



The Network Rail DC Pension Scheme

Statement of Investment Arrangements

May 2023

Version Update

Version	Effective From
1.0	November 2015
2.0	December 2018
3.0	May 2020
4.0	March 2021
5.0	May 2022
6.0	May 2023

Table of Contents

Version Update	2
Table of Contents	3
1.0 Introduction	4
2.0 Default Arrangements.....	5
3.0 Managed Lifestyle Age Matrix	8
4.0 Blended Funds.....	9
5.0 Underlying Funds in the Managed Lifestyle Option	10
6.0 Pick 'n' Mix Option	11
7.0 Service Providers.....	12
8.0 Risk Management	13

1.0 Introduction

The Statement of Investment Arrangements (“SIA”) is a document reviewed by the Trustee of the Network Rail Defined Contribution Pension Scheme (the “Trustee”, the “Scheme”) and is maintained by the Investment Sub-Committee (“ISC”). The SIA should be read in conjunction with the Scheme’s Statement of Investment Principles (“SIP”).

The SIA’s purpose is to:

- Detail the Scheme’s investment strategy;
- Provide a snapshot of the Scheme’s investment options;
- Provide information on the asset managers mandated by the Scheme, their mandates and fee bases;

While members are encouraged to make their own investment choices based on their circumstances and risk/return preference, the Trustee provides a Managed Lifestyle option for members who prefer to invest in a pre-determined investment strategy. For this option, the asset allocation automatically changes as members approach retirement to reflect members’ changing risk and return requirements.

Alternatively, members can choose from a range of Pick ‘n’ Mix investment options, which allows them to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective.

2.0 Default Arrangements

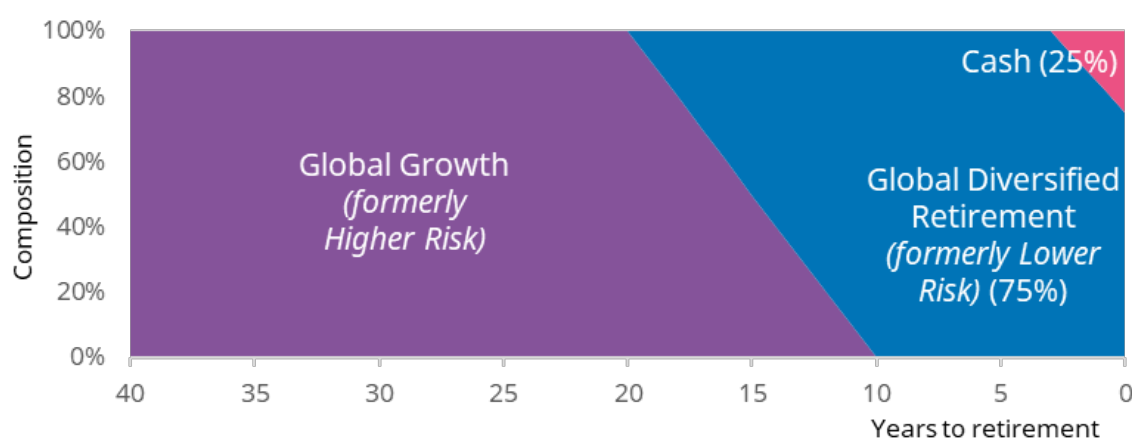
The Trustee has made available to members a default strategy, the “Managed Lifestyle Option”.

Managed Lifestyle Option

The Managed Lifestyle Option is the default arrangement where a member does not make a specific investment choice. The Managed Lifestyle Option phases a member’s funds through two Blended Funds and a Cash fund as retirement approaches:

1. Global Growth (formerly Higher Risk)
2. Global Diversified Retirement (Lower Risk)
3. Cash Fund

This is detailed in the chart below:



Objectives for the Blended Funds underlying the Managed Lifestyle Option are set out in more detail in Section 4.0.

Additional (Pick ‘n’ Mix) Lifestyle Options

As a member nears retirement, the Trustee offers two additional Pick ‘n’ Mix lifestyle options for members to choose from:

1. Annuity-Targeting Lifestyle Option
2. Cash-Targeting Lifestyle Option

Both options mirror the Managed Lifestyle option up to three years from retirement and thereafter gradually transition towards the at-retirement allocation.

A more detailed breakdown of each of the two alternate options, along with their primary aim, follows.

