

NETWORK RAIL CARE PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
SCHEME REGISTRATION NUMBER: 12000963

NETWORK RAIL CARE PENSION SCHEME

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NETWORK RAIL CARE PENSION SCHEME

TRUSTEES AND ADVISERS

YEAR ENDED 31 DECEMBER 2024

Trustee	Network Rail Pension Trustee Limited
Trustee directors	Employer Nominated Timothy Craddock Louise Campbell Lisa Leeds (appointed 8 January 2024) The Law Debenture Pension Trust Corporation Limited (Independent)(represented by Samantha Pitt) Trade Union Nominated Paul Norris (RMT) Gary Adams (TSSA) Ian Waters (Unite) Member Nominated Robert Arnold (resigned 31 March 2024) Ian Icton (appointed 1 April 2024)
Secretary	Claire McCarthy
Scheme administrator	WTW Westgate 120 – 130 Station Road Redhill Surrey RH1 1WS
Scheme actuary:	Douglas Primrose XPS Group Tempus Court Onslow Street Guildford GU1 4SS
Auditor:	RSM UK Audit LLP Statutory Auditor Chartered Accountants 25 High Street Crawley RH10 1BG
Legal adviser:	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Investment adviser:	Schroders Solutions 1 London Wall Place London EC2Y 5AU
Asset allocation manager:	Schroders Solutions 1 London Wall Place London EC2Y 5AU
Investment custodians	CACEIS Bank

NETWORK RAIL CARE PENSION SCHEME

TRUSTEES AND ADVISERS *(continued)*

YEAR ENDED 31 DECEMBER 2024

AVC provider: Legal & General Investment Management Limited
One Coleman Street
London EC2R 5AA

Life assurance company: Legal & General Assurance Society Limited
Legal & General House
Kingswood
Tadworth
Surrey KT20 6EU

Bankers: Lloyds Bank plc
PO Box 72
Gillingham
Kent ME8 0LS

NETWORK RAIL CARE PENSION SCHEME

CHAIR'S INTRODUCTION

YEAR ENDED 31 DECEMBER 2024

I am pleased to present the annual report and financial statements of the Network Rail CARE Pension Scheme (the 'Scheme') for the year ending 31 December 2024.

Overall, membership has once again increased. At the end of the year there were 5,867 members building up benefits in the Scheme, compared to 5,310 at the start of the year. Members who have left Network Rail but continue to retain deferred benefits in the Scheme went up from 6,604 to 7,189 and the number of members receiving a pension from the Scheme has increased from 724 to 867 during the year.

Investments and funding

At the end of the year, the total value of the Scheme's assets increased from £297.7 million to £330.5 million. This includes the value of members' additional voluntary contributions, together with funds members have transferred from other pension schemes, which was £42.7 million compared to £37.2 million at the end of last year.

Overall Scheme performance is ahead of the investment objectives set by the Trustee for the 12 months to 31 December 2024, and over the last 5 years, but behind over the last 3 years; the 3-year underperformance is a function of a challenging 2022. Over 2024, government bond yields and cash rates rose materially amid a year of significant geopolitical uncertainty. In spite of this, global equity markets, especially in the US, performed strongly.

Changes to your Trustee Board and Network Rail Pensions Team

Robert Arnold's term as Member Nominated Director expired on the 31 March 2024. Following a nomination and ballot process of eligible members, the successful candidate, Ian Iceton, has been appointed as the new Member Nominated Director from 1 April 2024 to 31 March 2028. I would like to thank Robert for his time on the Board and would like to welcome Ian.

Louise Campbell's reappointment as Trustee Director for a further term of 4 years was accepted. There were no further changes to the Board during 2024. During 2024 Richard Jolly was promoted to Group Head of Pensions in the Network Rail Pensions Team and Katherine Davies was appointed as Pensions Manager.

I look forward to working with all of my Trustee Director colleagues as we embark on another full programme of work in the coming year.

Samantha Pitt

Samantha Pitt
Chair of the Trustee

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT

YEAR ENDED 31 DECEMBER 2024

The Trustee of the Network Rail CARE Pension Scheme (the 'Scheme' or 'CARE') presents its report and audited financial statements for the year ending 31 December 2024.

Scheme Management

The Scheme

The Scheme commenced with effect from 1 November 2008 as a tax registered pension scheme established by way of a definitive Trust Deed and Rules. The Trust is managed by Network Rail Pension Trustee Limited ('the Trustee'), whose registered address is Waterloo General Office, London, SE1 8SW (Registration number 5067789), which also acts as Trustee of the Network Rail Defined Contribution Scheme ('NRDC') Scheme, established on 31 March 2004.

The Scheme is a defined benefit pension plan based on career average revalued earnings ('CARE') and is one of three Pension Scheme's offered to employees of Network Rail. The Scheme runs alongside NRDC and the Network Rail Section of the Railways Pension Scheme ('RPS').

New employees are eligible to join the Scheme from their first day of employment, subject to them completing an application form. Members of the Scheme were contracted-out of the State Second Pension prior to new pensions reforms on 6 April 2016. These included discontinuing the State Second Pension and ending contracting-out. Members are therefore no longer contracted-out. The Trustee has discretion to accept transfers from other registered pension arrangements, but on a money purchase basis only. However, the Scheme does not accept transfers from the Railways Pension Scheme ("RPS") or other registered pension schemes in respect of members' Guaranteed Minimum Pensions (GMP) or, prior to 6 April 2012, contracted out Protected Rights which were abolished on that date.

Changes to the Scheme's Rules

During the year ending 31 December 2024, no Deeds of Amendment were executed, however, an exercise is under way to consolidate the Trust Deed and Rules and various deeds into one document, which was executed on 5 February 2025.

Appointment of Trustee Directors

There are eight directors, four appointed by Network Rail Infrastructure Limited (the Principal Employer), three nominated by trade unions recognised by Network Rail and one nominated by Eligible Members* of NRDC and CARE. The employer nominated directors are appointed by Network Rail Infrastructure Limited at its discretion. Network Rail's three recognised trade unions (TSSA, RMT and Unite) nominate one person each to sit on the Trustee Board and the member nominated director is appointed following an election process.

The term of office is normally four years, but operates by rotation. These arrangements are intended to ensure the Scheme continues to be managed effectively and also meet its statutory requirements.

The Trustee's main duties are to administer the Scheme in accordance with the Trust Deed and Rules and in the interests of members in consultation with the employer as appropriate.

*Nominations can be accepted from Eligible Members. There are two types of Eligible Members; firstly, 'active members' i.e. those who are either in NRDC or CARE who are still employed by Network Rail and in respect of whom pension contributions are being paid; secondly, 'pensioner members' i.e. members of the CARE Scheme who have retired and are receiving a CARE Scheme pension.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Scheme Governance

There were 5 board meetings held during the year ending 31 December 2024. The table below shows the number of meetings attended by each Trustee Director from the number they were eligible to attend:

Trustee Directors	No. of meetings	No. attended
Timothy Craddock	5	4
Robert Arnold (expired 31 March 2024)	1	1
Paul Norris	5	3
Ian Waters	5	4
Louise Campbell	5	4
Gary Adams	5	4
Law Debenture, represented by Samantha Pitt	5	5
Lisa Leeds (appointed 8 January 2024)	5	5
Ian Iceton (appointed 1 April 2024)	4	4

In addition, the Trustee has three sub-committees as follows:

- Audit and Risk sub-committee to identify, monitor and recommend methods of managing the key risks associated with the Scheme. This sub-committee met on 4 occasions during the year ending 31 December 2024.
- Investment sub-committee to review with fund managers and the investment consultant the investment performance of the pension funds and make recommendations to the Trustee on any aspects relating to the investment of the fund. The sub-committee met on 4 occasions during the year ending 31 December 2024.
- Benefits sub-committee comprises any two Trustee Directors or any Trustee Director and the Pensions Manager. The Trustee has delegated authority to this committee to exercise discretion and make decisions regarding the payment of benefits in certain circumstances where referral to the full Board is not deemed necessary. This will usually involve deciding who is to receive lump sums and dependants' benefits on the death of a member and approving member requests for early retirement on grounds of incapacity. Cases are usually reviewed by the sub-committee electronically and decisions made via memorandum. If a decision cannot be reached, then a meeting is convened to discuss. If there is no consensus then the case is referred and decided by the full Trustee Board.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Trustee Directors' training

Since inception, arrangements have been in place to ensure that those with responsibility for the Scheme receive appropriate training and access to information to carry out their significant responsibilities effectively. All Trustee Directors are conversant with all of the main Scheme documents. As part of a Trustee Director's induction, they are provided with an introduction to each document so that they understand the part it plays in the running of the Scheme. Directors also have direct access to each of the Scheme's documents to be able to carry out their duties. An annual review of the Trustee's training policy and individual Trustee Directors' training needs is conducted in order to monitor compliance with the Pension Regulator's Trustee Knowledge and Understanding (TKU) Code of Practice.

Under the Trustee's training policy, new Trustee Directors are required to complete the Pensions Regulator's e-learning Trustee Toolkit within six months of appointment. Trustee Directors are also encouraged to gain the Pensions Management Institute ('PMI') Award in Trusteeship qualification. All of the current Trustee Directors have either completed the Trustee Toolkit or gained the PMI Award in Trusteeship or both. Training sessions are held at most Board and sub-committee meetings during the year. This year the Trustee Directors have received training from various facilitators at Board meetings on areas such as the Pension Dashboard, Cyber and War-gaming, TPR's DB Funding Code and private markets. The Trustee Directors also attend a number of externally arranged seminars and conferences on topical matters to help develop their knowledge and understanding to carry out their role. A full training log for each Director is held by the NR Pensions Management.

Directors' Continuous Professional Development (CPD) hours in the year ending 31 December 2024 are set out below:

Trustee Director	CPD hours logged	Trustee Director	CPD hours logged
Tim Craddock	19.5	Ian Waters	15.5
Paul Norris	29.3	Robert Arnold (resigned 31 March 2024)	7
Louise Campbell	16.25	Gary Adams	18.5
Lisa Leeds (appointed 8 January 2024)	16.5	Ian Iceton (appointed 1 April 2024)	22.35

In addition, Samantha Pitt, representing Law Debenture, is a fully accredited professional trustee who is required to complete a minimum of 25 hours CPD per year.

Trustee Advisers

The Trustee must appoint suitable professional advisers and give full consideration to the advice they receive. The Trustee's appointed advisers are listed on pages 1 and 2.

The Trustee continually monitors the performance of their advisers and undertakes formal reviews when deemed necessary.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Financial developments and financial statements

The financial statements included in this Annual Report and Financial Statements are required by the Pensions Act 1995. They were prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

A summary of the Scheme's Financial Statements for the year ended 31 December 2024 and the year ended 31 December 2023 is set out in the table below.

	Year ended 2024 £000	Year ended 2023 £000
Member related income	52,866	44,041
Member related payments	(12,278)	(7,110)
Scheme expenses	(3,583)	(2,972)
Net additions from dealings with members	37,005	33,959
Net returns on investments	(4,223)	12,173
Net (decrease)/increase in the Scheme	32,782	46,132
Net assets at the start of the year	297,689	251,557
Net assets at the end of the year	<u>330,471</u>	<u>297,689</u>

Financial Development

During the year, there were no significant developments affecting the financial position of the Scheme.

Going Concern

The Trustee continues to monitor closely the investment strategy and is well placed to make amendments if necessary to reflect both short term and longer-term situations. The Trustee continues to review the impact of current issues on Scheme investments via advice from the Scheme Actuary, Fiduciary Managers and Legal Adviser.

The Trustee has undertaken an annual going concern review and is of the opinion that these financial statements are appropriately prepared on the going concern basis.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Statement of Trustees' responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, 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, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also 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 including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the Network Rail CARE website.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Membership and benefits

The changes in membership during the year are as follows:

	Active members	Deferred members	Pensioners	Total
At 1 January 2024	5,310	6,604	724	12,638
Adjustments to prior period	(68)	63	17	12
New members joining	1,378	–	14	1,392
Members retiring	(44)	(80)	124	–
Members leaving prior to pensionable age	(692)	691	1	–
Members leaving with refunds	(12)	(1)	–	(13)
Deaths	(5)	(2)	(10)	(17)
Transfers out	–	(83)	–	(83)
Trivial commutations	–	–	(3)	(3)
Retirements with life annuity	–	(3)	–	(3)
At 31 December 2024	<u>5,867</u>	<u>7,189</u>	<u>867</u>	<u>13,923</u>

Included within Pensioners above are 99 spouse and dependant annuitants (2023 – 82).

