

Registered number: 10269445

**TUBE LINES PENSION SCHEME  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2021**

# TUBE LINES PENSION SCHEME

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## CONTENTS

Trustee and its Advisers .....	1
Trustee's Report .....	2
Chair's Statement .....	30
Statement of Investment Principles .....	40
Independent Auditor's Report to the Trustee of Tube Lines Pension Scheme .....	48
Fund Account .....	51
Statement of Net Assets (Available for Benefits) .....	52
Notes to the Financial Statements .....	53
Independent Auditor's Statement about Contributions to the Trustee of Tube Lines Pension Scheme .....	63
Summary of Contributions .....	64

## TUBE LINES PENSION SCHEME

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### TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2021

<b>Trustee</b>	Tube Lines Pension Scheme Trustees Limited
<b>Company Appointed Director</b>	T Handley
<b>Member-Nominated Director</b>	H Srikandarajah
<b>Principal Employer</b>	Tube Lines Limited
<b>Participating Employers</b>	London Underground Limited Transport for London
<b>Secretary to the Trustee</b>	N Gardiner Aon Solutions UK Limited (resigned on 31 March 2021) J Head Aon Solutions UK Limited (appointed on 1 April 2021)
<b>Administrator</b>	Aon Solutions UK Limited
<b>Independent Auditor</b>	RSM UK Audit LLP
<b>Banker</b>	HSBC Bank plc
<b>Investment Adviser</b>	T Lancaster Aon Solutions UK Limited
<b>Investment Manager</b>	Legal & General Investment Management Limited ('LGIM')
<b>Death-in-Service Provider</b>	Zurich Insurance plc
<b>Legal Adviser</b>	Sacker & Partners LLP
<b>Contact Details</b>	Tube Lines Pension Team Aon Solutions UK Limited PO Box 196 Huddersfield HD8 1EG  tube.lines@aon.com 0370 240 0003

# TUBE LINES PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Introduction

The Trustee of Tube Lines Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 31 March 2021.

### Constitution and management

The Scheme is a Defined Contribution ('DC') scheme. The Scheme is governed by a Trust Deed, as amended from time to time, and is administered by Aon Solutions UK Limited in accordance with the establishing document and Rules solely for the benefit of its members and other beneficiaries.

The Trustee Directors are shown on page 1.

Under the Trust Deed and Rules of the Scheme, the Trustee is appointed and removed by the Principal Employer, subject to the Member-Nominated arrangements.

The power of appointing and removing the Trustee Directors is contained in the Articles of Association of Tube Lines Pension Scheme Trustees Limited, subject to the Member-Nominated arrangements.

In accordance with the Pensions Act 2004, at least one third of the total number of Trustee Directors must be nominated by Scheme members. The Member-Nominated Trustee Directors ('MNTDs') are elected from the membership.

A Trustee Director can choose to retire from office at any time. A Member-Nominated Trustee Director can only be removed with the agreement of all other Trustee Directors.

The Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee Directors have written agreements in place with each of them.

### Trustee meetings

The Trustee Board met formally four times during the year to consider the business of the Scheme.

### Scheme changes

There were no significant changes to the Scheme in the year. A new Statement of Investment Principles ('SIP') was issued in the year, as discussed later in this report.

### Financial statements

The financial statements included in this annual report have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

## TUBE LINES PENSION SCHEME

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Membership

Details of the membership changes of the Scheme in the year are as follows:

	Actives	Deferreds	Total
Members at the start of the year	47	1,584	1,631
Adjustments to members	(7)	7	-
Retirements	-	(4)	(4)
Members leaving with preserved benefits	(1)	1	-
Deaths	-	(2)	(2)
Trivial commutations	(1)	(13)	(14)
Transfers out	-	(19)	(19)
Members at the end of the year	<u>38</u>	<u>1,554</u>	<u>1,592</u>

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

The adjustments shown above are the result of retrospective updating of member records.

New members joining the Scheme are stated net of auto-enrolment opt-outs where contributions were never remitted to the Scheme.

#### Transfers

Members leaving service can normally transfer the value of their benefits under the Scheme to another scheme that they join or to an insurance contract or personal pension.

The transfer value of the Scheme members' benefits includes no allowance for any discretionary benefits which might be awarded in the future.

Transfers into the Scheme are allowed.

## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Contributions

Contributions were paid in accordance with the Payment Schedules dated 21 August 2009 and 30 March 2021.

Under the automatic enrolment regulations, with effect from 6 April 2019, the minimum contribution rate is 8% of qualifying earnings (including a minimum of 3% from the employer). As a qualifying scheme and in line with these requirements, the minimum employee contribution rate is 2% and associated minimum employer contribution rate is 7%.

During the year, the Principal Employer and Participating Employers paid contributions to the Scheme at varying rates, dependent on the level of contributions paid by individual members, as outlined in the table below:

<b>Employer (percentage of Pensionable Salary*)</b>	<b>Employee (percentage of Pensionable Salary*)</b>
7%	2%
7.5%	2.5%**
8%	3%
9%	4%
10%	5%

\* Pensionable Salary is defined as base salary less the lower earnings limit, where base salary is basic salary along with any pensionable allowances, but excluding overtime.

\*\* Active Scheme members will pay regular contributions at a default rate of 2.5% of Pensionable Salary (unless otherwise specified).

#### COVID-19

In early 2020, COVID-19, an illness caused by a new coronavirus, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of Scheme assets. The Trustee has designed and implemented the Scheme's investment strategy taking a long term view and has built in resilience to withstand short term fluctuations. The Scheme's default funds follow a strategy of de-risking prior to retirement so that the impact on members close to retirement age is relatively modest. The Trustee will continue to monitor the developments and the potential impact on the Scheme's investments across the year.

Clearly a key concern for the Trustees, during the year, has been around the robustness of the administrator's business continuity plans for continuing to work effectively during the current pandemic. The Trustees are pleased to advise that they have received business continuity updates from Aon at each ASC meeting. In addition, the Trustees have been given access to Aon's COVID-19 Hub which contains additional information.

