



UK Stewardship Code Compliance Statement

RPMI Railpen, on behalf of the Railways Pension Trustee Company Limited (the Trustee Company), welcomed the introduction of the UK Stewardship Code (“Code”) which was launched in 2010 and strongly supports the Code’s aim to promote the sustainable growth of investee companies through investment and dialogue.

We are a long standing supporter of sustainable ownership from the perspective of a long term global asset owner with an in-house team who undertake engagement with investee companies as well as monitoring the stewardship activities associated with the management of our portfolios.

The Trustee Company considers the responsibilities of stewardship to be part of its fiduciary duty to its beneficiaries. It was one of the first UK occupational pension funds to publish a corporate governance and voting policy and introduced voting for all of its UK equities in 1992.

Voting was extended to the US, Continental Europe and Japan in 2006, to Singapore and Australia in 2007, Hong Kong and other South East Asian markets in 2008. Today we aim to vote our entire equity portfolio globally.

Stewardship is a global concept, and we welcome the prospect of stewardship codes in other jurisdictions. We support the work of the ICGN in seeking to foster dialogue through the work of the Global Stewardship Codes Network. <https://www.icgn.org/policy/stewardship-codes>.

This statement is the Trustee Company’s public disclosure of how it will fulfil its stewardship responsibilities and has been placed in the public domain through publication on our website.

Further enquiries on any aspect of the Trustee Company’s approach to stewardship and responsible investment are welcome and should be emailed to so@rpmico.uk:

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Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

The Trustee takes its responsibilities as a shareholder seriously by voting most of its holdings and encouraging engagement where appropriate with portfolio companies. It seeks to adhere to the UK Stewardship Code and through its Statement of Investment Principles and investment management agreements encourages its external asset managers to do so too. This extends to environmental, social and governance (ESG) matters considered likely to have a material impact on the portfolio.

The Trustee Company retains control of its voting policy, including where possible, over its underlying beneficial interests in pooled funds, and has centralised vote execution. Its subsidiary RPMI Railpen employs an in-house sustainable ownership (SO) team who undertake voting and engagement including monitoring of the activities in our portfolios. Our trustees, RPMI Railpen Board members, pensions committee members and staff receive periodic training on stewardship and responsible investment issues.

RPMI Railpen retains various external voting advisory and execution services to ensure that its voting rights are routinely exercised in support of corporate governance best practice where practical. In addition to the monitoring performed by external fund managers and voting overlay managers, RPMI Railpen will take further action in relation to individual companies, whether independently or with other parties, where it considers it in the best interests of beneficiaries to do so.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

The Trustee Company expects its external asset managers to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship and investment practice. The Trustee Company's operating subsidiary RPMI has its own Code of Conduct which covers conflicts of interest and requires RPMI's own staff to disclose any interest in any company, or other entity, in which the Trustee Company has an ownership interest.

The Railways Pension Scheme is an industry wide scheme with over 100 designated and participating employers. The Trustee Company's governance and voting policies are applicable to all listed companies, including without exception those that participate as employers in railway industry pension schemes.

Principle 3 – Institutional investors should monitor their investee companies

RPMI Railpen manages certain elements of the investment portfolio internally and some externally. The in-house RPMI Railpen sustainable ownership team works with our internal investment teams, our external managers and/or other investors, including other major pension funds, and sometimes independently to monitor investee companies and engage where necessary.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

Constructive engagement with portfolio companies supports our objective of enhancing the long-term investment return for our beneficiaries. We will engage with companies when we consider it is in our beneficiaries' long-term interests to do so. We will endeavour to identify problems at a sufficiently early stage to minimise any loss of shareholder value. This approach may be adopted irrespective of whether the company is held in an active or passive fund or whether RPMI Railpen is underweight or not.

We will seek to engage with companies in a confidential and constructive manner without publicity as we expect good management to reassure investors when faced with shareowners' concerns. However, we reserve the right to make public our concerns if the company fails to address adequately the issues which have been raised, and escalate as appropriate.

If portfolio companies fail to respond constructively, we will consider whether to escalate action, including the following approaches:

- Writing to the company to highlight our concerns
- Meeting with management specifically to discuss concerns
- Meeting with the Chairman, senior independent director, or independent directors
- Expressing concern through the company's advisers
- Collaborating with other investors regarding our concerns
- Speaking to the market regulators regarding our concerns
- Making a public statement at the company's meeting
- Releasing a press statement, either singly or jointly with other investors
- Submitting resolutions at a shareholder meetings
- Requisitioning an EGM
- In extremis, advising our internal or external managers to consider selling our shares in the company.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate

RPMI Railpen is an active and lead participant in several national, regional and global investor networks, alliances and trade bodies. These include, but are not limited to, the UK PLSA, the International Corporate Governance Network (ICGN), and various other investor corporate governance bodies including the Council of Institutional Investors (CII) in the USA, Eumedion in the Netherlands, the Australian Council of Superannuation Investors (ACSI) and the Asian Corporate Governance Association (ACGA) in the Far East.

In addition we are signatories to the following major responsible investor initiatives:

- Principles for Responsible Investment
- Transition Pathway Initiative
- CDP (formerly Carbon Disclosure Project)

We accept that collective action by investors can add to the effectiveness of engagement. RPMI Railpen will work with investors in collective engagement exercises, subject to any applicable laws and regulations in the relevant jurisdictions.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity

We consider the right to vote to be a fundamental right of share ownership and aim to vote our global equity portfolio. The ICGN Global Governance Principles serve as the starting point for the Trustee Company's approved voting policies for overseas markets, which also take into account local governance codes, where they exist.

We currently retain ISS, ACSI, Glass Lewis and PIRC in certain markets. These arrangements are reviewed periodically to ensure that we have access to high quality research and information based on local market knowledge. However, proxy voting research is used as an advisory resource and our own policies and judgement take precedence particularly where we have insight from our own engagement activities.

Our funds participate in various stock lending programmes subject to an overriding requirement that no more than 90% of our 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 we 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. We also have a standing instruction in place for a full recall of all Japanese stock out on loan ahead of voting season.

We publicly disclose our voting record on our website in respect of all UK company meetings held after 1 January 2010. Since 2014 we have disclosed our voting records for Japanese companies on an annual basis shortly after the end of the calendar year. In 2018 we began disclosing our Japanese voting records on a quarterly basis, and enhanced the disclosures we provide.

We publicly disclose our voting records for all company meetings since 1 January 2016 on a public website hosted by ISS accessible via a link from the voting records page on our website. From October 2018 Japanese voting records will also be disclosed via this service. Disclosure is subject to a waiting period of three months from the end of the month in which the meeting is held so that we can provide transparency without undermining our dialogue with companies.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities

RPMI Railpen acknowledges that transparency and accountability are a vital part of stewardship. The Sustainable Ownership team reports periodically to the Trustee Company and its committees on voting and responsible investment activities.

The update has historically been provided through a comprehensive and detailed appendix on responsible investment to the published annual report and accounts of the Railways Pension Scheme and other railway industry pension schemes. For the first time in 2018 we published a Sustainable Ownership report which details our activities in FY2017.