Transfer values

Cash equivalents are calculated and verified in a manner prescribed by regulations under section 97 of the Pension Schemes Act 1993, and are not less than the amount for which section 94(1) of the Act provides. No discretionary benefits have been included in the calculation of transfer values payable.

Pension Increases

Pensions in payment are subject to a cost of living increase on 1 April each year in accordance with the Rules of the Scheme. Benefits accrued up to 31 March 2016 are increased by RPI (Retail Prices Index) up to 5% p.a. and benefits accrued from 1 April 2016 are increased by CPI (Consumer Prices Index) up to 5% p.a. For both indices the percentage used is for the previous September.

From 1 April 2024, benefits pre April 2016 were increased by 5% and benefits post April 2016 were increased by 5% - both elements were capped in line with the rules of the Scheme as September 2023 CPI and RPI were both greater than 5%.

The Employer has awarded no discretionary increases during the year ending 31 December 2024.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Actuarial liabilities

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, assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

Actuarial Valuation

The Scheme's most recent triennial valuation took place on 31 December 2022. This is in line with the Scheme Specific Funding Regime introduced by the Pensions Act 2004. The valuation was carried out on an ongoing funding Basis, i.e. on the basis that members will continue to accrue benefits in the Scheme and that contributions will continue to be paid.

The funding level in the Scheme compared with the previous valuation is shown below:

	2022	2019
Technical provisions	£261m	£271m
Assets	£221m	£280m
Past service (deficit)/surplus	£(40)m	£9m
Funding level %	85%	103%

The funding position has deteriorated significantly since the last valuation. The most significant influences on the funding position have been as follows:

- Returns on the Scheme's investments were lower than assumed, which increases the deficit.
- Price inflation was significantly higher than assumed, which increased the liabilities.
- The changes in future assumed inflation increased the value placed on the liabilities, offset to some extent by the changes in the demographic assumptions.

A copy of the 2022 Valuation Report, dated March 2024, is available on request from the Network Rail Pensions department at the address on page 18.

The next actuarial valuation is due as at 31 December 2025.

The method and significant actuarial assumptions used to determine the technical provisions as set out in the Appendix to the Statement of Funding Principles were as follows:

Method

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

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Significant actuarial assumptions

Discount rate: The discount rate has been set at the gilt curve plus 3.85% per annum. It was agreed that the documentation should leave room for the "plus" to change at future dates.

Future Price inflation (RPI): RPI inflation swaps curve

Future Consumer Price inflation (CPI): Pre 2030: RPI less 1.0% per annum and post 2030: RPI

Pension increases: derived from the RPI curve capped at 5% per annum for benefits accrued pre 1 April 2016, and from the CPI curve capped at 5% per annum for benefits accrued post 31 March 2016, with each forward rate on both curves adjusted using the Black-Scholes model with an inflation volatility of 1.5% per annum.

Mortality after retirement: has been set in line with the standard SAPS series 3 tables, with allowance for future improvements in line with CMI 2021 model with an initial addition to mortality improvements of 0.3% per annum and subject to long term annual improvements of 1.5% per annum.

Statement of Funding Principles, Schedule of Contributions and Deficit Repair Schedule

Under the Statutory Funding Regime the Trustee is required to agree a Statement of Funding Principles with the Principal Employer as well as a Schedule of Contributions and, when relevant, a Deficit Repair Schedule.

Between them, these documents set out the Trustee's policy for ensuring that the Statutory Funding Objective (that the Scheme must have sufficient assets for meeting its Technical Provisions) is met, and the amounts which the Employer will pay to secure the benefits. Copies of all relevant documents are available from the Scheme Secretary.

The following contributions will be payable by the Employer under the Schedule of Contributions:

	Company contribution rate (% of salaries)
Future Service Rate: (including allowance for expenses and insurance premiums)	From 1 April 2021: 10.86% p/a

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Investment management

Statement of Investment Principles and Statement of Investment Arrangements

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which details the key elements of the investment arrangements of the Scheme. A copy of the most recent Statement of Investment Principles is appended to these accounts for inspection as well as being available at www.mynrpension.co.uk. Any subsequent updates may be obtained from the contact listed for further information about the Scheme and will be made available on the Scheme website.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their underlying manager holdings, to Schroder Solutions, the asset allocation manager. Schroder Solutions has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled investment fund. The Trustee delegates consideration of financially material factors, including ESG matters, to Schroder Solutions who considers these when constructing the portfolio, including looking at underlying managers. The Trustee does not at present take into account non-financially material factors when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. This policy is reviewed periodically.

The Scheme's Implementation Statement is included at the end of this Annual Report and Financial Statements.

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP by the Scheme's investment managers during the year ended 31 December 2024.

Investment Objectives & Strategy

The Trustee has formally appointed Schroders IS Limited as the Scheme's Investment Adviser and asset allocation manager.

The investment objective of the Total Scheme is to achieve a return of at least 4.05% per annum over the estimated movement in the Scheme's liabilities.

In addition to framing the investment objective, the Trustee is responsible for setting the split of assets between return-seeking assets (known as the Growth Assets) and liability-matching assets (known as the Liability Hedging Assets).

Based on consideration of the Scheme's liabilities and the desired investment objective, the Trustee have adopted a 90% Growth Assets/10% Liability Hedging Assets split. With regards to the Growth Assets, these comprise the Dynamic Growth Assets (60%) and the EDOS (30%).

The Investment Manager has discretion to implement the Trustees' investment strategy in order to meet the objective, as described below.

The permitted investments as set out in the Amendment Agreement of the Investment Management Agreement (or "IMA") with Schroders IS Limited dated August 2023 are as follows for the Dynamic Growth Assets:

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Asset Class

Equities	Any
Property	Any
Alternatives	Any
Return Seeking Credit	Any
Commodities	Any
Cash and Sovereign Bonds	Any

SISL has also been appointed as the Scheme's Investment Manager in respect of Liability Hedging. The Trustee retains ownership of those decisions which have the greatest importance to the Scheme's investment strategy - asset allocation ranges, framing objectives, allocations to on-risk/off-risk assets and risk tolerance, and liability hedging levels.

In addition, the Trustee has appointed CACEIS as custodian of the Scheme's assets.

Liability Hedging Assets

The LHA is invested in a portfolio of directly held gilts, which is expected to move closely in line with the rise and fall in liability values, thus providing a degree of protection to the Scheme's funding position.

The LHA also contains OTC derivatives, which extend the liability matching provided by the gilts to changes in interest rate and inflation expectations.

Growth Assets

The GA holds a diverse portfolio of assets that are expected, in the longer term, to exceed the growth in the value of the Scheme's liabilities. The objective for the GA is to achieve a return of at least 4.625% per annum in excess of the return of cash, after the deduction of fees, over rolling three year periods.

During the year, the GA has been invested in a diversified portfolio of equities, global government, high yield, and emerging market bonds, and alternative assets such as hedge funds and leveraged loans.

The aim of the Equity Derivative Overlay Strategy (EDOS) is to provide the Scheme with exposure to potential equity market rises, whilst providing protection against falls in the equity market.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

The following table shows the asset class restrictions of the GA as well as the asset allocation as a proportion of the GA at the current and prior year end:

Asset Class	Min-Max(%)	31 Dec 2024	31 Dec 2023
Equities	25-75%	52.2%	44.8%
Property	0-20%	3.6%	4.6%
Return Seeking Credit	0-60%	20.5%	22.8%
Commodities	0-15%	2.1%	0.5%
Alternatives	0-40%	11.7%	12.3%
Cash and Sovereign Bonds	0-50%	9.9%	15.0%

All restrictions expressed as a proportion of the Growth Assets. Currency hedging is not included in the figures above.

Economic review

The 12-month period was dominated by changing expectations over when major central banks might be able to cut interest rates.

Softer-than-expected US inflation data in late 2023 reinforced the market's view that the Federal Reserve (Fed) would move towards cuts early in 2024. However, as 2024 progressed, inflation proved to be stickier than expected and markets were forced to push back both the timing and extent of US rate cuts.

Some weaker employment data in early summer led to fears that the Fed may have left it too late to cut rates, prompting worries about economic slowdown or even recession. The Fed responded in September with a 50 basis point (bps) cut to interest rates, larger than the typical 25 bps move.

It was a similar situation for the eurozone and UK, with higher-than-expected inflation resulting in the dialling back of expectations around policy easing. Both central banks did cut interest rates during the period.

A key contrast came from Japan. In March 2024, the Bank of Japan (BoJ) overhauled its monetary policy measures, ending negative rates and abandoning its yield curve control policy. This came in response to rising inflation in Japan and signs of higher wages being agreed.

In emerging markets, soft economic data from China continued to suggest a lacklustre economic recovery from the Covid-induced slowdown of prior years. The ongoing real estate crisis continued to weigh on sentiment. The Chinese authorities responded with a package of stimulus measures in September 2024.

November brought the much-anticipated US presidential election. While the polls had been close, the result was a clean sweep for the Republicans with Donald Trump taking the presidency.

The US economy continued to avoid recession but inflation proved stubbornly high. The Fed cut interest rates in November but signalled fewer cuts than anticipated in 2025. Attention also began to shift to the likely inflationary impact of some of Trump's stated policy priorities.

Other elections held over the course of the year also tended to see incumbents lose out. In the UK, the Conservative party lost out to Labour in the July general election. In India, Prime Minister Modi's BJP won the most seats but fell short of a majority.

Global equity markets notched up strong gains over the 12-month period. This was despite some instances of marked volatility, notably in late July/early August and also in mid-December. The MSCI World index returned 18.7% (in US dollars) for the period.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Overall, shares were supported by hopes that the US economy would achieve a soft economic landing and by expectations of further interest rate cuts. Resilient corporate earnings in several sectors also supported shares, as did enthusiasm around new technologies and artificial intelligence (AI). That said, some doubts about the likely returns to be made on large scale AI investment contributed to the volatility in markets.

Emerging markets slightly lagged their developed market counterparts. The MSCI EM index returned 7.5% (in US dollars). Optimism over the prospects for technology-related stocks helped Taiwanese equities to perform strongly.

Yields rose across the major government bond markets in 2024. The first half of the year saw market participants scale back expectations for early interest rate cuts and although subsequently softer inflation data boosted bond markets, particularly in the US, the November elections were the catalyst for a sell-off. Over the 12-month period, the 10-year US Treasury yield rose from 3.86% to 4.58%.

Germany's 10-year Bund yield rose from 2.03% to 2.36%, less than in the US as investors began to anticipate the European Central Bank (ECB) would become the first major central bank to cut interest rates, which duly occurred in June followed by consecutive reductions in September, October and December.

Despite the Bank of England reducing interest rates by 0.25% in August and November, the 10-year UK gilt yield rose sharply from 3.54% to 4.57% as the new Labour government announced a £28 billion annual increase in borrowing.

Investment Performance

The total performance return of the Scheme's assets against the objectives is shown below:

Portfolio Section	1 Year (%)	3 Years p.a. (%)	5 Years p.a. (%)
Total Portfolio	(3.0)	(22.4)	(9.1)
Objective	(10.7)	(20.3)	(9.3)
Relative	7.7	(2.1)	0.2

Performance is shown net of fees to the extent that fees are paid from assets.

Past Performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested.

Custodian

Where LGIM is appointed Investment Manager, the custodian for UK Equities and Bonds are HSBC Global Investor Services and for all other territories the custodians are Citibank London. Non-LGIM assets are in the custody of CACEIS.

Compliance Matters

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

The Pension Tracing Service, MoneyHelper, the Pensions Ombudsman and The Pensions Regulator

In accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, members are advised that:

- if they have general requests for information or guidance concerning pension arrangements contact MoneyHelper:
Address: Bedford Borough Hall, 138 Cauldwell Street, Bedford, MK42 9AP
Telephone: 0800 011 3797
Website: www.moneyhelper.org.uk
- if they have a complaint or dispute concerning a workplace or personal pension arrangement, they have the right to contact The Pensions Ombudsman free of charge:
Address: 10 South Colonnade, Canary Wharf, E14 4PU
Telephone: 0800 917 4487
Website: www.pensions-ombudsman.org.uk
Email: enquiries@pensions-ombudsman.org.uk

In addition to the above the Pensions Regulator may intervene in the running of pension schemes where trustees, managers, employees or professional advisers have failed in their duties.