The Trustees are happy to confirm that the administration team has continued to run a high quality, consistent and stable service. This includes:

- The Administration Team transitioned to 100% homeworking prior to UK lockdown.
- The Pensions Contact Centre also successfully transitioned to a flexible homeworking environment, with around 95% of members rating their call experience 'excellent' or 'good', and over 80% of members able to resolve their request on their first call during the crisis.
- Online ID verification on death, retirement and transfer-out cases was introduced alongside a non-post facility for members to send documents to ensure that cases could be settled efficiently.

The Trustees are pleased to report that, to date, there has been no material impact to SLAs as a result of COVID-19.

# TUBE LINES PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Investment matters

#### Management and custody of investments

As required by Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles ('SIP'). A copy of the SIP can be found on the Scheme's website at <https://content.tfl.gov.uk/tube-lines-pension-scheme-statement-of-investment-principles-2020.pdf> and is shown on pages 40 to 47.

The Trustee has delegated management of investments to the investment manager shown on page 1. This manager, who is regulated by the Financial Conduct Authority in the United Kingdom, manages the investments in line with the investment manager agreements which is designed to ensure that the objectives and policies captured in the SIP are followed.

The Trustee has considered environmental, social and governance ('ESG') factors for investments (including but not limited to climate change) and has delegated to the investment manager the responsibility for taking these considerations into account when assessing the financial potential and suitability of an investment and for exercising the rights (including voting rights) relating to the Scheme's investments.

The investment manager is paid fees for its services. The fees are calculated as a percentage of the market value of the part of the Scheme that it manages.

The Trustee has not appointed a custodian to the Scheme as the investment manager appoint a custodian for the assets underlying the investments it manages for the Trustee. The Custodians appointed by the investment manager are shown below:

<b>Manager</b>	<b>Custodians</b>
LGIM	Citibank NA HSBC Global Investor Services

The Custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodians' nominee company, in line with common practice for pension scheme investments.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.

# TUBE LINES PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Investment report

#### General

The policy for setting the investment strategy for the Tube Lines Pension Scheme ('the Scheme') lies with the Board of Directors ('the Board'). There is a degree of delegation of responsibility for investment decisions to ensure that decisions are taken by persons or organisations with appropriate resources, skills and knowledge to take them effectively. As such, the Board receives advice on investment matters from their professional advisors, Aon. The day-to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of the fund managers. The Board expects the fund managers to:

- Where appropriate, engage with investee companies and issuers of debt with the aim to protect and enhance their value.
- Exercise the Board's voting rights in relation to the Scheme's assets.

The Trustee Directors regularly review the continuing suitability of the appointed managers and take advice from their investment adviser in this regard.

#### Investment options

During the year, members of the Scheme were invested across the following investment funds through the LGIM investment platform:

- LGIM World (ex UK) Equity Index Fund
- Alternatively Weighted Global Equity Fund
- LGIM World Emerging Market Equity Index Fund
- LGIM UK Equity Index Fund
- LGIM North America Equity Index Fund
- LGIM Europe (ex UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (ex Japan) Developed Equity Index Fund
- LGIM Ethical Global Equity Index Fund
- HSBC Islamic Global Equity Index Fund
- Invesco Global Targeted Returns Pension Fund
- LGIM Investment Grade Corporate Bond All Stocks
- LGIM Over 5 years Index-Linked Gilt Index Fund
- LGIM Pre-Retirement Fund
- LGIM Cash Fund

Members may invest in three different lifestyle strategies. The 'Drawdown Lifestyle Strategy' is the default option and the 'Annuity Lifestyle Strategy' and 'Cash lifestyle Strategy' are self-select choices. The lifestyle strategies invest in the following funds:

- LGIM World (ex UK) Equity Index Fund
- Alternatively Weighted Global Equity Fund
- LGIM World Emerging Market Equity Index Fund
- LGIM UK Equity Index Fund
- Invesco Global Targeted Returns Pension Fund
- LGIM Investment Grade Corporate Bond All Stocks
- LGIM Over 5 years Index-Linked Gilt Index Fund
- LGIM Cash Fund



**TRUSTEE'S REPORT  
YEAR ENDED 31 MARCH 2021**

**Investment report (continued)**

**LGIM index tracking funds**

The following funds employ an index tracking strategy, aiming to replicate the performance of their benchmarks. LGIM follow a pragmatic approach to managing index funds, either investing directly in the securities of that index, or indirectly through other LGIM funds. The funds may also hold index and single stock futures for efficient portfolio management.

**LGIM World (ex UK) Equity Index Fund**

The investment objective of the Fund is to track the performance of the FTSE World (ex UK) Index to within +/-0.5% p.a. for two years out of three.

**Alternatively Weighted Global Equity Fund**

The investment objective of the fund is to track the performance of the SciBeta Developed Low-Carbon & ESG High-Factor-Intensity Multi-Beta Maximum Deconcentration Index.

**LGIM UK Equity Index Fund**

The investment objective of the Fund is to track the performance of the FTSE All-Share Index to within +/-0.25% p.a. for two years out of three.

**LGIM World Emerging Markets Equity Index Fund**

The investment objective of the fund is to track the performance of the FTSE Emerging Market Index to within +/- 1.5% p.a. for two years out of three.

**LGIM North America Equity Index Fund**

The investment objective of the fund is to track the performance of the FTSE North America Index to within +/-0.5% p.a. for two years out of three.

**LGIM Europe (ex UK) Equity Index Fund**

The investment objective of the fund is to track the performance of the FTSE Developed Europe ex UK Index to within +/-0.5% p.a. for two years out of three.

**LGIM Japan Equity Index Fund**

The investment objective of the fund is to track the performance of the FTSE Japan Index to within +/- 0.5% p.a. for two years out of three.

**LGIM Asia Pacific (ex Japan) Developed Equity Index Fund**

The investment objective of the fund is to track the performance of FTSE Developed Asia Pacific ex Japan Index to within +/-0.75% p.a. two years out of three.

**LGIM Ethical Global Equity Index Fund**

The investment objective of the fund is to track the performance of the FTSE 4Good Developed Index to within +/- 0.5% p.a. for two years out of three.