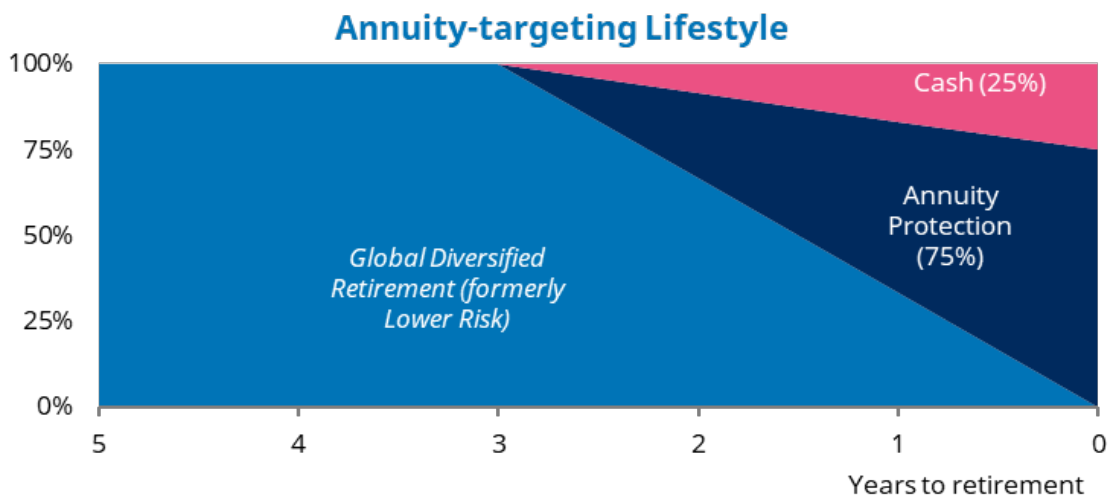
Annuity-Targeting Lifestyle Option

The Annuity-Targeting Lifestyle option aims to protect the purchasing power of assets and minimise the conversion risk when buying an annuity while also allowing for the tax free lump sum expected to be

taken by members at the point of retirement. This option mirrors the Managed Lifestyle Option up to three years before retirement and then transitions to an at-retirement allocation of:

1. 75% Annuity Protection fund
2. 25% Cash Fund

This is illustrated in the chart below:

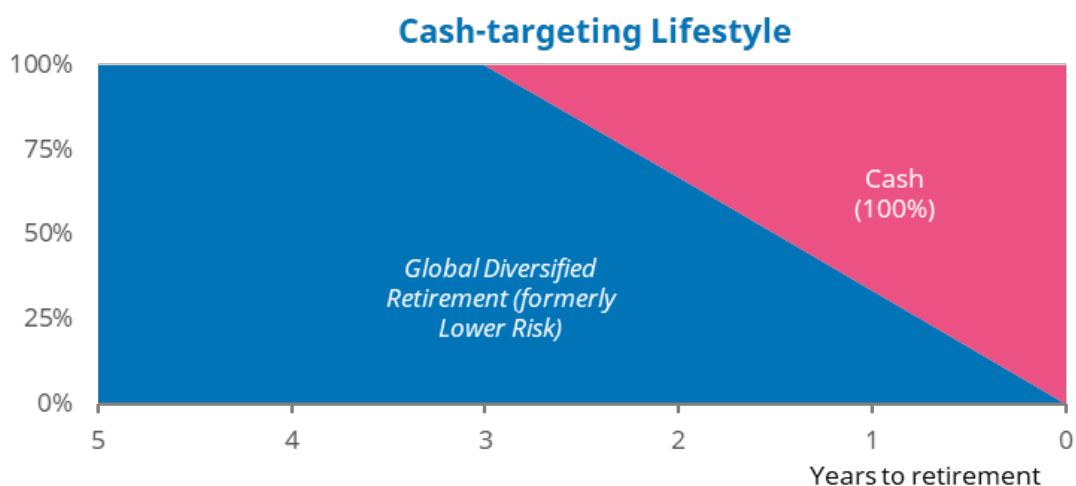


Cash-Targeting Lifestyle Option

The Cash-Targeting Lifestyle Option aims to preserve capital for members who wish to take their whole pension pot as cash at retirement. This option mirrors the Managed Lifestyle Option up to three years before retirement and then transitions to an at-retirement allocation of :

1. 100% Cash Fund

This is detailed in the chart below:



Objectives for the Blended Funds underlying the additional Lifestyle options are set out in more detail in Section 4.0.

3.0 *Managed Lifestyle Age Matrix*

The matrix below details a member's lifestyle progression across the Managed Lifestyle Option set out in section 2.0, assuming a retirement age of 65 in this example.