Address: Telecom House, 125-135 Preston Road, Brighton, BN1 6AF
Email: customersupport@tpr.gov.uk

It has wide ranging powers which include the power to:

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The auditor and actuary have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out.

Information regarding the Scheme has been given to the Pension Tracing Service. You can trace your pension by contacting the Pension Tracing Service:

Address: Post Handling Site A, Wolverhampton, WV98 1AF
Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Internal disputes resolution procedures

Members who have a complaint with regard to any Scheme matter should contact the Pensions Manager in the first instance at the address given on page 18 of this report.

However, if the complaint is not resolved informally in this way, members may make a formal complaint under the Trustee's two stage dispute resolution procedure. During the Scheme year, one complaint was dealt with under this procedure.

Financial advice

The Trustee is not authorised to give financial advice. The Financial Services & Markets Act 2000 states who is able to provide investment advice, and any queries relating to specific arrangements should always be referred to a Financial Adviser authorised to give such advice.

Should a member have any other queries, relating to their own personal account, they should contact WTW, the Scheme administrator, at the address shown on page 18.

Applicable Data Protection Legislation and General Data Protection Regulations (GDPR)

The Trustee is registered with the Data Protection Registrar, as required by the Act and GDPR (effective from 25 May 2018). The Trustee continues to review its processes and record keeping in order to comply with the Act's provisions and GDPR requirements. Other appointed service providers must also comply with the Act and GDPR and contracts for services will reflect this as part of the contract provisions.

From 1 January 2021, the UK GDPR came into effect which will run alongside the Data Protection Act 2018, and the EU GDPR 2018. Our obligations as Trustee under UK GDPR are fundamentally the same as our obligations under the EU GDPR and we continue to remain subject to UK Data Protection laws.

The Trustee is registered with the Data Protection Registrar, as required by the Act. The Trustee continues to review its processes and recording keeping, ensuring that the Act's provisions are adhered to. Other appointed service providers must also comply with the Act and contracts for services will reflect this as part of the contract provisions.

NETWORK RAIL CARE PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2024

Contact for further information

Details of individual benefit entitlements can be obtained from the Scheme Administrator at the following address:

Network Rail
WTW
Sunderland
SR43 4JU

Email: NetworkRailPensions@wtwco.com
Tel: 01737 230487

For further information about the Scheme generally, including requests to change contributions or AVC investment options, or any complaints in relation to Scheme matters, please write to:

Network Rail Pensions Department
The Quadrant: MK
Elder Gate
Milton Keynes MK9 1EN

Email: pensions@networkrail.co.uk
Tel: 01908 781010

Further information about the Scheme is also available at: www.mynrpension.co.uk

Any questions or comments regarding information contained in this report should be addressed to:

Claire McCarthy
Trustee Governance Manager
Network Rail Pension Trustee Limited
The Quadrant: MK
Elder Gate
Milton Keynes MK9 1EN

Email: Claire.Mccarthy2@networkrail.co.uk

The registered address for the Trustee is:

Network Rail Pension Trustee Limited
Waterloo General Office,
London, SE1 8SW

Approval of the Trustee's Report

The Trustee's Report was approved by the Trustee on 29/07/2025 and signed on its behalf by:

Samantha Pitt

Louise Campbell

Samantha Pitt
Trustee Director

Louise Campbell
Trustee Director

Date: 29/07/2025

NETWORK RAIL CARE PENSION SCHEME

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Name of Scheme: Network Rail CARE Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 December 2022 to continue to be met for the period for which the Schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 21 March 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Douglas Primrose

Fellow of the Institute and Faculty of Actuaries
Scheme Actuary
XPS Pensions Limited
Tempus Court
Onslow Street
Guildford
GU1 4SS

Date: 26 March 2024

NETWORK RAIL CARE PENSION SCHEME

SUMMARY OF CONTRIBUTIONS

YEAR ENDED 31 DECEMBER 2024

During the year ending 31 December 2024, the contributions payable to the Scheme under the Schedules of Contributions were as follows:

	£'000s
Contributions required by the Schedules of Contributions	
Employers	
Normal contributions	26,731
SMART Contributions	16,883
Employees	
Normal contributions	915
	<hr/>
Other contributions	44,529
Employees	
Additional contributions	4,684
	<hr/>
Total contributions included in the financial statements	<hr/> 49,213 <hr/>

The contributions payable to the Scheme during the year were paid in accordance with the Schedules of Contributions certified by the Actuary on 4 March 2021 and 26 March 2024.

The Statutory Funding Objective was not met at the valuation date. The contributions above therefore include an allowance for additional contributions to eliminate the deficit (2.48% of member contributions and 3.71% of Employer contributions). These contributions are expected to eliminate the deficit over 3 years and 11 months from the date of the valuation.

Approved by the Trustee on 29/07/2025 and signed on its behalf by:

Samantha Pitt

Samantha Pitt
Trustee Director

Louise Campbell

Louise Campbell
Trustee Director

Date: 29/07/2025

NETWORK RAIL CARE PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS, UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE OF THE NETWORK RAIL CARE PENSION SCHEME

YEAR ENDED 31 DECEMBER 2024

Statement about contributions payable under schedule of contributions

We have examined the summary of contributions payable to the Network Rail CARE Pension Scheme on page 20, in respect of the Scheme year ended 31 December 2024.

In our opinion the contributions for the Network Rail CARE Pension Scheme year ended 31 December 2024 as reported in the attached summary of contributions on page 20 and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 4 March 2021 and 26 March 2024.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 20 have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of the Trustees and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Uses of our statement

This statement is made solely to the Scheme's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement 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 and the Scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
RH10 1BG

Date: 29/07/25

NETWORK RAIL CARE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NETWORK RAIL CARE PENSION SCHEME

YEAR ENDED 31 DECEMBER 2024

Opinion

We have audited the Financial Statements of the Network Rail CARE Pension Scheme for the year ended 31 December 2024 which comprise the Fund Account, and the Statement of Net Assets (available for benefits) and notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2024, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Scheme's Trustee use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described in the relevant sections of this report.

NETWORK RAIL CARE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NETWORK RAIL CARE PENSION SCHEME *(continued)*

YEAR ENDED 31 DECEMBER 2024

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Scheme's Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 8, the Trustee is responsible for the preparation of Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Trustee is responsible for 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 the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

NETWORK RAIL CARE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NETWORK RAIL CARE PENSION SCHEME *(continued)*

YEAR ENDED 31 DECEMBER 2024

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Financial Statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the Financial Statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the Financial Statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the Financial Statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP).

The audit engagement team identified the risk of management override of controls as the area where the Financial Statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

NETWORK RAIL CARE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE NETWORK RAIL CARE PENSION SCHEME *(continued)*

YEAR ENDED 31 DECEMBER 2024

Use of our report

This report is made solely to the Scheme's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them 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 and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
RH10 1BG

Date: 29/07/25

NETWORK RAIL CARE PENSION SCHEME

FUND ACCOUNT

YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000s	2023 £'000s
Contributions and benefits			
Employer contributions		43,614	39,126
Employee contributions		5,599	3,910
Total contributions	4	49,213	43,036
Transfers in	5	1,870	1,000
Other income	6	1,783	4
		52,866	44,040
Benefits paid or payable	7	(9,923)	(5,703)
Payments to and on account of leavers	8	(2,355)	(1,406)
Administrative expenses	9	(2,451)	(2,021)
Other payments	10	(1,132)	(951)
		(15,861)	(10,081)
Net additions from dealings with members		37,005	33,959
Returns on investments			
Investment income and expense	11	3,410	1,706
Change in market value of investments	12	(6,850)	11,611
Investment management expenses	14	(783)	(1,144)
Net return on investments		(4,223)	12,173
Net increase in the fund during the year		32,782	46,132
Net assets of the Scheme			
At 1 January		297,689	251,557
At 31 December		330,471	297,689

The notes on pages 28 to 45 form part of these Financial Statements.

NETWORK RAIL CARE PENSION SCHEME

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT 31 DECEMBER 2024

		2024	2023
	Note	£'000s	£'000s
Investment assets	12		
Bonds		125,214	110,635
Pooled investment vehicles	16	159,705	130,126
Derivatives	17	24,654	24,260
AVC investments	18	42,730	37,209
Cash	19	1,499	8,395
Other investment balances	20	1,018	958
		<u>354,820</u>	<u>311,583</u>
Investment liabilities	12		
Derivatives	17	(24,844)	(14,630)
		<u>(24,844)</u>	<u>(14,630)</u>
Total investments		<u>329,976</u>	<u>296,953</u>
Current assets	25	3,597	2,380
Current liabilities	26	(3,102)	(1,644)
Net assets of the Scheme at 31 December		<u><u>330,471</u></u>	<u><u>297,689</u></u>

The financial statements summarise the transactions and net assets available for benefits of the Scheme. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take into account such obligations, is dealt with in the report on Actuarial Liabilities on pages 10 and 11 and these financial statements should be read in conjunction with this report.

The financial statements were approved by Network Rail Pension Trustee Ltd and authorised for issue on 29/07/2025 and signed on its behalf by:

Samantha Pitt

Samantha Pitt
Trustee Director

Louise Campbell

Louise Campbell
Trustee Director

Date: 29/07/2025

The notes on pages 28 to 45 form part of these Financial Statements.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

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 guidance set out in the Statement of Recommended Practice (revised 2018).

The financial statements have been prepared on the going concern basis. Having considered funding matters, operational matters and the position of the Principal Employer the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. Identification of the financial statements

The Scheme is established as a trust under English Law. The registered address of the Scheme is at Waterloo General Offices, London, SE1 8SW.

3. Accounting policies

The following principal accounting policies were consistently applied in the preparation of the financial statements, unless otherwise stated.

Currency

The Scheme's functional and presentational currency is pounds sterling, rounded to the nearest pound.

Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

Normal contributions both from the members and from the Employer, and SMART contributions from the Employer, are accounted for as they fall due in accordance with the recommendations of the Actuary and the Schedule of Contributions. Additional voluntary contributions from the members are accounted for in the month they are deducted from pensionable salaries by the payroll system.

Transfers to and from other schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Scheme. They take account of transfers where the Trustee of the receiving scheme has agreed to accept the liabilities before the year end, and where the amount of the transfer can be determined with reasonable certainty. In the case of individual transfers, this is normally when the payment of the transfer value is made or received.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

3. Accounting policies *(continued)*

Benefits and payments to and on account of leavers

Benefits are accounted for on the later of the period in which members notify the Trustee of their decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, on the date of retiring, leaving or notification of death.

Refunds and opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Scheme.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

Administrative and other expenses

Administration expenses and premiums on term insurance policies are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

Investment income and expenditure

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.

Income from some pooled investment vehicles is reinvested with the funds and is therefore not directly paid to the Scheme but included within change in market value.

Income from some pooled investment vehicles which distribute income is accounted for on an accruals basis on the date the dividend is declared.

Annuity income is included in investment income on an accruals basis.

Investment management fees are accounted for on an accruals basis and shown separately within investment returns.

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 and unrealised changes in market value.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

Other Income

Life insurance income receivable on the death of an active member is accounted for in the year of the member's death.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

3. Accounting policies *(continued)*

Valuation and classification of investments

Investment assets and liabilities are included in the financial statements at fair value. The methods of determining fair value for the principles classes of investments are:

Bonds and certain pooled investments vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.

Unitised pooled investment vehicles, which are not traded on an active market, but where the manager is able to demonstrate they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days, are included at the latest price provided by the manager at or before the year end.

Pooled investment vehicles, including AVC Investments, are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads.

Swaps are valued at the net present value of future cash flows arising from the swap.

Forward foreign exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Over the counter options are valued by the investment manager using generally accepted pricing models, where inputs are based on market data at that date.

Accrued interest is excluded from the market value of bonds but is included in investment income.