**LGIM Investment Grade Corporate Bond All Stocks Index Fund**

The investment objective of the fund is to track the performance of the Markit iBoxx £ Non-Gilts Index to within +/- 0.5% p.a. for two years out of three.

**LGIM Over 5 Year Index-Linked Gilts Index Fund**

The investment objective of the Fund is to track the performance of the FTSE Actuaries UK Gilts Index-Linked (Over 5 Years) Index to within +/-0.25% p.a. for two years out of three.

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Investment report (continued)

##### Other funds

##### **HSBC Islamic Global Equity Index Fund**

The investment objective of the fund is to replicate the performance of the Dow Jones Islamic Market 100 Titans Net total return, a Shariah-compliant index, while minimising the tracking error between the fund's performance and that of the index. The fund is prohibited from investing in financial derivatives, or other non Shariah-compliant instruments.

The fund aims to create a long-term appreciation of capital through investment in a diversified portfolio of securities as defined by the benchmark index, which meets Islamic investment principles as interpreted and laid down by the Shariah Supervisory Committee.

##### **Invesco Global Targeted Returns Fund**

The Fund aims to achieve a positive total return in all market conditions over a rolling 3 year period. The fund targets a gross return of 5% p.a. above UK 3 month LIBOR (the target benchmark) and aims to achieve this with less than half the volatility of global equities as measured by the MSCI World Index GBP Hedged Net Total Return (the constraining benchmark), over the same rolling 3 year period.

The fund uses a range of investment strategies and techniques to invest actively in a broad selection of asset classes across all economic sectors worldwide. The strategy makes significant use of derivatives for investment purposes and to manage the fund more efficiently, with the aim of reducing risk, reducing costs and or/generating additional capital or income.

##### **LGIM Pre-Retirement Fund**

The Fund aims to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.

The Fund invests in LGIM's index-tracking bond funds to gain exposure to these assets. The Fund, however, cannot provide full protection against changes in annuity rates for individual members since these also depend upon a number of other factors (e.g. changes to mortality assumptions). The asset allocation is reviewed quarterly by LGIM's Matching Solutions team and the Fund will not take short-term, tactical asset allocation positions.

##### **Cash Fund**

The Fund aims to perform in line with 7 Day GBP LIBID, without incurring excessive risk. Ordinarily this will involve placing deposits with banks and building societies, but it may extend to certificates of deposit, commercial paper or other securities from such issuers or UK Treasury Bills or other very short dated debt issued by the Government or other public sector bodies.

The fund offers stability and aims to provide capital preservation. However, in extreme circumstances, the value of the Fund's assets could fall if a deposit holder/the UK Government were unable to meet their obligations, if there were sudden, sharp movements in interest rates or in the event of a negative interest rate environment.

##### **Default lifestyle strategy**

The aim of the drawdown-targeting lifestyle strategy is to provide members with the opportunity to increase the value of their benefits with investment growth whilst managing risk in an appropriate and considered way with an end point portfolio commensurate with how members may take their benefits when they retire.

## TUBE LINES PENSION SCHEME

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Investment report (continued)

#### Review of Investment Performance

The performance of the investment funds is detailed below (all returns are stated to 31 March 2021). Please note that many of the funds have been in place for less than three years and hence only one year performance is shown for them. The exceptional 1 year performance of some of the funds is partially caused by the impact of Covid-19 on 31 March 2020 values.

Description	1 Year Performance (pa %)			3 Year Performance (pa %)			5 Year Performance (pa %)		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
LGIM World (ex UK) Equity Index Fund	39.2	39.3	-0.1	14.0	14.1	-0.1	15.2	15.3	-0.1
Alternatively Weighted Global Equity Fund	33.7	33.7	0.0	-	-	-	-	-	-
LGIM World Emerging Market Equity Index Fund	40.2	40.6	-0.4	-	-	-	-	-	-
LGIM UK Equity Index Fund	28.8	28.8	0.0	3.5	3.4	0.1	6.5	6.4	0.1
LGIM North America Equity Index Fund	39.9	40.0	-0.1	-	-	-	-	-	-
LGIM Europe (ex UK) Equity Index Fund	35.8	36.1	-0.3	-	-	-	-	-	-
LGIM Japan Equity Index Fund	26.5	26.8	-0.3	-	-	-	-	-	-
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	50.8	51.1	-0.3	-	-	-	-	-	-
LGIM Ethical Global Equity Index Fund	36.8	37.0	-0.2	-	-	-	-	-	-
HSBC Islamic Global Equity Index Fund	35.9	36.4	-0.5	-	-	-	-	-	-
Invesco Global Targeted Returns Pension Fund	-1.8	5.1*	-6.9	-	-	-	-	-	-
LGIM Investment Grade Corporate Bond All Stocks	6.9	7.2	-0.3	-	-	-	-	-	-
LGIM Over 5 years Index-Linked Gilt Index Fund	-1.8	-1.7	-0.1	3.4	3.4	0.0	6.3	6.3	0.0
LGIM Pre-Retirement Fund	2.7	3.1	-0.4	4.4	4.5	0.0	5.2	5.3	-0.1
LGIM Cash Fund	0.0	0.0	0.0	0.4	0.4	0.0	0.3	0.3	0.0

Source: Legal & General Investment Management Performance periods over a year are annualised. Fund returns based on weekly mid-market prices before deduction of fees.

\* The target benchmark: 5% p.a. above UK 3 month LIBOR

## TUBE LINES PENSION SCHEME

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Investment report (continued)

#### Fund split

The split of investments across the funds, as at 31 March 2021, is detailed below:

Fund	£	%
Alternatively Weighted Global Equity Fund	47,147,698	49.9
LGIM World (ex UK) Equity Index Fund	24,411,907	25.8
LGIM World Emerging Markets Equity Index Fund	7,582,994	8.0
LGIM Over 5 Year Index-Linked Gilts Index Fund	3,927,693	4.2
LGIM UK Equity Index Fund	3,524,269	3.7
Invesco Global Targeted Returns Fund	3,161,382	3.3
LGIM Investment Grade Corporate Bond All Stocks Index Fund	2,694,177	2.9
LGIM Pre-Retirement Fund	1,095,626	1.2
LGIM Cash Fund	787,230	0.8
LGIM North America Equity Index Fund	57,449	0.1
LGIM Japan Equity Index Fund	46,933	0.0
LGIM Europe (ex UK) Equity Index Fund	16,263	0.0
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	24,192	0.0
HSBC Islamic Global Equity Index Fund	444	0.0
LGIM Ethical Global Equity Index Fund	405	0.0
<b>Total investments</b>	<b>94,478,662</b>	<b>100.00</b>

Note: Numbers may not sum due to rounding. Fund mid values shown.