Years from retirement	<i>Global Growth</i>	<i>Global Diversified Retirement Fund</i>	<i>Cash Fund</i>
20 +	100%		
19	90%	10%	
18	80%	20%	
17	70%	30%	
16	60%	40%	
15	50%	50%	
14	40%	60%	
13	30%	70%	
12	20%	80%	
11	10%	90%	
10		100%	
9		100%	
8		100%	
7		100%	
6		100%	
5		100%	
4		100%	
3		100%	
2		91.7%	8.3%
1		83.3%	16.7%
0		75.0%	25.0%

4.0 Blended Funds

Managed Lifestyle	Broad Aims	Specific Objectives	AMC/TER* p.a.
Global Growth	Long Term Target	Outperform CPI + 4.5% over a 3-5 year horizon (net of fees)	0.13% / 0.17%
	Short Term Benchmark**	Performance in line with 39% MSCI World ESG Focus Low Carbon Screened Index, 44% MSCI World ESG Focus Low Carbon Screened Index (GBP Hedged), 12% FTSE Emerging Index, 5% FTSE Global Developed Small Cap Index (gross of fees)	
Global Diversified Retirement	Long Term Target	Outperform CPI + 2.0% pa over a 3-5 year horizon (net of fees)	0.13% / 0.15%
	Short Term Benchmark**	Performance in line with 55.0% Global Growth Fund objective, 5.0% J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified - GBP Hedged, 15.0% Markit iBoxx £ Non-Gilts Index, 5.0% ICE BofAML US High Yield Constrained Index (GBP Hedged), 10.0% FTSE Actuaries UK Index-Linked Gilts up to 5 Years Index, 10.0% FTSE Actuaries UK Index-Linked Gilts 5-15 Years Index (gross of fees).	

Pick 'n' Mix	Specific Objectives	AMC/TER* p.a.
Global Multi-Asset	Long term target: Outperform CPI + 3.5% pa over a 3-5 year horizon (net of fees).	0.15% / 0.17%
	Short Term Benchmark**: Performance in line with 80.0% Global Growth Fund objective, 2.5% J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified - GBP Hedged, 2.5% Markit iBoxx £ Non-Gilts Index, 5.0% ICE BofAML US High Yield Constrained Index (GBP Hedged), 5.0% FTSE Actuaries UK Index-Linked Gilts up to 5 Years Index, 5.0% FTSE Actuaries UK Index-Linked Gilts 5-15 Years Index (gross of fees).	
Global Equity Fund	Composite Benchmark of 50% MSCI World ESG Focus Low Carbon Screened Index, 50% MSCI World ESG Focus Low Carbon Screened Index (100% GBP Hedged) (gross of fees)	0.13% / 0.15%
Property Fund	25% IPD All Balanced Weighted Average +1.0% p.a. (net of fees), 75% FTSE EPRA/NAREIT Developed Real Estate Index 100% GBP Hedged (gross of fees)	0.45% / 0.46%
Aggregate Bonds Fund	50% FTSE A Govt All Stocks Index / 50% iBoxx £ Non-Gilt Index (gross of fees)	0.06% / 0.06%

* Annual Management Charge (includes Manager AMC, Platform Fee) / Total Expense Ratio (includes Manager AMC, Platform Fee and Manager additional expenses). TER figures as at 26 April 2023 (Source: LGIM) and may change from time to time as the underlying funds within the blends change and/or those funds' additional expenses change.

** Indices used to represent the asset classes used in these benchmarks are as agreed between the Trustee and its investment adviser, and may change from time to time.

5.0 Underlying Funds in the Managed Lifestyle Option

The Trustee may vary the underlying asset allocation and investment managers within Blended Funds from time to time in response to changing market conditions and manager developments. This may include the use of derivatives for annuity risk management purposes. The individual funds underlying the Managed Lifestyle Option as at the date of this SIA are:

Constituent Fund / active or passive	Description	Fund Target (gross of fees unless stated otherwise)
BlackRock ACS ESG Equity Fund / Passive (Both Unhedged and GBP Hedged versions)	Invests in equity securities of companies that make up the MSCI World ESG Focus Low Carbon Screened Index, a subset of equity securities within the MSCI World Index, and seeks to maximize exposure to positive environmental, social and governance (ESG) factors while minimizing the carbon exposure. The GBP Hedged version of the Fund aims to reduce foreign currency exposure of 100% of the overseas assets	Track benchmark index
LGIM Global Developed Small Cap Fund	Invests in equity securities of companies that make up the FTSE Global Developed Small Cap Index, and is comprised of the smallest companies within the FTSE World Equity Index.	Track benchmark index
LGIM Emerging Market Passive USD Government Bond – Hedged / Passive	Invests in US Dollar denominated Emerging Market government bonds across a range of durations.	Track benchmark index
PIMCO US High Yield / Active	Invests at least two-thirds of its assets in a diversified portfolio of US high yield bonds rated lower than Baa by Moody's or BBB by S&P, with a maximum of 30% of its assets in securities rated lower than B.	Outperform the ICE BofAML US High Yield Constrained Index (GBP Hedged) (net of fees)
LGIM Under 5y Index-Linked Gilts / Passive	Invests in index-linked UK government bonds with a maturity period of under 5 years and aims to produce a return in line with its benchmark.	Track benchmark index
LGIM 5-15 Year Gilts / Passive	Invests in index-linked UK government bonds with a maturity period of 5 – 15 years and aims to produce a return in line with its benchmark.	Track benchmark index
LGIM World Emerging Markets Equity Index / Passive	Invests in equity from emerging markets. The fund invests predominately in constituents of the FTSE Emerging Index.	Track benchmark index
LGIM Investment Grade Corporate Bond – All Stocks – Index / Passive	Invests in corporate bonds i.e. debt issued by UK or overseas companies issued in sterling and aims to produce a return in line with its benchmark.	Track benchmark index