4. Contributions

	2024 £'000s	2023 £'000s
Employer contributions		
Employer's normal contributions	26,731	23,997
Employers SMART contributions	16,883	15,129
	<u>43,614</u>	<u>39,126</u>
Employee contributions		
Member's normal contributions	915	699
Member's additional voluntary contributions	4,684	3,211
	<u>5,599</u>	<u>3,910</u>
	<u>49,213</u>	<u>43,036</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

4. Contributions *(continued)*

There is a salary sacrifice arrangement (SMART) in place giving members the option to increase their take-home pay as National Insurance Contributions payable by both employees and employer are reduced.

The Statutory Funding Objective was not met at the valuation date. The contributions above therefore include an allowance for additional contributions to eliminate the deficit (2.48% of member contributions and 3.71% of Employer contributions). These contributions are expected to eliminate the deficit over 3 years and 11 months from the date of the valuation.

5. Transfers in

	2024 £'000s	2023 £'000s
Individual transfers in	<u>1,870</u>	<u>1,000</u>

6. Other income

	2024 £'000s	2023 £'000s
Claims on term insurance policies	1,745	—
Other income	<u>38</u>	<u>4</u>
	<u>1,783</u>	<u>4</u>

7. Benefits paid or payable

	2024 £'000s	2023 £'000s
Pensions	3,391	2,337
Commutation of pensions and lump sum retirement benefits	3,425	3,115
Purchase of annuities	591	59
Lump sum death benefits	2,414	116
Taxation where lifetime or annual allowance exceeded	<u>102</u>	<u>76</u>
	<u>9,923</u>	<u>5,703</u>

8. Payments to and on account of leavers

	2024 £'000s	2023 £'000s
Individual transfers to other schemes	2,343	1,403
Refunds of contributions in respect of opt-outs	<u>12</u>	<u>3</u>
	<u>2,355</u>	<u>1,406</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

9. Administrative expenses

	2024	2023
	£'000s	£'000s
Administration and processing	1,074	740
Legal and professional fees	89	54
Trustee fees	31	36
PPF and regulatory levies	916	845
Irrecoverable VAT on expenses	182	99
Actuarial fees	100	171
Audit fee	33	37
Other admin expenses	26	39
	<u>2,451</u>	<u>2,021</u>

Trustee fees are in respect of the Independent Trustee, appointed in September 2020.

10. Other payments

	2024	2023
	£'000s	£'000s
Premiums on term assurance policies	<u>1,132</u>	<u>951</u>

11. Investment income and expense

	2024	2023
	£'000s	£'000s
Income from bonds	1,112	944
Income from pooled investment vehicles	1,984	967
Income from derivatives	—	(545)
Income from other investments	1	—
Annuity Income	147	132
Interest on cash deposits	166	208
	<u>3,410</u>	<u>1,706</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

12. Reconciliation of investments

	Value as at 1 Jan 2024 £'000s	Purchases at cost and derivative payments £'000s	Sales proceeds and derivative receipts £'000s	Change in market value £'000s	Value as at 31 Dec 2024 £'000s
Bonds	110,634	228,148	(195,150)	(18,418)	125,214
Pooled investment vehicles	130,126	74,152	(60,207)	15,634	159,705
Derivatives	9,630	32,824	(34,742)	(7,902)	(190)
AVC investments	37,209	7,575	(5,839)	3,785	42,730
	<u>287,599</u>	<u>342,699</u>	<u>(295,938)</u>	<u>(6,901)</u>	<u>327,459</u>
Cash	8,395			5	1,499
Other investment balances	958			46	1,018
	<u>296,952</u>			<u>(6,850)</u>	<u>329,976</u>

In applying FRS 102, the Trustee is of the opinion that the total valuation of annuity policies held in the name of the Trustee is not material to the Scheme's net assets and is therefore not included in the financial statements of the Scheme.

In order to allow the Trustee to form this view, a valuation of relevant annuity policies was carried out by the Scheme's Actuary as at 31 December 2022 as part of the triennial valuation work. The valuation of the annuity policies as at that date was £2.09m. The Trustee is of the opinion the valuation has not materially changed during the year.

The annuity policies held in the name of the Trustee are policies which have been bought in order to secure a pension for member spouses and/or their dependants.

Fund management fees relating to the management of the assets of the Scheme are calculated as a percentage of the value of the fund. For AVC investments these are included within the unit prices of the investments held and are therefore reflected in the market value of the investments. Management fees for the Main Scheme portfolio are deducted from the funds held.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

13. Transaction costs

In addition to the direct costs incurred below, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

Transaction costs analysed by main asset class and type of cost are as follows:

	2024				2023
	Fees £'000s	Commission £'000s	Taxes £'000s	Total £'000s	Total £'000s
Other	5	—	—	5	—
Total 2024	<u>5</u>	<u>—</u>	<u>—</u>	<u>5</u>	
Total 2023	<u>—</u>	<u>—</u>	<u>—</u>		<u>—</u>

14. Investment management expenses

	2024 £'000s	2023 £'000s
Administration, management and custody	<u>783</u>	<u>1,144</u>

15. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

16. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles analysed by type at the year end were as follows:

	2024 £'000s	2023 £'000s
Equity	101,943	66,139
Bond	39,109	34,509
Hedge funds	5,197	12,295
Property	6,752	7,029
Cash	1,904	2,870
Mortality Linked	1,675	3,824
Re-insurances	—	175
Alternative Credit	3,125	3,285
	<u>159,705</u>	<u>130,126</u>

The pooled investments are managed by companies registered in the UK.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

17. Derivatives

Objectives and Policies

The Trustee has authorised the use of derivatives, where they are specifically permitted in the investment management agreement, as part of their investment strategy for the Scheme.

The Scheme held the following derivatives at the year end:

	31 December 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
	£'000s	£'000s	£'000s	£'000s
Options	19,482	(10,099)	17,572	(4,575)
Swaps	5,064	(14,372)	5,870	(9,990)
Forward FX contracts	108	(373)	818	(65)
	<u>24,654</u>	<u>(24,844)</u>	<u>24,260</u>	<u>(14,630)</u>

Further details on the respective derivative contracts held at 31 December 2024 are as follows:

Collateral deposited by counterparties at the year end date in respect of the unrealised gain on certain derivative contracts amounted to £9.4m (2023 - £12.5m) comprising gilts. Collateral received is held with the Scheme's custodian, KAS Bank (trading as CACEIS Investor Services), but it is not reported within the Scheme's net assets.

Collateral deposited by the Scheme at the year end date in respect of the unrealised loss on certain derivative contracts amounted to £9.2m (2023 - £1.1m) comprising gilts. Collateral paid is held with the counterparties custodian and is reported within the Scheme's net assets.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

17. Derivatives (continued)

Options

Equity option contracts have been entered into in order to allow the Scheme to benefit from potentially greater returns from equities whilst minimising the risk of loss through adverse market movements.

At 31 December 2024, the Scheme has exposure to a number of individual option contracts with one counterparty, whereby the individual contracts are valued by the counterparty as a single basket on the basis that the contracts would not individually be realised but would expire or mature as a single whole. As a result, the valuation provided by the counterparty is a single valuation.

At 31 December 2024 the basket of contracts comprised:-

The nominal value represents the value of the underlying stock protected by the option contracts. The option contracts have been valued using the Black-Scholes model that take other market variables into account (volatility, time to maturity) other than a value based on the level of the underlying index.

Nature	No. of contracts	Notional principal £'000s	Expires	Asset value £'000s	Liability value £'000s
FTSE 100 Index - call	2	178	28/10/2025	126	(35)
FTSE 100 Index - put	1	1,894	28/10/2025	—	(17)
DJ Euro Stoxx 50 - call	8	10,590	Various to 05/07/2027	5,083	(673)
DJ Euro Stoxx 50 - put	4	40,229	Various to 05/07/2027	—	(1,398)
Nikkei 225 - call	6	1,963	Various to 17/06/2026	2,336	(1,092)
Nikkei 225 - put	3	12,509	Various to 17/06/2026	—	(442)
S&P 500 Index - call	24	11,355	Various to 06/07/2027	11,937	(5,380)
S&P 500 Index - put	8	50,151	Various to 06/07/2027	—	(1,062)
Total 2024		<u>128,869</u>		<u>19,482</u>	<u>(10,099)</u>
Total 2023		<u>98,480</u>		<u>17,572</u>	<u>(4,574)</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

17. Derivatives (continued)

Swaps

Swap contracts are over the counter arrangements in which the parties agree to exchange one stream of cash flows for another. The details of swap contracts in place at the year end were as follows:

Nature	No. of contracts	Notional amounts £'000s	Expires	Asset value £'000s	Liability value £'000s
Interest Swaps	6	30,620	0-10	—	(5,643)
Interest Swaps	2	7,700	11-20	—	(2,382)
Inflation Swaps	3	19,417	0-10	2,634	—
Inflation Swaps	4	15,477	11-20	2,430	—
Total Return Swaps	9	39,437	0-10	—	(6,347)
Total 2024		112,651		5,064	(14,372)
Total 2023		114		5,869	(9,990)

Forward FX contracts

Forward foreign exchange contracts are used because the Scheme has exposure to overseas investments, predominantly in the form of equities held via pooled investment vehicles. In order to reduce the Scheme's exposure to foreign exchange fluctuations the Scheme enters into forward foreign exchange contracts.

At 31 December 2024, the Scheme had the following forward currency exchange contracts outstanding:

Contract	No. of contracts	Currency bought '000s	Currency sold '000s	Asset value £'000s	Liability value £'000s
Jan'25	1	EUR 972	GBP 1,160	—	(12)
Jan'25	3	GBP 5,376	EUR 6,416	66	—
Jan'25	3	GBP 961	JPY 186,566	12	—
Jan'25	8	GBP 32,547	USD 41,208	—	(361)
Jan'25	2	USD 2,414	GBP 3,059	30	—
Total 2024				108	(373)
Total 2023				819	(65)

18. AVC investments

	2024 £'000s	2023 £'000s
Legal and General	42,730	37,209

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

18. AVC investments *(continued)*

Members may elect to secure additional benefits on a money purchase basis by electing to pay AVCs. Investment assets of the AVC section are managed by Legal & General Investment Management Ltd in a range of funds which provide members with a wide choice of investment vehicles in which to invest. Members receive an annual statement confirming their CARE benefits and the value of their AVC funds.

The valuation of members' AVC investment funds as at 31 December 2024 and 31 December 2023 is shown below:

	2024	2023
	£'000	£'000
UK equity index fund	5,354	4,953
Multi-Asset fund (formerly Consensus index fund)	6,293	6,254
Global equity 50:50 index fund	12,752	9,916
Global emerging Markets index fund	3,136	2,851
Over 5 Year index linked gilts fund	1,215	1,417
Active aggregate all stocks 50:50 fixed interest fund	1,170	1,198
Cash fund	9,970	8,226
Property fund	1,949	2,065
Islamic Global Equity fund	618	223
Ethical Global Equity fund	167	84
Infrastructure Equity fund	106	22
Total	42,730	37,209

The property fund holdings are considered to be illiquid investment holdings due to the nature of the underlying investment in properties.

19. Cash

	2024	2023
	£'000s	£'000s
Cash assets		
Sterling	1,412	8,242
Foreign currency	87	153
	1,499	8,395

20. Other investment balances

	2024	2023
	£'000s	£'000s
Other investment balances assets		
Amounts due from brokers	616	716
Accrued income	402	242
	1,018	958

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

21. Fair value determination

The fair value of financial instruments has been estimated 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 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.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 December 2024				
	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	125,214	—	—	125,214
Pooled investment vehicles	43,920	92,953	22,832	159,705
Derivatives	—	(190)	—	(190)
AVC investments	—	42,730	—	42,730
Cash	1,499	—	—	1,499
Other investment balances	1,018	—	—	1,018
	<u>171,651</u>	<u>135,493</u>	<u>22,832</u>	<u>329,976</u>

At 31 December 2023				
	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	110,634	—	—	110,634
Pooled investment vehicles	2,870	102,834	24,422	130,126
Derivatives	—	9,630	—	9,630
AVC investments	—	37,209	—	37,209
Cash	8,395	—	—	8,395
Other investment balances	958	—	—	958
	<u>122,857</u>	<u>149,673</u>	<u>24,422</u>	<u>296,952</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

22. Investment risk disclosures

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 of 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 of 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 of 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.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies as these are not considered significant in relation to the overall investments of the Scheme.

Investment Strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is outlined in the Investment Management section of the Trustee's Report on pages 12 to 14.