Source: Legal & General Investment Management

#### Market commentary

After severe disruption in global markets in early 2020 from the Coronavirus pandemic, equity markets rebounded in Q2 and Q3 2020 as a slowdown in new cases and the relaxation of lockdown measures resulted in a sharp economic rebound. A second wave outbreak at the onset of winter, however, dampened economic optimism over Q4 2020. Equity markets continued to rally as huge fiscal and monetary stimulus and optimism over Covid-19 vaccine rollouts led to investor willingness to overlook the sharpest economic recession in generations. Heightened political uncertainty around November's US presidential election provided some drag on risk sentiment, but increased expectations of expanded fiscal spending - following Democrat Joe Biden's - victory boosted markets.

Global Covid-19 cases continued to surge in Q1 2021, with many countries going back into lockdown as new virus variants became more virulent. Health concerns also halted the vaccine rollout in some countries whilst supply constraints led to a slower than expected rollout in Europe. However, improving economic data over the quarter in most countries and global vaccination rollouts boosted economic recovery optimism. The MSCI AC World Index rose by 51.1% in local currency terms over the past twelve months and by 38.9% in sterling terms. US equities posted strong returns over the year, helped by their high exposure to large technology companies. The \$1.9tn US economic relief package was approved by the Senate soon after Democrat Joe Biden was sworn in as US President in January 2021, which fed market expectations of stronger US growth and inflation. UK equities grew to a lesser extent. Emerging markets (EM) held up well as they were supported by the low global interest rate backdrop and the weak dollar. The risk of a reversal in both of these drivers led to weaker EM equity performance in Q1 2021.

## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Investment report (continued)

On a global sector level, Consumer Discretionary and Information Technology were the best performers in local currency terms. These sectors were bolstered by Coronavirus-driven lockdowns. Utilities was the worst-performing sector, followed by Consumer Staples and Health Care.

Governments across major economies announced swift and significant fiscal support for businesses and individuals. The US government approved several stimulus packages and have proposed a new infrastructure bill worth \$1.9tn. The European Union (EU) promised a recovery package which was increased to €1.8tn and passed in late 2020.

Central banks loosened monetary policy with quantitative easing (QE) programs. The US Federal Reserve (Fed) even began buying individual corporate bonds directly from the secondary market for the first time in Q2 2020. The Fed then announced a major policy shift in Q3 2020 by adopting an "average inflation targeting" approach, which implies a higher tolerance towards inflation. In Q4 2020 and Q1 2021, the Fed maintained its guidance surrounding keeping interest rates near zero until at least 2024 and continuing to buy \$120bn of debt per month until "substantial further progress has been made" towards its employment and inflation targets.

In Q3 2020, the Bank of England (BoE) reported in its meeting minutes that it was examining how negative interest rates could be implemented effectively should this be required. However, deputy governor Dave Ramsden later suggested that the current base rate represented the "effective lower bound" for interest rates. The European Central Bank (ECB) launched a €1.9tn pandemic emergency purchase program (PEPP) which will continue until March 2022.

After years of negotiations, the UK and the European Union (EU) reached a historic Brexit trade deal. The deal was reached after issues including EU fishing rights in UK waters and fair competition rules were agreed. The agreement allows most goods to be traded between the UK and the EU without tariffs or quotas.

Sterling ended the twelve months 5.7% higher on a trade-weighted basis. Sterling depreciated in Q2 2020 as the coronavirus situation developed but recovered against the dollar in Q3 2020 and appreciated more broadly in Q4 2020 in anticipation that a Brexit deal would be reached. The relief rally in sterling in Q1 2021, in the wake of the Brexit deal, was boosted by the launch of a successful UK vaccination program.

Brent crude oil prices rose by 179.4% over the last twelve months to \$63/BBL. After Q1's sharp fall, oil prices recovered in Q2 2020, rising by 81%, supported by record-setting production cuts by OPEC+ and the easing of lockdown measures in major economies, leading to expectations of higher oil demand. Optimism over vaccine approval and the start of vaccinations supported oil prices later in the year, even though OPEC and Russia agreed to increase oil production by 500,000 barrels per day from January 2021. OPEC also cut its forecast for 2021 growth in oil demand, citing continued virus uncertainty and weak labour markets. In Q1 2021, crude oil prices were again boosted by positive vaccine developments and easing lockdowns. OPEC+ decided to maintain a production rate at 7 barrels per day, slightly down from the previous quarter's 7.2m barrels per day.

Inflation expectations rose globally over the last year on the back of liquidity expansion and growth optimism. This rise in inflation expectations was a key driver of rising global bond yields from record low levels reached in the first half of 2020. The rise in inflationary expectations was most significant in the US given the shift in Fed strategy and the massive US fiscal spending program.

## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Investment report (continued)

#### Equity market commentary

##### UK equities

The UK's economic outlook and ongoing Brexit uncertainty weighed on UK equities during the year. Most non-essential businesses only reopened in the UK in early July 2020, after many other developed economies.

The UK's economy contracted by 19.8% over the second quarter of 2020, the worst Q2 contraction of any major developed economy. Heightened Brexit uncertainty also weighed on UK equities as trade negotiations continued and the end of the transition period approached in December. Despite positive equity returns elsewhere, UK equities posted a negative return of -4.6% over Q3 2020.

The UK's economy grew by 16% over the third quarter, beating initial expectations. With the UK having been harder hit by the economic impact of Covid-19 than most major economies, UK equities were particularly buoyed by the approval and rollout of vaccines. Brexit optimism also boosted UK equities over the quarter as trade negotiations progressed towards the eventual deal between the UK and EU. In Q4 2020, UK equities delivered a return of 10.6%, outperforming other developed markets in sterling terms.