6.0 Pick ‘n’ Mix Options

The Pick ‘n’ Mix options allow members to choose from a selection of Blended Funds and individual asset class funds based on their own attitude to risk, term to retirement and investment objective.

The Trustee may vary the underlying asset allocation and investment managers within the funds from time to time in response to changing market conditions and manager developments. This may include the use of derivatives for annuity risk management purposes.

The Pick ‘n’ Mix funds are as follows:

Asset Class	Pick ‘n’ Mix Option	Target Objective	AMC/TER* p.a.	Active / Passive
Multi-Asset Funds	Global Growth Fund	As described in Section 4.0	0.13% / 0.17%	Active
	Global Multi-Asset Fund	As described in Section 5.0	0.15% / 0.17%	Active
	Global Diversified Retirement Fund	As described in Section 4.0	0.13% / 0.15%	Active
Equity Market Funds	Global Equity Fund	As described in Section 4.0	0.11% / 0.15%	Passive
	Emerging Markets Equity	FTSE Emerging Index	0.25% / 0.25%	Passive
Specialist Equity Funds	Positive Impact Equity	MSCI ACWI Index + 2%	0.48% / 0.51%	Active
	HSBC Islamic Global Equity Fund	DJ Islamic Market Global Titans 100 Index	0.33% / 0.33%	Passive
Bonds	Aggregate Bonds Fund	As described in Section 4.0	0.06% / 0.06%	Passive
	UK Index Linked Gilts Fund	FTSE A UK Gilts Index-Linked Over 5 Years Index	0.04% / 0.04%	Passive
Infrastructure	Infrastructure Equity Fund	FTSE Developed Core Infrastructure Index	0.25% / 0.25%	Passive
Property Fund	Property Fund	As described in Section 4.0	0.45% / 0.46%	Active
Cash Fund	Cash Fund	7 day LIBID	0.05%/ 0.05%	Active

* Annual Management Charge (includes Manager AMC, Platform Fee) / Total Expense Ratio (includes Manager AMC, Platform Fee and Manager additional expenses). TER figures as at 26 April 2023 (Source: LGIM) and may change from time to time as the underlying funds within the blends change and/or those funds’ additional expenses change. TER figures for the three Multi-Asset funds are indicative and are subject to change.

7.0 Service Providers

The Scheme's service providers are detailed below:

Service	Provider
Investment Adviser	Schroders IS Limited
Legal Adviser	Mayer Brown International LLP
Platform Manager	Legal & General Assurance (Pensions Management) Limited ("PMC")
Administrator	Willis Towers Watson

8.0 *Risk Management*

A number of risks are described in the SIP. The Trustee has provided a lifestyle option that aims to address risk through a member's life (detailed in Section 2.0). The Trustee may vary the underlying asset allocation and investment managers within this option from time to time in response to changing market conditions and manager developments. This may include the use of derivatives for annuity risk management purposes.

The Trustee also provides members with a range of Pick 'n' Mix investment options into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective.

For this purpose, the Trustee, in conjunction with the Advisers, has chosen a range of investment options designed to provide members with a sufficient level of flexibility in their fund choices. The Trustee is also aware of the importance of the safe custody of members' funds, to safeguard the security of their investments. Accordingly, appropriate due diligence is done by the platform manager on the custody and administration arrangements of the underlying investment managers before an appointment is made and this is reviewed regularly by the Advisers in conjunction with the Trustee.

In addition to the risks noted above, the Trustee also recognises the options it has selected are subject to underperformance risk. This is addressed through providing options with appropriate diversification and through regular monitoring of the active managers' performance, processes and capabilities with respect to their mandate, as well as by the use of more than one manager to avoid over exposure to one organisation.