Credit Risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee's policy for managing credit risk is detailed in the Statement of Investment Principles.

The Scheme holds £125.2m in directly held bonds, -£0.2m in OTC derivatives and £2.2m in directly held cash balances. The Scheme also holds £41.0m bonds and cash through underlying pooled fund investments.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on Schroders Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustee mandating Schroders Solutions that the underlying investment in sub-investment grade debt may not exceed 40% of the GA.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustee monitors the investment strategy adopted by Schroders Solutions to ensure that the arrangement remains diversified.

Direct credit risk arises in respect of pooled investment vehicles. The Scheme's GA is invested across a large number of different pooled funds which have various legal structures in various domiciles (e.g. open-ended investment companies, unit trusts, limited partnerships etc.).

The direct credit risk associated with these managers is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a large number of pooled arrangements; and
- due diligence checks by Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

A summary of pooled investment vehicles by type of arrangements is as follows:

	2024	2023
	£'000s	£'000s
Open ended investment companies	27,405	31,592
Limited partnership	5,705	5,402
Exchange traded funds	37,546	21,962
Exchange traded commodities	1,914	711
Limited liability company	4,717	5,829
Mutual Fund	56,621	54,595
Authorised unit trusts	7,030	10,035
Cayman Islands exempted company	968	-
ICVC	5,512	-
SICAV	10,503	-
Fonds Commun de Placement (FCP)	1,784	-
Total	<u>159,705</u>	<u>130,126</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

22. Investment risk disclosures *(continued)*

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee's policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to Schroders Solutions. Schroders Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of FX forward contracts.

Net of currency hedging, 10.9% of the Scheme's holdings were exposed to overseas currencies as at the year-end (2023: 5.5%).

Interest rate risk

The Scheme's assets are subject to interest rate risk because some of the Scheme's investments are held in bonds, interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets subject to interest rate risk comprised:

	2024 £'000s	2023 £'000s
Direct		
Bonds	125,214	110,635
Swaps	(9,309)	(4,120)
Indirect		
Bonds PIVs	39,109	34,509
Cash PIVS	1,904	2,870

Please note clean values have been used where applicable.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

22. Investment risk disclosures *(continued)*

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which may include various asset classes (i.e. alternatives, bonds, equities, cash and investment properties) held in pooled vehicles. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2024 £'000s	2023 £'000s
Direct		
Equity options	8,193	11,221
S&P Equity Options	1,191	1,776
Indirect		
Equity PIVs	90,478	66,139
Alternative PIVs	17,576	18,814
Property PIVs	6,752	7,029
Commodities PIVs	3,886	-

Please note clean values have been used where applicable.

23. Concentration of investments

The following investments, with the exception of UK Government securities, represented more than 5% of the total net assets of the Scheme at 31 December:

	2024		2023	
	£'000s	%	£'000s	%
BNY Mellon (Schroders) Global Equity Fund	52,920	16.01	44,775	15.04
Schroders Synthetic Cash 0% 02 Jan 2026	18,174	5.50	-	-
Schroders Synthetic Cash 0% 02 Jan 2026	18,174	5.50	-	-
UK Treasury .625% 07 Jun 2025	17,182	5.20	-	-
Schroders Synthetic Cash 0% 05 Jul 2027	17,165	5.19	-	-
Schroders Synthetic Cash 0% 06 Jul 2027	17,165	5.19	-	-
Schroders Synthetic Cash 0% 17 Mar 2025	-	-	40,057	13.46

24. Employer related investments

As at 31 December 2024, the Scheme held no investment assets in Network Rail.

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

25. Current assets

	2024	2023
	£'000s	£'000s
Other debtors	210	14
Prepaid expenses	249	170
Cash balances	3,138	2,196
	<u>3,597</u>	<u>2,380</u>

26. Current liabilities

	2024	2023
	£'000s	£'000s
Unpaid benefits	1,338	218
Accrued expenses	687	487
Contributions received in advance	819	659
Other creditors	246	269
Prepaid annuity income	12	11
	<u>3,102</u>	<u>1,644</u>

NETWORK RAIL CARE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2024

27. Related party transactions

The Trustee and the Principal Employer have provided administrative services free of charge during the year under review. All on-going expenses and administration costs are payable from Scheme assets in accordance with the Trust Deed. During the year the Principal Employer met £nil (2023: £nil) of Scheme expenses.

During the year, transfers in from NRDC totalled £737,845 (2023 - £508,678) and transfers out to NRDC totalled £44,249 (2023 - £20,888).

All Trustee Directors who are members of the Scheme receive benefits in accordance with the Scheme Rules.

During the year, fees of £31,467 (2023 - £35,738) were payable to the Trustee Director, Law Debenture Pension Trust Corporation, in respect of the services of Samantha Pitt, as Chair of the Scheme.

Trustee Directors, who have served during the year, were members of the following related pension schemes during their tenure:

Trustee Director	Network Rail Pension Scheme
Samantha Pitt*	RPS Deferred / NRDC Deferred
Timothy Craddock	RPS Active / NR CARE Deferred
Robert Arnold (resigned 31 March 2024)	NR CARE Active
Paul Norris	N/a
Louise Campbell	RPS Active
Ian Waters	NR CARE Active/RPS Pensioner
Gary Adams	RPS Active
Lisa Leeds(appointed 8 January 2024)	NR CARE Active
Ian Iceton (appointed 1 April 2024)	NR CARE Pensioner

**Representative of Law Debenture Pension Trust Corporation*

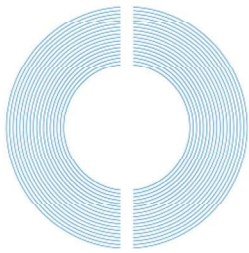
RPS – Railways Pension Scheme

NRDC – Network Rail Defined Contribution Pension Scheme

NR CARE– Network Rail CARE Pension Scheme

28. Capital commitments

At 2024, the Scheme held undrawn capital commitments of £0.02m (2023 - £0.02m) in respect of future capital calls.



Network Rail CARE Pension Scheme ('Scheme')

31 December 2024 Implementation Statement

March 2025

Schroders' Solutions Disclaimer:

The Implementation Statement is a regulatory requirement under the 2019 amendments to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts the Trustee at risk of breaching its legal duties.

This is a Trustee document, and the Trustee must review the draft Implementation Statement provided by its investment adviser/Fiduciary Manager and confirm that it has considered the content prepared and reviewed any associated documentation, such as voting policies and engagement examples.

1. Introduction

The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Network Rail CARE Pension Scheme (the ‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was not amended during the year ending 31 December 2024.

A copy of the current SIP signed and dated July 2023 can be found here: <https://www.mynrpension.co.uk/wp-content/uploads/2024/01/2023-05-CARE-SIP-signed-website-version.pdf>

This Implementation Statement covers the period from 1 January 2024 to 31 December 2024 (the “Scheme Year”). It sets out:

- How the Trustee's policies on stewardship have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

The latest guidance (“the **Guidance**”) from the Department for Work and Pensions (“**DWP**”) aims to encourage the Trustee of the Scheme to properly exercise its stewardship policy including both voting and engagement which is documented in the Scheme’s SIP. With the help of the Scheme’s Fiduciary Manager, to whom the Trustee delegated the implementation of its Stewardship policy, this Implementation Statement has been prepared to provide the details on how the Trustee has complied with the DWP’s statutory guidance.

The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as its Investment Manager and Adviser (referred to as the “**Fiduciary Manager**” in the Implementation Statement). The Fiduciary Manager can appoint other investment managers (referred to as “**Underlying Investment Managers**”) to manage part of the Scheme’s assets, and investments with these managers are generally made via pooled funds, where the Scheme’s investments are pooled with those of other investors.

A copy of this Implementation Statement is available on the following website: www.myNRpension.co.uk

2. How the Trustee's policies on stewardship have been followed over the Scheme Year

As described in the SIP, the Trustee's approach to stewardship is to delegate the voting and engagement activities to the Fiduciary Manager. The Trustee takes responsibility for regularly reviewing the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's priorities and objectives. A copy of the Scheme's SIP has been provided to the Fiduciary Manager, who is expected to follow the Trustee's investment (including stewardship) policies when providing Fiduciary Management services.

The Fiduciary Manager aligns its own stewardship activities with Schroders' Engagement Blueprint, which identifies six broad themes for their active ownership: Climate Change, Natural Capital & Biodiversity, Human Rights, Corporate Governance, Human Capital Management, and Diversity & Inclusion. From these, the Fiduciary Manager has chosen **Climate Change, Natural Capital & Biodiversity**, and **Human Rights** as its focus for the stewardship actions it performs on behalf of the Scheme. The Trustee expects that the Fiduciary Manager's stewardship activities will result in better management of ESG and climate related risks and opportunities, which is expected to improve the long-term financial outcomes of the Scheme. While delegating stewardship activities to the Fiduciary Manager, the Trustee has its own priority themes of **Climate Change, Human Rights, Human Capital Management**. The Trustee will monitor and, where necessary, engage with the Fiduciary Manager to ensure alignment with these priorities.

The Fiduciary Manager is a signatory to the *UK Stewardship Code* which sets high standards for those investing money on behalf of UK pensioners and savers. The UK Stewardship Code describes stewardship as "*the responsible allocation, management and oversight of capital to create long-term value ... leading to sustainable benefits for the economy, the environment and society.*" Thus, the Fiduciary Manager's stewardship activities on behalf of the Trustee encompass a variety of tools, including portfolio ESG integration, manager research and selection, portfolio ESG metric monitoring and voting and engagement.

As part of ongoing monitoring of how the Fiduciary Manager (FM) has exercised the Trustee's stewardship policy, the Trustee reviewed quarterly FM ESG updates and the FM Annual ESG Report during the Scheme Year. The quarterly ESG updates allow the Trustee to monitor the ESG characteristics of the Scheme's portfolio and thereby assess the Fiduciary Manager's allocation, management and oversight of the Scheme's capital. The FM Annual ESG Report details various areas concerning the Fiduciary Manager's ESG integration within the investments and stewardship activities over the previous calendar year.

The Trustee is satisfied that the expectations outlined in the SIP have been met, with the Fiduciary Manager taking the Trustee's stewardship policy and priorities into account as part of its stewardship activities and manager selection over the Scheme Year. Examples of how this has been evidenced include:

- ❖ Exclusions of Global Norms Violators as part of the security selection process. This ensures a closer alignment of the Scheme's investments with the Trustee's stewardship priorities, as violators are generally viewed as causing significant harm to People or Planet.
- ❖ Incorporation of SustainEx™ scoring into the core equity allocation process, in both the initial screening process and as a constraint at a total portfolio level. SustainEx™ is Schroders' proprietary tool to translate social and environmental impacts into financial costs.
- ❖ Conducting manager research to identify value-adding, climate-aware equity funds to potentially allocate some of the Scheme's capital to, subject to further due diligence.

- ❖ Introducing a cash fund that offers improved environmental characteristics to the Scheme's previous cash fund, with equivalent cost and return track record. After carrying out appropriate due-diligence in early 2024, the Scheme's existing cash assets have now been invested in this fund.
- ❖ Annual assessment of Underlying Investment Managers' ESG ratings against a comprehensive internal ESG assessment framework. Lower-rated managers are categorised as either Red-Engagement or Red-Exclusion, requiring further engagement to improve their rating, or exclusion on the grounds of poor ESG credentials.
- ❖ Regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments.
- ❖ Addition of voting and engagement examples to the quarterly ESG reporting provided to the Trustee, facilitating a more regular review throughout the year of the Underlying Investment Managers' stewardship activities.
- ❖ ESG integration throughout the portfolio, with Underlying Investment Manager and counterparty engagement carried out in Growth, Structured Equity and LDI portfolios.
- ❖ Introduction of new 'impact' metrics into quarterly reporting, such as Implied Temperature Rise (measuring the contribution of the Scheme's investments to global warming) and SustainEx™ scoring, to facilitate better Trustee oversight of the impacts of the Scheme's capital on the environment and society.