UK equities rose by 5.2% over Q1 2021, outperforming other markets in sterling terms, but not in local terms, after the strong return in Q4 2020. The UK entered its third national lockdown in January, with 1.3 million cases reported in that month alone. However, the impressive UK vaccination program caused case numbers to tumble and the UK equity market, along with other equity markets, posted strong March returns. The Energy and Materials sectors performed particularly well as commodity markets continued to rally, with the Brent crude oil price future moving above \$60/barrel. The Financial sector also posted a 10.1% return as rising bond yields buoyed the sector.

##### US equities

US equities were the best performing market over Q2 2020 with a 21.8% return in local currency terms. The market was boosted by rebounding economic data and continued outperformance of US tech stocks. The US unemployment rate fell from April's all-time high of 14.7% to 11.1% in June, defying analysts who were expecting the unemployment rate to peak at close to 20%. However, a new spike in US coronavirus cases forced the reversal of many states' re-opening plans late in the quarter, potentially putting the US economic recovery at risk. The tech-heavy Nasdaq Composite index reached an all-time high in June amidst investor optimism that the lockdown-driven shift towards remote working and e-commerce would prove to be long-lasting. Currency moves led to a 22.2% return in sterling terms.

US equities were the best performing market over Q3 2020 with a 9.6% return in local currency terms. US equities ended the quarter above their pre-pandemic high set in February 2020 as rebounding economic data and strong performance from big tech stocks continued. The US unemployment rate fell to 8.4% in August, down from April's all-time high of 14.7%, with jobless claims data suggesting that over half of the jobs lost since the start of the pandemic have now been recovered. However, an acrimonious election campaign ahead of November's presidential election and deadlocked congressional negotiations over a new fiscal stimulus package cast a shadow over the market. US dollar depreciation over the quarter led to a 4.8% return in sterling terms. US equities also performed well over Q4 2020 with a 13.1% return in local currency terms, and the US index ended the quarter at an all-time high. However, US equities underperformed other markets in sterling terms with a return of 7.0% as sterling appreciated and the US dollar broadly depreciated amidst surging Covid-19 cases and election uncertainties both before and after Democrat Joe Biden won the presidency. The US unemployment rate fell to 6.7% in November, down from April's all-time high, but jobs were added at a slower pace than anticipated. President Trump's eventual decision to sign a \$900bn coronavirus relief bill averted a government shutdown and provided some relief for US equities in December.

US equities returned 5.5% over Q1 2021 in local currency terms. The labour market continued to improve with the US unemployment rate falling to 6.2% in February, down from 6.7% a quarter ago. The Consumer Confidence Index rose strongly.

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Investment report (continued)

##### European (ex UK) equities

European ex-UK equities rebounded sharply over Q2 2020 rising by 15.1% in local currency terms. Whilst Europe rapidly became the epicentre of the Covid-19 outbreak over March, the case count there trickled to relatively low levels by the end of the quarter, enabling most of Europe to ease lockdown restrictions. Further support from the European Central Bank (ECB) and a move towards fiscal burden-sharing also boosted European markets. The European Commission proposed a €750 billion recovery fund, to be funded partly by issuing mutualized EU debt, whilst the ECB increased the size of its asset purchases under the Pandemic Emergency Purchase Program by an additional €600 billion to €1.35 trillion. However, the Eurozone economy recorded a quarter-on-quarter growth rate of -3.6%, the worst economic contraction since the Eurozone was formed. The appreciation of the euro against sterling led to an 18.5% return in GBP terms.

European ex-UK equities remained range-bound for much of Q3 2020, ending the quarter with a return of 1.8% in local currency terms. An escalating second wave outbreak resulted in tighter restrictions across the region as the number of confirmed Covid-19 cases reached new highs in September. However, a younger age profile of infection and better treatment for coronavirus patients meant that mortality rates remained low relative to the first wave earlier this year. Meanwhile, the Eurozone economy contracted by 11.8% on a quarter-on-quarter basis in Q2, the worst contraction since the Eurozone's inception and worse than the 9.0% contraction recorded in the US. Currency movements led to a 1.3% return in sterling terms.

European ex-UK equities ended Q4 2020 with a return of 10.2% in local currency terms. An escalating second wave outbreak resulted in lockdown restrictions imposed across the region. However, the EU passed the bloc's €1.8tn budget and recovery package after Hungary and Poland reversed their vetoes and the European Central Bank increased the size of its Pandemic Emergency Purchase Programme from €1.35tn to €1.85tn, extending the program until March 2022. Fears of a turbulent Brexit transition eased over the quarter culminating in an eventual trade deal between the EU and UK. The appreciation of sterling against the euro led to a 9.1% return in sterling terms.

In Q1 2021 European ex-UK equities posted the next strongest local return following Japanese equities despite its slow vaccine roll-out and increase in virus cases which continued to hurt its services sector. However, the region's Manufacturing Purchasing Managers' Index hit a high of 62.4.

##### Japanese equities

Japanese equities returned 11.6% and 12.0% in local currency and sterling terms respectively over Q2 2020. The rebound was smaller than in other markets as its Q1 2020 market downturn was milder than in other economies since its Covid-19 trajectory was less severe. Having said that, the Japanese economy fell into a technical recession in Q2 2020, recording two consecutive quarters of decline in GDP for the first time in four and a half years. The economy contracted at an annualized rate of 2.2% in Q1 2020. This followed a 7.2% contraction in Q4 2019.

Japanese equities returned 4.7% in local currency terms over Q3 2020, with yen depreciation against sterling leading to a 2.3% return in sterling terms. Shinzo Abe, Japan's longest-serving Prime Minister, announced his resignation in August citing health concerns. Concerns were raised initially over whether "Abenomics", the ultra-loose monetary policy and fiscal spending proposed by Abe, would continue. However, these concerns faded away after Yoshihide Suga, widely seen as an Abe loyalist, won the ruling Liberal Democratic Party's leadership election and replaced Abe as Prime Minister.

