

# FRC UK Stewardship Compliance Statement

RPMI, on behalf of the Railway Pension Trustee Company Limited (RPTCL), welcomes the introduction of the FRC's UK Stewardship Code. Although the Code is addressed in the first instance to asset managers, we recognise it will only be effective if investors take it seriously and this applies to asset owners like us as well as to asset managers.

We are a long standing supporter of responsible ownership from the perspective of a long term global asset owner with an in-house corporate governance team who undertake engagement with investee companies as well as detailed monitoring of the responsible activities of our external fund managers. RPTCL considers the responsibilities of stewardship to be part of its fiduciary duty to its beneficiaries and was one of the first UK occupational pension funds to publish a corporate governance and voting policy and introduced active voting for all of its UK equities in 1992. The UK policy is regularly reviewed and can be viewed [here](#).

This approach has been extended internationally with self standing governance policy documents for other markets [policies] as good stewardship applies globally as well as domestically and is in keeping with the Code's aspiration that UK institutions use their best efforts to apply its principles to their overseas holdings. We welcome the prospect of similar codes in other jurisdictions. However, we would hope that there will be mutual recognition between codes in different markets to support a network of codes that can cope with local practice.

**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 Stewardship Code and through its Statement of Investment Principles and investment management agreements encourages its external asset managers to do so too. This also extends to environmental, social and governance (ESG) matters that the fund managers consider are likely to have a material impact on the portfolio. It has also published its own detailed policies on various aspects of responsible investment and for specific markets which can be found on its [website](#) and it expects its fund managers in those markets to comply with the relevant policy.

The Trustee Company does not delegate all responsibility for stewardship to its asset managers although it expects them to undertake engagement where appropriate. It retains control of its voting policy, including where possible, over its underlying beneficial interests in pooled funds, and has centralised vote execution. Its subsidiaries rpmi and Railpen employ a small in-house [corporate governance team](#) consisting of two full time staff. As such, we are one of the small number of asset owners who commit in-house resource and staff to undertake voting and engagement ourselves and undertake detailed monitoring of the activities of our external managers.

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 in respect of most of its holdings. It also currently uses an external voting overlay service provided by Governance for Owners in respect of Japan and European markets which extends to company engagement as well as voting recommendations.

In addition to the monitoring performed by external fund managers and voting overlay managers, 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 encourages the asset managers it employs to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship. The Trustee Company's operating subsidiary has its own Code of Conduct which covers conflicts of interest and requires the staff of the operating subsidiaries 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.**

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers who are expected to monitor companies, and intervene where necessary, and to report back regularly on activity undertaken. In addition, the in-house team works with external managers, other investors, including other major pension funds, and sometimes independently to engage with investee companies.

**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.**

Our escalation policy is set out in detail in our [UK policy](#). We will engage with companies when we consider it is in members' long-term interests to do so and will endeavour to identify problems at an 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 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. As a first step in engagement, where we do not vote in accordance with management's recommendations in respect of UK voting, we routinely write to the company in advance of the meeting to tell them why. 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, for example, by:

- 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 external managers to consider selling our shares in the company

Responsibility for day-to-day investment management is delegated to the Trustee Company's external asset managers, including the escalation of engagement when necessary. We expect such activities to be disclosed in their own statements of adherence to the Stewardship Code and will monitor this.

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

We accept that collective action by investors can add to the effectiveness of engagement. Subject to any applicable laws and regulations in the relevant jurisdictions, Railpen frequently works with our external asset managers and other investors in collective engagement exercises.

Railpen is an active and lead participant in several national, regional and global investor networks, alliances and trade bodies in line with the active share-ownership principles outlined in the Code. These include, but are not limited to, the NAPF, the International Corporate Governance Network (ICGN), the UK Corporate Governance Forum, the Global Investors Governance Network (GIGN), 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 Super Investors (ACSI) and the Asian Corporate Governance Association (ACGA) in the Far East.

For example, Railpen has pooled its governance expertise and resources with the Universities Superannuation Scheme (USS), another major UK pension fund, to establish a voting and engagement alliance [\[Voting Policy\]](#). We also work informally with other pension funds in addition to the formal relationship with USS in the UK.

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

[UN Principles for Responsible Investment](#)  
[Extractive Industries Transparency Initiative](#)  
[Carbon Disclosure Project](#)

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 vital basic right of share ownership. The Trustee Company has published self standing voting policies for the UK and several other markets including the USA, Japan, Singapore, Australian and Hong Kong which are available on our [website](#) and consideration will be given to extending this to other markets over time. The [ICGN](#) Statement on Global Corporate Governance Principles, updated in 2009, has served as the starting point for the Trustee Company's approved voting policies for overseas markets and will continue to be a reference point for policies in other markets, whilst also taking into account local governance codes, where they exist.

We actively vote all UK holdings and in those markets where we have self standing policies and many of our other overseas holdings where practicable.

We publicly disclose our [voting record](#) on our website in respect of all UK company meetings held after 1 January 2010, subject to a waiting period of 3 months from the end of the month in which the meeting is held so that we can balance transparency without undermining our dialogue with companies. We indicate by company where we have voted against or abstained on a management resolution and where we have voted for, against or abstained on a shareholder proposal.

We currently retain PIRC for UK and US proxy voting research and Manifest for proxy voting research and execution, and also use ISS and Glass Lewis in other markets. These arrangements are reviewed periodically to ensure that we have access to high quality research and information. 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 and our external fund managers.

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

Railpen acknowledges that transparency and accountability are a vital part of stewardship. The Corporate Governance team reports quarterly in detail to the Trustee Company and its committees on voting and all aspects of responsible investment.

Reporting to scheme members is on annual basis through a comprehensive and detailed appendix on responsible investment to the published annual report and accounts of the [Railways Pension Scheme](#) and periodically through the members' newsletter. Other public domain information, including details of our [UK voting](#), is also available to beneficiaries and other stakeholders on the website.

Railpen recognises the role for independent external assurance and awaits the ICAEW's exposure draft on extending the AAF 01/06 guidance to cover the Stewardship Code.

#### **Further Information**

This statement along with underlying policies will be regularly reviewed and updated in the light of developments. Further enquiries on any aspect of the Trustee Company's approach to stewardship and responsible investment are welcome and should be addressed to Frank Curtiss, Head of Corporate Governance, rpm [frank.curtiss@rpm.co.uk] or Deborah Gilshan, Corporate Governance Counsel [deborah.gilshan@rpm.co.uk]

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