Considering the voting statistics and behaviour set out in this Implementation Statement, along with the engagement activity that took place on the Trustee's behalf during the Scheme Year within the growth asset portfolio and the liability hedging portfolio, the Trustee is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- Each manager demonstrated high levels of voting rights being acted on, where voting is relevant.
- Where the holdings did not have voting rights attached, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, focussing on laggards and material allocations.
- The Fiduciary Manager has also carried out a high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

3. Voting During the Scheme Year

The Trustee has delegated responsibility for voting on its behalf to the Fiduciary Manager and Underlying Investment Managers. Most voting rights associated with the Scheme's investments pertain to the underlying securities within the pooled funds managed by the Underlying Investment Managers. In a general meeting of a company issuing these securities, the Underlying Investment Managers exercise their voting rights according to their own policies, which the Fiduciary Manager may have influenced.

The pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee, in line with the Trustee's stewardship policy.

Voting by the Fiduciary Manager

Over the year to 31 December 2024, regarding clients' pooled fund investments¹, the Fiduciary Manager voted on 25 resolutions across 6 meetings. The Fiduciary Manager voted against management on 4 resolution (16% of total resolutions) and abstained on 11² resolutions (44% of the total resolutions). The voting topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Voting by the Underlying Investment Managers

Most Significant Votes

The following criteria must be met for a vote to be considered "significant":

1. Must relate to the **BNY Mellon Schroder Solutions Global Equity Fund**;
2. Must be defined as significant by the Fiduciary Manager; and
3. Must relate to the Trustee's stewardship priority themes.

The BNY Mellon Schroder Solutions Global Equity Fund constitutes a significant proportion of the Scheme's Growth Asset portfolio and thus constitutes the majority of the Scheme's investments in equity assets – with equity being the main asset class that holds voting rights. Additionally, within the Scheme's Growth Asset portfolio, this is the only fund for which the Fiduciary Manager has responsibility over security selection. For these reasons, the voting activity associated with the securities in this fund holds particular significance for the Scheme.

From 1 January 2024, the proxy voting responsibilities for this fund moved to Schroders' Active Ownership team which ensures that the voting policy is guided by Schroders' **Engagement Blueprint** and therefore aligns with the Trustee's stewardship priorities. The Fiduciary Manager believes that all resolutions voted against the board's recommendations should be classified as a significant vote. Generally, the Fiduciary Manager does not communicate their voting intentions to companies regarding shareholder resolutions, however in some circumstances Schroders will publish their voting intentions on their Active Ownership Blog³. Regarding next steps after a vote, in the instance that votes are successful, the Schroders team will typically monitor progress closely and look to take further action at the next AGM should no progress be made.

Of the votes that satisfy the above criteria, the Trustee has selected one vote relating to each of the priority themes that it deems most material to the long-term value of the investments. These votes are hereby defined as "most significant votes", and as per DWP guidance, the Trustee has communicated this definition of "most significant votes" to the Fiduciary Manager. All of the most significant votes over this Scheme Year have been reported below.

CLIMATE CHANGE – At the Equinor ASA annual general meeting on 15 May 2024, Schroders voted for a shareholder resolution asking the Board to update its strategy and capital expenditure plan, considering the company's commitment to support the goals of the Paris Agreement and the

¹ The voting statistics provided pertain to the Fiduciary Manager's Model Growth portfolio and may not fully reflect the pooled fund investments held by the scheme.

² The Fiduciary Manager abstained from voting on these resolutions due to the presence of share blocking. If the Manager were to vote on a position, they would then be blocked from selling positions in the security from the voting deadline date until one day post meeting and, in the absence of an instruction from Investors, it is Schroders' policy to retain liquidity of the investment.

³ Schroders Active Ownership Blog - <https://www.schroders.com/en-us/us/individual/insights/active-ownership-blog-2024-voting-season-spotlight/>

Norwegian Government's expectations for the company to align with the Paris Agreement. The resolution also requests the updated plan to "specify how any plans for new oil and gas reserve development are consistent with the Paris Agreement goals". This vote was against management, which stated in its response that its energy transition plan demonstrates a business model and strategy that are already aligned with the Paris Agreement's most ambitious 1.5°C goal. Schroders acknowledge the company is leading on decarbonisation action relative to its sector. Nonetheless, they believe this resolution will encourage the company to produce more complete disclosures and provide further evidence to its claims that the strategy is already aligned with the Paris Agreement goals. This resolution could help shareholders to better assess how the company is addressing climate-related risks and potential costs to the business from climate transition trends. Schroders believe that by disclosing this information, Equinor will provide greater transparency to investors on the alignment between its commitments and implementation of its strategy. This vote against management was unsuccessful as the shareholders' proposal was not adopted. The resolution was filed by the Climate Action 100+ group, which Schroders are a part of, and the direct filers will continue dialogue with Equinor.

HUMAN RIGHTS – At the JP Morgan Chase & Co. annual general meeting (AGM) on 21 May 2024, Schroders voted for a shareholder resolution asking the company to produce a report "outlining the effectiveness of JPMorgan Chase & Co.'s policies, practices, and performance indicators in respecting internationally recognised human rights standards for Indigenous Peoples' rights in its existing and proposed general corporate and project financing." Schroders believe that the requested report would benefit shareholders as they seek to understand how the company manages relations with its stakeholders, and the associated regulatory, reputational, and financial risks. Although the company provides explanation on the frameworks it uses to identify and manage environmental and social risks, an assessment of how effective these practices are would allow shareholders to better understand their robustness, and the company's ability to mitigate any risks which may have financial implications. This vote against management was unsuccessful and Schroders intend to engage with JP Morgan on the topic raised in this resolution as well as others over the coming year.

HUMAN CAPITAL MANAGEMENT – At the Goldman Sachs Group, Inc. annual general meeting (AGM) on 24 April 2024, Schroders voted for a shareholder resolution asking the board to publish an annual report describing and quantifying the effectiveness and outcomes of GS' efforts to prevent harassment and discrimination against its protected classes of employees. Schroders argue that support for this proposal is warranted as the company has failed to adequately address concerns regarding ongoing harassment and discrimination at the company, and the resulting reputational and financial risk. Shareholders would benefit from greater transparency on how the company is managing these issues, and what steps are being taken to improve the company's culture. Schroders believe how they have voted is in the best financial interests of clients' investments. Management voted against this resolution, believing that the adoption of the proposal is unnecessary given their "zero tolerance" approach to harassment and discrimination. This shareholder resolution was not approved, so Schroders intend to engage with Goldman Sachs on the topic raised in this resolution as well as others over the coming year.

Summary Voting Statistics

Only the Scheme's equity and some alternative (hedge fund) holdings invest in assets with voting rights attached. Below are the voting statistics over the 12 months to 31 December 2024 for the most material, active funds held on behalf of the Trustee that had voting rights during the period.

Equity Funds	BNY Mellon Global Equity Fund	Morant Wright Fuji Yield Japanese Fund	FSSA All China Fund	Redwheel TM UK Equity Income Fund (1 Jul 24 – 31 Dec 24)
Total meetings eligible to vote	757.0	59	84	6
Total resolutions eligible to vote	9,759	756	778	106
Of resolutions eligible to vote, % of resolutions voted on	96%	100%	100%	100%
Of voted resolutions, % vote with management	86%	88%	94%	100%
Of voted resolutions, % vote against management	14%	12%	6%	0%
Of voted resolutions, % abstained	0%	0%	0%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	12%	N/A	8%	0%

Note:

- Schroders Investment Management (when exercising voting rights for the BNY Mellon Fund) use Glass Lewis "GL" for proxy voting services and receive ISS's Benchmark research. Alongside ISS's research, Schroders receives recommendations from GL in line with their own bespoke guidelines. This is complemented with analysis by their in-house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.
- Morant Wright do not subscribe to any shareholder advisory services, and their portfolio managers are directly responsible for proxy voting decisions.
- FSSA uses Glass Lewis as their proxy voting advisor, and Redwheel uses ISS.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.
- A new equity fund, **Redwheel TM UK Equity Income fund**, held at the Scheme Year-end, was introduced into the Dynamic Growth portfolio in July 2024. Due to the Scheme's limited investment period in this fund during this Scheme Year, the Trustee has elected to not include the 12-month voting statistics for this fund, and only report on the activity over the months invested.

<i>Alternative Funds</i>	Lumyna Marshall Wace - TOPS (Market Neutral) Fund	Lumyna Marshall Wace - TOPS Environmental Focus (Market Neutral) Fund	North Rock Fund	JP Morgan Europe Equity Absolute Alpha Fund (1 Oct '24 – 31 Dec '24)	BlackRock Systematic Total Alpha Fund (1 Oct '24 – 31 Dec '24)
Total meetings eligible to vote	<i>Data not provided</i>	<i>Data not provided</i>	351	13	152
Total resolutions eligible to vote	6390	2536	<i>Data not provided</i>	30	984
Of resolutions eligible to vote, % of resolutions voted on	98%	97%	100%	100%	100%
Of voted resolutions, % vote with management	74%	58%	100%	73%	91%
Of voted resolutions, % vote against management	12%	8%	0%	26%	8%
Of voted resolutions, % abstained	13%	32%	0%	0%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	9%	6%	0%	0%	N/A

Note:

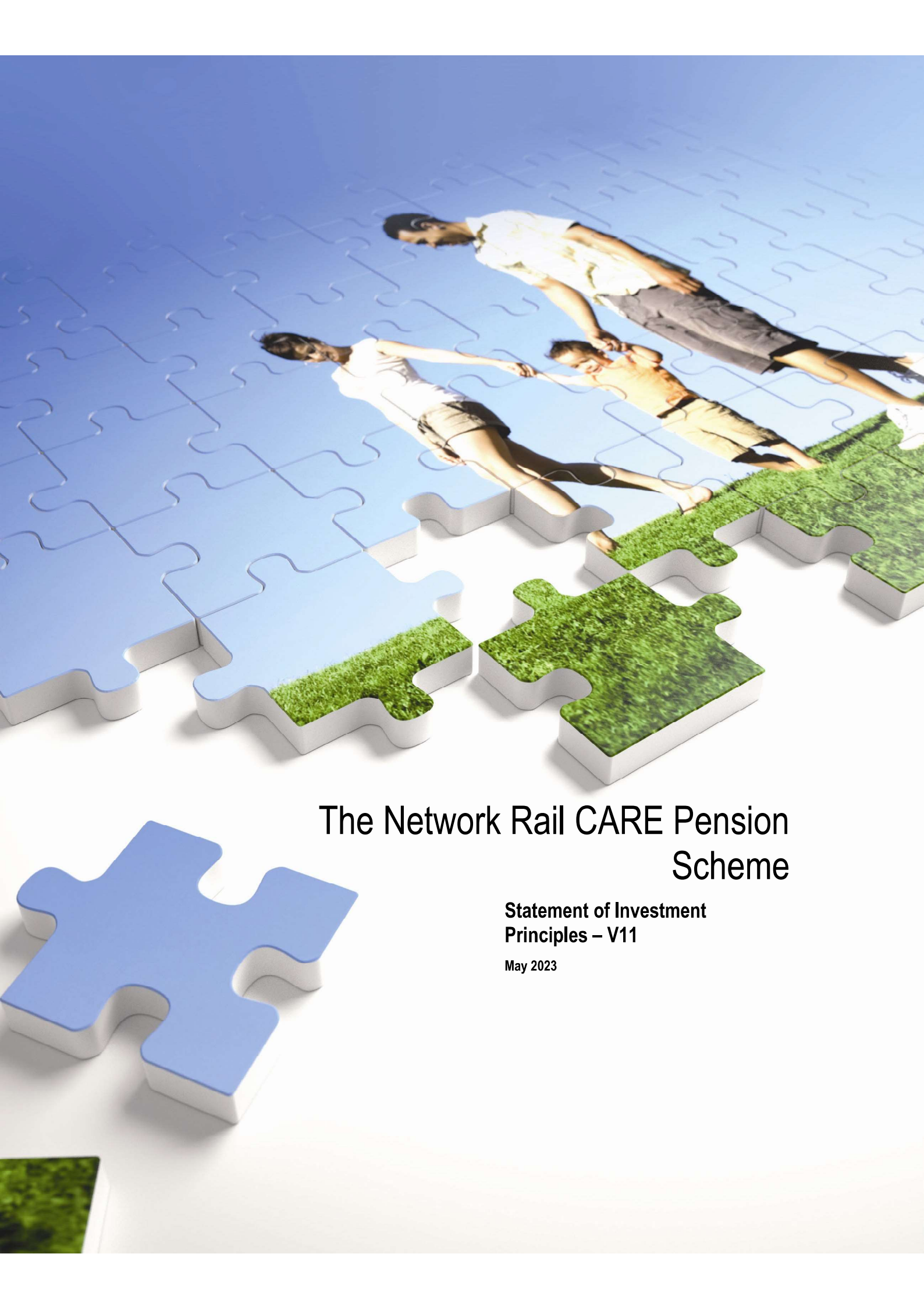
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Lumyna Marshall Wace and North Rock use Glass Lewis for proxy voting services. JP Morgan uses ISS for proxy voting services. BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS).
- Lumyna Marshall Wace have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures have been rounded but may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.
- North Rock voted all resolutions with management or with the recommendations of the proxy advisory service.
- Two new Alternative funds with voting rights held at the Scheme Year-End, **JP Morgan European Equity Absolute Alpha** and **BlackRock Systematic Total Alpha**, were introduced into the Dynamic Growth portfolio in October 2024. Due to the Scheme's limited investment period in these funds during the Scheme Year, the Trustee has elected to not include the 12-month voting statistics, and only report on the activity over the months invested.