Japanese equities returned 12.8% in local currency terms over Q4 2020, with yen depreciation against sterling leading to a 9.0% return in sterling terms. The Materials sector was the best performer over the quarter, rising 21.1% in local currency terms. Much of this performance was supported by expectations of recovery in the manufacturing sector.

## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Investment report (continued)

##### Japanese equities (continued)

Japanese equities made the strongest local currency gains over Q4 2020, supported by low virus cases, global demand for its exports and cyclical market exposure. However, most of the gain was eradicated from an unhedged UK investor perspective due to yen depreciation against the sterling.

##### Emerging market equities

Following relatively limited losses over Q1, Chinese equities returned 15.8% in sterling terms over Q2 2021, before rising sharply post quarter-end on strong domestic retail inflows. China-US tensions reignited after China introduced a new national security law on Hong Kong which triggered the US to revoke Hong Kong's trade privileges in response. Meanwhile, the US Senate passed a bill which could ban many Chinese companies from listing shares on US stock exchanges. Elsewhere, despite a sharp rise in coronavirus cases, rising commodity prices and easing monetary policies helped Latin American and Russian equities to rebound by 19.6% and 19.3% respectively in GBP terms.

Emerging market (EM) equities outperformed developed markets over Q3 2020, rising by 8.8% in local currency terms and 4.8% in sterling terms. EM equities were boosted by the successful containment of the coronavirus across East Asian economies which make up the bulk of the EM index. Chinese equities continued their strong year-to-date performance with a 7.6% return in GBP terms. Meanwhile, US-China tensions continued to rise as the Trump Administration tried to ban Chinese-owned apps TikTok and WeChat in the US on national security grounds. Elsewhere, Latin American equities underperformed with a return of -5.6% in sterling terms as the region struggled to get the coronavirus under control.

Emerging market (EM) equities were the best performer over Q4 2020, rising by 16.1% in local currency terms and 13.3% in sterling terms. EM equities were boosted by the continued successful containment of the coronavirus across East Asian economies which make up the bulk of the EM index. Korean equities continued their strong year-to-date performance with a 31.1% return in GBP terms over Q4. Meanwhile, after seven years of negotiations, the EU and China signed an investment deal. The incoming Biden administration raised concerns over the deal, citing China's controversial economic and labour practices. Elsewhere, boosted by rising commodity prices, Latin American equities performed well with a return of 27.6% in sterling terms.

After being the best performer in Q4 2020, Emerging market equities lagged in Q1 2021 as rising US yields and a more buoyant US dollar dragged on equity markets and currencies.

#### Bond Market Commentary

##### Government bonds

UK gilt yields fell to extreme lows in summer 2020 on the back of the pandemic, Brexit uncertainty and increased expectations of a BoE rate cut to negative levels. However, yields started to edge up across maturities in Q3 2020 as global risk sentiment improved. In Q1 2021, gilt yields rose sharply on the back of economic optimism in the light of several vaccine discoveries, further fuelled by the new US stimulus package.

##### Investment grade credit

Credit markets benefited from risk-on investor sentiment over the year, with credit spreads continuing to contract to ever tighter levels. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 111bps lower at 106bps.

##### Employer related investments

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 19 to the financial statements.



# TUBE LINES PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Engagement Policy Implementation Statement ('EPIS')

#### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ('the Regulations'). The Regulations, amongst other things, require that the Directors outline how they have ensured that the policies and objectives set out in their Statement of Investment Principles (SIP) have been adhered to over the course of the year.

The Implementation Statement ('the Statement' or 'EPIS') must include the following:

- A description of any review of the SIP undertaken during the year, with an explanation of any changes made or, if no review took place, the date of the last review.
- How and the extent to which the SIP has been followed during the year.
- A description of the voting behaviour by or on behalf of the Directors (including the most significant votes cast) during the year and a note on the use of the services of a proxy voter.

The Directors must include the Implementation Statement in the Trustees' Report & Accounts and publish this on a publicly available website.

This is the second implementation statement the Directors have prepared and covers the year ending 31 March 2021.

#### Scheme activity over the year to 31 March 2021

No changes were made to the Scheme's investments during the year.

The last strategy review was completed on 20 September 2018. This review led to significant changes in the Scheme's investment strategy which were implemented during 2019 and were fully in place by January 2020.

The most recent strategy review took place on 19 September 2021.

#### Changes to the SIP over the year to 31 March 2021

Having previously been reviewed in 2019, the SIP was updated during 2021 with the updated SIP being in place from 30 September 2020.

The principle changes arising from this review are as follows:

#### Stewardship – Voting and Engagement

The Directors updated their stewardship policy to set out the actions they would take if a manager is found to be falling short of the standards they expect.

The Directors also added detail of their approach to reviewing and reporting on the stewardship activities of the Scheme's asset managers.

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

##### Policies on Costs and Transparency

The Directors specified their policies in relation to the remuneration of the Scheme's asset managers including how member-borne costs and charges are monitored.

##### Policies on Arrangements with Asset Managers

The Directors specified their policies in respect of their relationship with the Scheme's asset managers, how they monitor the Scheme's investments and the approach they would take in the event that asset managers are considered to be making decisions that are not in line with the Directors' policies or expectations.

##### How the objectives & policies outlined in the SIP have been met

The Directors outline in their SIP a number of key objectives and policies. These are noted below, together with an explanation of how these objectives have been met and policies adhered to over the course of the year to 31 March 2021:

**Scheme Investment Objective:** In investing the assets of the Scheme in a prudent manner, the Trustee Directors' key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. They have taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

Over the year, the Directors have made available a comprehensive selection of investment options including three lifestyle strategies and a range of standalone self-select funds.

This range of investments was put in place following the Scheme's investment strategy review undertaken in 2018 during which the Directors commissioned analysis of the Scheme's membership in order to better understand members' circumstances, objectives and attitudes to risk.

Accordingly, the Directors are satisfied that this policy has been fully adhered to over the year.

**Default Investment Objective:** The Trustee Directors' objectives for the default strategy are as follows:

- Aim for significant long term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with how members may take their benefits when they retire.

