with.

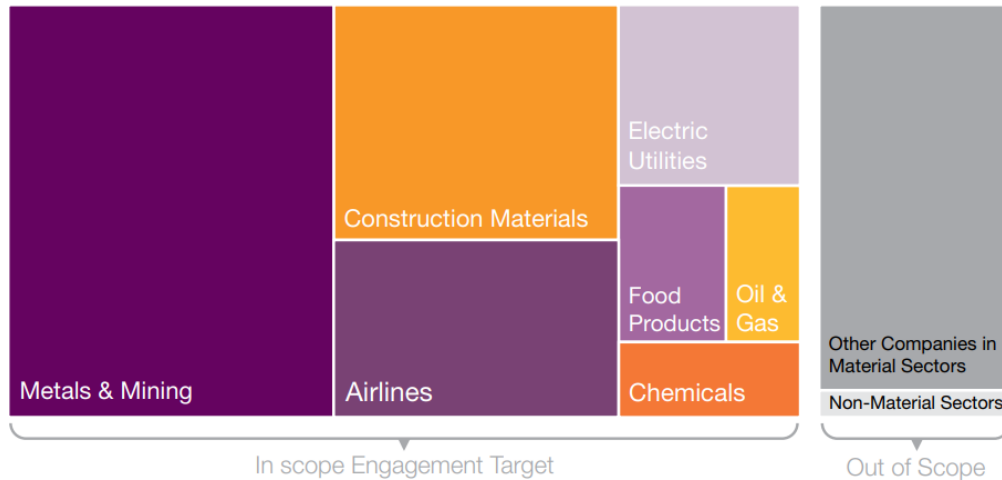


Figure 1: Railpen's engagement targets by industry (Railpen's Net Zero Plan, page 3)

Railpen co-authored IIGCC's [Net Zero Stewardship Toolkit](#) which provides a 'systematic framework' for global investors to help prioritize high-impact corporate engagement and hold laggard companies to account through six key steps:

- 1) Undertake portfolio analysis and use the stewardship framework for prioritization of key engagements.
- 2) Set net zero alignment criteria, time bound company level objectives, and portfolio goals.
- 3) Develop an engagement strategy for priority companies.
- 4) Develop baseline engagement and voting policy approach for all companies.
- 5) Ensure asset owner and manager alignment and engagement.
- 6) Transparency – inform of the net zero stewardship strategy through disclosures.

The toolkit outlines the crucial iterative link between conducting company analysis, where a company might be failing to align to net zero, and the engagement and voting activities that might follow. It provides a standardized foundation for climate-related engagement across listed equities and bonds, enabling investors to deliver the substantive remedial actions that will drive the change that the world needs to see. Railpen's industry-leading stewardship practices were influential in the production of this practical foundational process, which will help to enhance net zero stewardship across the investment space.

### Policy Advocacy

Central to Railpen's approach is the acknowledgement that there must be widespread changes at policy-level and market-level. Railpen is a proactive participant in climate policy and regulatory debates, following the recognition that changes at policy level are likely to be far more effective than changes in Railpen's investment portfolio. As part of its Net Zero Plan, Railpen commits to continuing its activities to promote progressive climate action and a just transition by policy makers and market participants, and to do so strategically with the goal of net zero by 2050 or sooner in mind. The fund signed the Investor Agenda [2021 Global Investor Statement on Climate Change](#) and will continue to engage in policy and market-level discourse both individually and collaboratively.