The Trustee is satisfied that the voting and engagement activities undertaken by both the Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities determined during the Scheme Year, hence the Trustee believes that it has satisfactorily implemented the Stewardship Policy stated in the Scheme's SIP.

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and responsible investment policies for both the Fiduciary Manager and Underlying Investment Managers of the Scheme's actively managed holdings can be found here:

Investment Manager / Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://mybrand.schroders.com/m/6197143c263420f5/original/Schroders-Group-Sustainable-Investment-Policy.pdf https://www.schroders.com/en/global/intermediary/what-we-do/sustainable-investing/active-ownership/our-engagement-blueprint/
Morant Wright	https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf
FSSA	https://www.fssaim.com/uk/en/private/sustainability/our-approach-to-sustainability.html
Redwheel	https://www.redwheel.com/uk/en/institutional/?kurtosys_download=12113
Lumyna Marshall Wace	https://cdn.mwam.com/download/MW_Engagement_Policy_Jan_2022.pdf
JP Morgan	https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/institutional/communications/lux-communication/corporate-governance-principles-and-voting-guidelines.pdf Engagement-and-proxy-voting-statement.pdf
SCOR	https://www.scor-ip.com/sites/default/files/2023-05/SCOR_IP_Shareholder%20engagement%20policy_EN_052023.pdf
T Rowe Price	https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf
Oaktree	https://www.oaktreecapital.com/docs/default-source/default-document-library/esg-policy-2024.pdf
Neuberger Berman	https://www.nb.com/handlers/documents.ashx?id=aba155d6-e78e-4668-800f-fa69f05d45d0name=Stewardship%20and%20Engagement%20Policy
CBRE	https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/



The Network Rail CARE Pension Scheme

**Statement of Investment
Principles – V11**

May 2023

Version Update

Version	Effective From	
1.0	November 2008	Initial version
2.0	August 2010	Revision to reflect update to strategy
3.0	May 2012	Annual review
4.0	November 2013	Revision to reflect update to strategy
5.0	November 2015	Revision to reflect update to strategy
6.0	February 2017	Revision to reflect update to Liability Benchmark and Investment Fund mandate to incorporate ETFs
7.0	February 2018	Revision to reflect decision to allow use of active equity funds within the Investment Fund
8.0	September 2019	Revision to reflect ESG update
9.0	September 2020	Revision to reflect update to Corporate Governance and Stewardship approach
10.0	March 2022	Revision to reflect updated return targets and language regarding climate change
11.0	May 2023	Revision to update engagement priorities

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1.0 Introduction

This document constitutes the Statement of Investment Principles (“the SIP”) required under Section 35 of the Pensions Act 1995 for the Network Rail CARE Pension Scheme (“the Scheme”). It describes the investment policy being pursued for the Scheme by the Directors of Network Rail Pension Trustee Limited (“the Trustee” of the Scheme) and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (“the 2001 Myners Principles”). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Douglas Primrose of XPS Pensions, the Investment Adviser is Schroders IS Limited and the Legal Adviser is Mayer Brown LLP. They are collectively termed “the Advisers”.

The Trustee confirms that, before preparing this SIP, it has consulted with Network Rail Infrastructure Ltd (‘the Employer’) and the Scheme Actuary and has obtained and considered written advice from the Investment Adviser. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge, and experience of the management of the investment arrangements that the Scheme requires. The Trustee also confirms that it will consult with the Employer and take advice from the relevant Advisers as part of any review of this SIP.

The Trustee is responsible for the investment of the Scheme’s assets and arranges administration of the Scheme. Where it is required to make an investment decision, the Trustee always receives written advice from the relevant Advisers first and it believes that this, together with the Trustee Directors’ own collective expertise, ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme’s assets to professional fund managers (“the Managers”) in accordance with Section 34(2) of the Pensions Act 1995. The Managers are authorised under the Financial Services & Markets Act 2000, provide the expertise necessary to manage the investments of the Scheme competently and will comply with the requirements of Section 36 of the Pensions Act 1995.

1.1 Declaration

The Trustee confirms that this SIP reflects the Investment Strategy it has implemented for the Scheme. Other than where the Trustee has delegated their discretion to a fund manager under an investment management agreement in accordance with the Pensions Act 1995, the Trustee acknowledges that it is its responsibility, with guidance from the relevant Advisers, to gain comfort that the assets of the Scheme are invested in accordance with these Principles.

Signed Samantha Pitt Date 17 July 2023

For and on behalf of Network Rail Pension Trustee Limited as Trustee of the Network Rail CARE Pension Scheme

2.0 *Scheme Governance*

The Trustee is responsible for the governance and investment of the Scheme's assets. It considers that the governance structure set out in this SIP is appropriate for the Scheme, as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Manager or the relevant Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustee has appointed an Investment Sub-Committee (the 'ISC') to deal with investment matters on its behalf. The ISC deals with day to day investment matters and acts as a coordinator between the Investment Adviser, Managers and the Trustee. The ISC makes recommendations to the Trustee. In circumstances deemed to be exceptional, the ISC may make decisions on behalf of the Trustee. The ISC maintains a Statement of Investment Arrangements ("SIA") which sets out the specifics of investment implementation. This document is referred to later in this SIP.

The full responsibilities of the ISC are detailed in a separate document stating its Terms of Reference as agreed between the Trustee and the ISC.

3.0 *Investment Objectives*

The overall objective of the Scheme is to meet the benefit payments promised as they fall due.

In order to achieve this, the Scheme's assets need to meet the minimum assumed return in the Actuarial Valuation. The Scheme's long-term target return is set by reference to the Liability Related Objective ("LRO"). The LRO is based on the return required as per the Technical Provisions discount rate, and is calculated directly from the Scheme's liability cashflows. Specifically, the LRO will take account of:

- The change in past service liabilities due to changes in interest rates and inflation
- An allowance for the expected asset return assumption within the discount rate
- An estimate of accrual which has occurred to date.

The LRO will be updated from time to time as updated cashflow information becomes available from the Scheme Actuary.

The outperformance target will vary over time in line with changes to the split between on-risk and off-risk allocations in accordance with the requirements of the Actuarial Valuation and any Recovery Plan that may be in force from time to time. It would generally be expected that an increase in the on-risk allocation will result in a higher outperformance target.

Further details of the Scheme's investment return objectives can be found in the SIA.

4.0 Investment Strategy

In setting the investment strategy the Trustee has considered advice from the relevant Advisers, and also taken due regard for the current situation of the Scheme, the objectives, the potential liabilities of the Scheme, the risks of and to the Scheme and the covenant of the Employer.

4.1 General Policies

The Trustee's approach to investment strategy is to allocate the assets into two pools. The investment objective is then translated into the strategy and assets are allocated to these two components:

Liability Hedging assets (consisting of both gilts and swaps)	The focus is interest rate and inflation risk management. Assets are invested in a portfolio of fixed interest gilts, index-linked gilts and cash; which complement and are suitable to be used as collateral for the derivative transactions employed via the Liability Hedge Overlay. These assets are designed to manage the interest rate and inflation risk inherent in the liabilities.
Growth Assets	<p>The Scheme's Growth Assets are comprised of Dynamic Growth Assets and Equity Derivative Overlay Structure ("EDOS").</p> <p>Within the Dynamic Growth Assets, the focus is on return generation, taking risk in a controlled manner – such assets could include but are not limited to, equities, bonds, property, commodities, hedge funds and currency, etc. These assets seek to generate returns in excess of the cash benchmark (net of fees).</p> <p>The EDOS contributes to return generation while allowing the Scheme to maintain sufficient assets to act as collateral for the Liability Hedge.</p>

The Trustee's investment objective – detailed in Section 3 - influences the split of assets between these components. The split that the Trustee has agreed, following advice from their Investment Adviser, is detailed in the SIA.

4.2 Asset Allocation

Having considered advice from the relevant Advisers, and also having due regard for the current situation of the Scheme, the objectives, the potential liabilities of the Scheme, the risks of and to the Scheme and the covenant of the Employer, the Trustee has decided to delegate the decision on asset allocation to a Manager within control ranges – the "Asset Allocation Manager".

The Trustee recognises the importance of asset allocation to the overall investment returns achieved and has therefore decided upon an actively managed strategy for the asset allocation. However, the Trustee also recognises that the asset allocation will change as a

result of a range of factors, which include changes in market conditions changing the allocation to different asset types within the Growth Assets.

In recognition of the risks that asset allocation can imply, there are asset allocation control ranges in place. These are set out in the SIA.

4.3 Rebalancing Policy

Rebalancing within set ranges will be undertaken by the Asset Allocation Manager.

4.4 Rates of Return

The Trustee expects the Growth Assets as a whole (including the EDOS) to deliver a return of 4.625% p.a., net of fees, in excess of the return on SONIA over the long-term.

4.5 Diversification, Mandate Definition and Constraints

The Trustee is clear about the importance of diversification and as such the appointment of the Managers includes a requirement to ensure assets are diversified. The choice of asset classes as detailed further in the SIA is designed to ensure that the Scheme's investments are diversified. The Trustee monitors the strategy adopted by the Managers to establish that the arrangement remains diversified.

4.6 Suitability

The Trustee has established a mandate with the specific objective of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

The Trustee has taken advice from the relevant Advisers to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustee's objectives, regulatory guidance and specifications in the Trust Deed.

4.7 Liquidity

The majority of assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustee requires. The Asset Allocation Manager is permitted to hold up to 20% of on-risk assets in illiquid investments (as defined in the Investment Management Agreement), which the Trustee acknowledges can take additional time to realise. The Trustee has considered this risk against the possibility of needing to realise these assets and are comfortable it is a reasonable approach to take.

5.0 *Strategy Implementation*

The Trustee has decided to delegate the day-to-day investment of the Scheme's assets to professional Managers. The details of the Managers' mandates are detailed in the SIA.

The Trustee has decided, with advice from the Investment Adviser, to manage risk and generate return through active asset allocation. The Trustee has appointed the Investment Adviser in its capacity as a specialist active Manager (the "Asset Allocation Manager"), under an Investment Management Agreement, for the asset allocation and rotation of this. The Asset Allocation Manager has discretion, subject to certain restrictions, to invest the portfolio across various investments including, but not limited to, other external manager pooled funds (either passive or active), via ETFs and into pooled funds managed by another Manager (the "Policy Manager") with whom the Trustee maintains the contractual relationship. Together, these constitute the "Underlying Managers". The Trustee recognises that passive funds and ETFs offer virtually no risk of significantly under-performing the index but will also not significantly out-perform the relevant benchmark.

The constraints around the asset allocation are detailed in the SIA together with the details of the Managers' mandates.

5.1 **Mandates and Performance Targets**

The Trustee has received advice on the appropriateness of each Manager's target, benchmark and risk tolerance from the relevant Advisers and believes them to be suitable to meet the Scheme's investment objectives. The Manager has been mandated by the Trustee to manage the investments in a particular way, and details of the mandates are described in the SIA.

5.2 **Manager Appointments**

The Trustee has agreed the scope of the Managers' activities, investment objectives, investment restrictions, their charging bases and other relevant matters either under an Investment Management Agreement which appoints the Manager as a discretionary investment manager or in terms of the offering documents of the investment fund provided by the Manager to the Trustee, which include the fund prospectus and subscription documents (the "Fund Offering Documents").

5.3 Diversification

The assets are invested in a diversified range of suitable investments of different types in order to reduce investment risk given the circumstances of the Scheme.

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Asset Allocation Manager and the Trustee. This range and set of limitations will be specified in the formal manager agreements and may be revised from time to time according to appropriate investment strategy advice provided to the Trustee and having regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

The Trustee has taken advice from the relevant Advisers to ensure that the Managers are suitable for the Scheme, given its objectives.

5.5 Custody

The Policy Manger has its own custodian arrangement, which has not been directly appointed by the Trustee. This is detailed in the SIA.

The Trustee has appointed a separate custodian for the Scheme's Liability Hedging assets, Equity Derivative Overlay Structure and non-Policy Manager mandates as detailed in the SIA.

6.0 *Monitoring*

6.1 **Managers**

The Trustee holds regular meetings with the Manager(s) and/or the Investment Adviser to satisfy itself that the Manager continues to carry out its work competently, has the appropriate knowledge and experience to manage the assets of the Scheme and that the objectives set out above continue to be met.

As part of this review, the Trustee will consider whether or not each Manager:

- Is carrying out his work competently. The Trustee will evaluate the Manager based on, amongst other things:
 - Each Manager's performance versus their respective benchmarks.
 - The level of risk within the portfolios given the specified risk tolerances.
- Has regard to the need for diversification of investment holdings in accordance with the Investment Management Agreement or Fund Offering Documents.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising his powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with a Manager they will ask the Manager to take steps to rectify the situation. If the Manager still does not meet the Trustee's requirements, they will remove the Manager and appoint another.

6.2 **Asset Allocation Manager**

In monitoring the performance of the Asset Allocation Manager against the agreed performance objectives and mandates set, the factors will include:

Team/People

The active asset allocation process is dependent on a team responsible for manager research, asset allocation and the ongoing administration of the service. However, the process is designed specifically to reduce the reliance on any one specific individual. Through the normal monitoring report process, the Asset Allocation Manager will report on internal organisational changes to the extent that they may impact on the delivery and implementation of its service.

Investment Process

An investment management process is adopted for the determination of asset allocation. Significant changes made to asset allocation over time will be communicated to the Trustee by the Asset Allocation Manager, together with the underlying rationale for change. Any perceived failure to adhere to the process as defined presents a potential need to review.

Performance/Risk

The Trustee will monitor the performance of the Asset Allocation Manager against the agreed performance objectives as set out in the Investment Management Agreement or Fund Offering Documents. This process would normally consider rolling periods of 3 years.

Underperformance parameters for both the Growth Assets and Liability Hedging Assets have been defined. These parameters are set out in the Investment Management Agreement and are detailed in the SIA. Any underperformance in breach of the risk parameters over the relevant period should be explained by the Asset Allocation Manager.

Risk parameters are not explicitly defined for outperformance, although the Trustee will question the Manager with regard to any unexplained outperformance.

6.3 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

6.4 Statement of Investment Principles

The Trustee will review this SIP on an annual basis, or, without delay, following any changes to the investment strategy, and modify it with consultation from the relevant Advisers and the Employer if deemed appropriate. There will be no obligation to change this SIP, any Manager or Adviser as part of such a review.

6.5 Trustee

The Trustee maintains a record of all investment related decisions it has taken, together with the rationale in each case.

7.0 Fees

7.1 Manager

The Trustee, in conjunction with the Investment Adviser, will ensure that the fees paid to the Managers are consistent with levels typically available in the industry and the nature of services provided. The current fee basis for the Manager is set out in the SIA.

The Trustee is aware of the policy of each Manager (where relevant) regarding soft commission arrangements. Each Manager discloses its fees, commissions and other transaction costs in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

7.2 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

7.3 Custodian

The Trustee has appointed CACEIS BANK N.V.. to custody the Scheme's Liability Hedging assets, Equity Derivative Overlay Structure and non-Policy Manager assets. The fee basis is detailed in the SIA.

7.4 Trustee Directors

The Chair of Trustee is an independent, professional Trustee who is remunerated for the role. The other Trustee Directors are not paid for their role.

8.0 Risks

The Trustee recognises a number of risks involved in the investment of assets of the Scheme. These risks, and how they are measured and managed, include:

- I. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and potential liabilities. This risk is managed in the following ways:
 - A liability benchmark is used as a proxy for the liabilities (as described in Section 3) in order to measure the approximate changes in the liabilities (due to changes in interest rates and inflation). The Trustee monitors this change relative to the change in asset values on a quarterly basis. The liability benchmark is reviewed following each actuarial review.
 - Liability risk is addressed through the asset allocation strategy including the use of swaps to hedge the interest rate and inflation risk (the Liability Hedge Overlay) and through regular investment reviews. These risks are quantifiably measured by consideration of the investment strategy performance against the liability benchmark. The Trustee keeps these risks under review and receives ad-hoc advice from the Investment Adviser. Before any change in strategy or asset allocation, the Trustee receives quantified risk measurement analysis on the impact of any changes from the Investment Adviser.
 - The Trustee also recognises the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience.
 - This risk is also monitored through regular actuarial and investment reviews.
- II. **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
 - Appropriate diversification, given the Scheme circumstances, across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
 - The use of passive management for asset classes where the downside risk of active management is considered too high.
 - Rotation of asset classes to aim to protect the capital value.
- III. **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

- IV. Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.
- V. Mismanagement risk** – the risk of unsuitable investment activity by the Manager. This is addressed in the agreements with the Manager which contain a series of restrictions. The activity of the Manager and its processes are monitored regularly by the Investment Advisers on behalf of the Trustee.
- VI. Default risk** – the risk of income from assets not being paid when promised. This is addressed through restrictions for the Manager e.g. a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.
- VII. Environmental, Social and Governance factors (“ESG”) risk** - the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Asset Allocation Manager’s ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio can be found in the quarterly governance report.
- VIII. Organisational risk** – the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Manager and relevant Advisers.
- IX. Cash flow risk** – addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.
- X. Sponsor risk** – the risk of the Employer ceasing to exist, which for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Employer.
- XI. Transition risk** – the risk of paying unnecessary costs or being at increased risk of adverse market movements, when transitioning assets from a Manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion and the responsibility is delegated to the Asset Allocation Manager.
- XII. Swap strategy risk** – the risk that the swap strategy does not exactly match the liability structure owing to approximations and practical decisions made – addressed through regular review of the Liability Hedge Overlay.
- XIII. Counterparty risk** – the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

The Trustee will keep these risks and how they are measured and managed under regular review.

9.0 *Other Issues*

9.1 **Statutory Funding Requirement**

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

9.2 **Corporate Governance and Stewardship**

The Trustee and Asset Allocation Manager have agreed, and will maintain, formal agreements setting out the scope of the Asset Allocation Manager's activities, charging basis and other relevant matters. The Asset Allocation Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995. Further information can be found in the SIA.

The Trustee has appointed the Asset Allocation Manager to implement the Scheme's investment strategy. The Asset Allocation Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Asset Allocation Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Asset Allocation Manager:

- To align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and
- To assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Asset Allocation Manager. The Asset Allocation Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Asset Allocation Manager are subject to additional sign-off by the appropriate representative from the Asset Allocation Manager.

The Asset Allocation Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Asset Allocation Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Asset Allocation Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Asset Allocation Manager, as detailed above.

The Trustee acknowledge the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Asset Allocation Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Asset Allocation Manager directly monitors these as part of their regulatory filings (where available), the Asset Allocation Manager also monitors this as part of ongoing review. The Asset Allocation Manager's Conflict of Interest policy is available publicly here: <https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/>

The Asset Allocation Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Asset Allocation Manager's expectations. Where there are material deviations the Asset Allocation Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

Following an exercise to understand the Asset Allocation Manager's priority themes for engaging with Underlying Managers and undertaking a survey of the Trustee Board to understand its own priorities when engaging with the Asset Allocation Manager, the Trustee has set the following engagement priorities:

- Climate
- Human Rights
- Human Capital Management

The Asset Allocation Manager will also report annually on how it has engaged on the Trustee's behalf in respect of these priorities with the Underlying Managers.

9.3 Financially material investment considerations (including climate change)

These considerations which include the "Risks" listed above can affect the long-term financial performance of investments and can (but do not have to) include ESG where relevant. The Trustee delegates consideration of financially material factors to the Asset Allocation Manager who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. All references to ESG also include climate change.

The Trustee recognises climate change as a systematic, long term material financial risk to the value of the Scheme's investments. The Trustee is supportive of the Paris Agreement and will aim to achieve a carbon neutral portfolio by 2050 or sooner.

ESG factors and stewardship are considered, in the context of long term performance, by the Asset Allocation Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Asset Allocation Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

9.4 Non-financially material investment considerations

The Trustee does not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.

However, the Trustee appreciates there are some members who may wish to reflect non-financial considerations in their investments. Within the AVC fund range the Trustee has therefore made available a fund option reflecting ethical considerations.

9.5 Additional Voluntary Contributions (AVCs)

Under the Scheme's Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. Details of the investment arrangements of AVCs paid under the Scheme are set out in a separate AVC Statement of Investment Principles.

Appendix A - Responsibilities

Trustee

The main investment related responsibilities of the Trustee of the Scheme include:

- I. Determining the investment objectives of the Scheme and reviewing these from time to time.
- II. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
- III. Reviewing, at least triennially, the content of this SIP and modifying it if deemed appropriate, in consultation with the relevant Advisers.
- IV. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the relevant Advisers.
- V. Reviewing, at least triennially, the content of the SIA and modifying if deemed appropriate, in consultation with the relevant Advisers.
- VI. Assessing the quality of the performance and process of the Manager by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the relevant Advisers.
- VII. Appointing and dismissing Manager(s), the performance measurer, custodian(s) and transition manager(s) in consultation with the relevant Advisers.
- VIII. Assessing the ongoing effectiveness of the relevant Advisers.
- IX. Consulting with the Employer when reviewing investment policy issues.
- X. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- XI. Advising the Advisers of any changes to Scheme benefits, significant changes in membership.

As noted in section 2, the Trustee has set up an Investment Sub-Committee to whom it has delegated certain powers and responsibilities. Details of these are set out in its Terms of Reference which has been agreed between the Trustee and the ISC, and is reviewed from time-to-time.

Managers

The main responsibilities of the Managers are:

- I. At their discretion, but within the guidelines set out in the Investment Management Agreement or Fund Offering Documents, implementing changes in the asset mix and selecting and undertaking transactions in specific investments.
- II. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:
 - A report of the strategy followed during the quarter
 - The rationale behind past and future strategy
 - A full valuation of the assets
 - A transaction report
 - Cash reconciliation
 - Any corporate actions taken
- III. Informing the Trustee immediately of:
 - Any breach of this SIP, if an Investment Management Agreement is in place
 - Any material change in the knowledge and experience of those involved in the Scheme's investments
 - Any breach of investment restrictions either agreed between the Trustee and the Manager from time-to-time or as set out in the Fund Offering Documents.

Investment Adviser

The main responsibilities of the Investment Adviser are:

- I. Participating with the Trustee in reviews of this SIP.
- II. Advising the Trustee on the appropriateness of the proposed investment structure having regard to the circumstances of the Scheme and the recommendations of the Scheme Actuary, as follows:
 - a) Advising the Trustee on the appropriate split between the Liability Hedging assets and the Growth Assets.
 - b) Advising the Trustee on the Investment Objective.
 - c) Advising the Trustee on the levels of and implementation of the Liability Hedge Overlay
 - d) Advising the Trustee on the continued appropriateness of the EDOS strategy

- e) Advising the Trustee how any changes in the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.
- III. Advising the Trustee of any significant changes in the Scheme's Asset Allocation Manager that could affect the interests of the Scheme.
- IV. Advising the Trustee of any developments in the investment environment that could either present opportunities or problems for the Scheme.
- V. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation strategy and appointment of investment managers as appropriate.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

- I. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.
- II. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.
- III. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
- IV. Advising the Trustee and Investment Adviser of any changes to contribution levels and funding level.

Custodian

The main responsibilities of the Custodian are:

- I. Safe-keeping and administration of all the directly held assets.
- II. Collecting income from assets and transferring it to the Trustee's investments.
- III. Processing all tax reclaims in a timely manner.
- IV. Reconciling records of assets held with those of the Manager.

Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

- I. Liaising with the Trustee to ensure legal compliance including those in respect of investment matters.