The default strategy used by the Scheme during the year invests in equities while members are further away from retirement. Equities are expected to deliver significant long term real growth.

As members near retirement, the default strategy invests in a diversified portfolio of assets and funds which, taken together, are expected to be less volatile than equities.

The end portfolio of the default strategy is highly diversified and is designed to be appropriate and consistent with how members may take their benefits when they retire.

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

Overall, the Directors are satisfied that the default strategy is appropriate given their objectives. This view is backed by their investment adviser.

**Other Investment Options Policy:** It is the Trustee Directors' policy to provide suitable information for members so that they can make appropriate investment decisions. The range of other investment options was chosen by the Trustee Directors after taking advice from their investment adviser. In choosing the Scheme's investment options, it is the Trustee Directors' policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification.

During the year, an investment guide has been made available to members which provides details of all the investment options and information about how members can access suitable professional investment advice. Additionally, the member website provides access to the factsheets for each of the funds available in the self-select range and used within the lifestyle strategies.

The investment options available to members during the year were selected following advice the Directors obtained from their investment adviser. This advice included consideration of the full range of asset classes and manager styles that would be suitable for the Scheme and how appropriate diversification (including across managers) could be put in place.

Overall, the Directors are satisfied that their choices of investment options are aligned with their policies and that suitable information is provided to enable members to make appropriate investment decisions. This view is backed by their investment adviser.

**Risk Measurement and Management Policy:** The Trustee Directors recognise that members experience risk associated with the Scheme's investment options including the default strategy. The Trustee Directors take account of this in the selection and monitoring of the investment managers and the choice of funds offered to members.

The investment options available to members during the year were selected following advice the Directors obtained from their investment adviser. This advice included consideration of the risks members might experience and ways these could be appropriately managed and mitigated.

During the year, the Directors received quarterly monitoring reports which considered the performance of the investment managers and funds over time as well as the performance the default investment strategy as whole. The Directors also received reporting detailing the impact realised performance and the changing financial outlook would have on expected member retirement outcomes.

In the course of this monitoring, no material issues were identified during the year and the Directors are comfortable that the risks have been considered, managed and monitored appropriately given their objectives.

## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

**Governance Policy:** The Trustee Directors of the Scheme have ultimate responsibility for the investment of the Scheme assets. The Trustee Directors take some decisions and delegate others. When deciding which decisions to take and which to delegate, the Trustee Directors have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee Directors' policy is to review their investments and to obtain written advice about them at regular intervals. When deciding whether to make any new investments or terminate any investments, the Trustee Directors will obtain written advice from their investment adviser.

Over the year, the Directors undertook relevant training and obtained professional support and advice from their advisers. For example, the Directors received legal training to help keep their knowledge of pensions and investment regulations up to date. Furthermore, during the year to 31 March 2021, the Directors have received written advice in respect of the performance of investments and their continued appropriateness. Aon has continued to support the Directors throughout the year and, in particular, provided training, advice and updates on the Scheme's investments and fund managers. The training, support and advice the Directors have received has enabled them to make informed decisions over the course of the year.

During the year, the Directors continued to delegate, to the fund managers, responsibility for the day-to-day management of the investments including responsibility for ensuring the funds perform in line with their objectives. This is on the basis that the Directors consider the fund managers to be best placed to make day-to-day investment decisions and meet the fund objectives.

The Directors, with support from their investment adviser, have monitored the fund managers to ensure they are appropriately fulfilling the responsibilities delegated to them. This monitoring is supported by quarterly reporting that Aon has provided and which includes a review of the performance of the fund managers against their objectives and highlights any developments which may impact the ability of the fund managers to fulfil their objectives or responsibilities in future. This monitoring has not identified any material issues that would lead to the Directors changing the Scheme's investments. The Directors are satisfied that this policy has been fully adhered to over the year.

#### Responsible Investment Policies

**Environmental, Social and Governance Considerations:** The Trustee Directors consider financially material risks by taking advice from their investment adviser when setting the Scheme's investment strategy, when selecting managers and when monitoring their performance.

The Directors obtained professional investment support and advice from their investment adviser, Aon, when setting the Scheme's investment strategy, selecting managers and in monitoring their performance. Consideration of financially material risks was an integral part of this support and advice.

**Members' Views and Non-Financial Factors:** The Trustee has made the Ethical and Shariah funds available to members who would like to invest in funds with these specific considerations. The funds that make up the default strategy and other investment options do not apply purely ethical or moral judgements as the basis for investment decisions.

The Directors considered member feedback when updating the default strategy and range of funds as part of the investment strategy review and it was member feedback that led to the implementation of the Ethical and Shariah funds which have been available to members throughout the year.

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

**Stewardship – Voting and Engagement:** The Trustee Directors regularly review the continuing suitability of the appointed managers and take advice from their investment adviser in this regard. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If a manager is found to be falling short of the standards that the Trustee Directors expect, they will engage with the manager and seek a more sustainable position.

The Trustee Directors will review and report on the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee Directors will review the alignment of the investment managers' policies with their own and ensure the manager uses its influence as a major institutional investor to carry out the Trustee Directors' rights and duties as a responsible shareholder and asset owner. This will include voting, along with engaging with underlying investee companies and issuers of debt to promote good corporate governance and accountability.

The support Aon provided during the year included updating the Directors on manager developments and whether there was anything that impacted their continued suitability. This advice included consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. The Directors and Aon have also engaged with the fund managers to better understand their approach to stewardship and their exercise of voting rights.

Aon's manager research team discuss the engagement policies of fund managers as part of their fund rating review. Aon's views of managers are communicated within the quarterly reporting they provided to the Directors. Voting statistics and engagement information covering the year to 31 March 2021 are included later in this statement. Similar information covering the year to 31 March 2020 was included within the previous EPIS. This information has been reviewed by the Directors and Aon and will continue to be reported, through the EPIS, on an annual basis.

Having engaged with the asset managers and reviewed their activities and policies, the Directors are satisfied that the asset managers have fulfilled the standards the Directors expect and are promoting good corporate governance and accountability. The Directors are supported in this view by Aon.

## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

**Policies on Costs and Transparency:** The Trustee Directors believe that net of all costs performance assessments provide an incentive for investment managers to manage costs efficiently. As such, the Trustee Directors believe it is important to understand the different costs and charges which are paid by members.

The Trustee Directors collect information on member-borne costs and charges on an annual basis, where available, and sets these out in the Annual Chairman's Statement regarding DC Governance, which is made available to members in a publicly accessible location. No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee Directors expect its investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chairman's Statement exercise. The quarterly reporting the Directors have received from Aon during the year includes a net of all cost performance assessment which informs the Directors views on the continued appropriateness of the investment / asset managers used by the Scheme.

The member-borne costs and charges of all the investments used by the Scheme were collected and presented in the 2021 Chair's Statement which is available on a publicly accessible website. In the course of producing the 2021 Chair's Statement, Aon reviewed the costs and charges and highlighted where they seemed higher than expected. Where this was the case, Aon sought and obtained a suitable explanation from the asset manager.

**Policies on Arrangements with Asset Managers:** The Trustee Directors monitor those investments used by the Scheme to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee Director's policies as set out in the Statement of Investment Principles, including those on non-financial matters. The Trustee Directors also monitor those investments available through the Scheme but not included in the default strategy. The Trustee Directors are supported in this monitoring activity by its investment consultant. Before appointment of a new investment, the Trustee Directors review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee Directors' policies. Where possible, the Trustee Directors will seek to express its expectations to the asset managers to try to achieve greater alignment.

Where asset managers are considered to be making decisions that are not in line with the Trustee Director's policies, expectations, or the other considerations, the Trustee Directors will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary. There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

During the year, the Directors received analysis from Aon detailing how the investment strategy was performing and how it was expected to perform in future in terms of the retirement outcomes of members. The Directors have also obtained quarterly reporting from Aon which details the performance of the investments and managers used by the Scheme. This quarterly reporting covered investments in the default strategy, the other lifestyle strategies and the standalone self-select options. This reporting, in conjunction with ongoing engagement with the asset managers and support from Aon, has enabled the Directors to consider the extent to which the investment strategy and decisions of the asset managers are aligned their policies. No new investments were appointed during the year but the Directors have maintained ongoing engagement with the current asset managers and this dialogue includes expressing their expectations of the managers. This ongoing engagement, along with the monitoring undertaken during the year, mean the Directors are satisfied that the asset managers have been making decisions in line with the Directors' policies, expectations and other considerations. The Directors are supported in this view by Aon. The asset managers were not formally reviewed during the year but were reviewed as part of the strategy review completed in September 2021.

## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Overall

Given the approach and actions undertaken during the year, the Directors are satisfied that their responsible investment policies have been fully adhered to.

#### Use of the services of a proxy voter

The Directors do not directly use the services of a proxy voter.

However, the Scheme's fund managers, LGIM, Invesco and HSBC all obtain proxy voter services from Institutional Shareholder Services (ISS).

#### Voting behaviour

Details of the voting behaviour undertaken on behalf of the Directors, including details of the most significant votes cast, is set out in the appendix to this report.

#### Conclusion & future developments

Over the course of the year to 31 March 2021, the Directors are pleased to report that they have, in their opinion, adhered to the policies set out in the Scheme's SIP.

The Directors will continue monitoring the funds and managers the Scheme uses and will seek professional support and advice from its investment adviser as appropriate.

The Directors recognise that they have a responsibility, as an institutional investor, to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Directors will continue to use their influence to drive positive behaviour and change among the fund managers and other third parties that the Directors rely on; such as the platform provider and investment adviser.

Over 2022, the Directors will review, among other elements of the Scheme, the fund charges paid by members to ensure that they remain competitive and appropriate. Additionally, the strategy review to be completed by September 2022 will enable the Directors to verify the investments and the asset managers continue to be appropriate for meeting the Directors' policies and objectives.

## TUBE LINES PENSION SCHEME

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Appendix

#### Voting Behaviour

The table below provides details of the voting behaviour undertaken on the Directors behalf in respect of each relevant fund used by the Scheme over the year to 31 March 2021.

	Number of meetings eligible to vote at	Number of resolutions eligible to vote on	% of eligible resolutions voted on	Of voted resolutions % voted with management	Of voted resolutions % voted against management	% of eligible resolutions abstained from	% of eligible meetings with at least one vote against management	% of voted resolutions, contrary to proxy adviser recommendation
Alternatively Weighted Global Equity Fund (LGIM)	1,100	15,435	100%	82%	18%	0%	5%	1%
LGIM World (ex UK) Equity Index	3,243	37,840	100%	80%	19%	1%	6%	0%
LGIM World Emerging Market Equity Index	3,998	36,036	100%	85%	13%	1%	5%	0%
LGIM UK Equity Index	943	12,574	100%	93%	7%	0%	3%	1%
Invesco Global Targeted Returns Pension	365	5,332	98%	94%	6%	1%	33%	3%
LGIM North America Equity Index	794	9,495	100%	72%	28%	0%	8%	0%
LGIM Japan Equity Index	551	6,518	100%	86%	14%	0%	4%	0%
LGIM Asia Pacific (ex-Japan) Developed Equity Index	534	3,774	100%	74%	26%	0%	10%	0%
LGIM Europe (ex-UK) Equity Index	686	11,412	100%	84%	15%	1%	4%	0%
LGIM Ethical Global Equity Index	1,274	18,215	100%	84%	16%	0%	5%	1%
HSBC Islamic Global Equity Index	109	1,597	92%	88%	12%	0%	55%	8%

**Significant Votes Cast & Engagement Examples** – Information from the fund managers relating to the significant votes cast and engagement is provided below.

#### LGIM

**Company name:** Rank Group (investee company within the LGIM UK equity Index Fund)

**Date of Vote:** 07/05/2020

#### Summary of resolutions:

Resolution 2 - Approve the remuneration report – LGIM voted in favour

Resolution 3 - Approve remuneration policy – LGIM voted in favour

#### Description:

The company and its stakeholders have been impacted by the COVID crisis and LGIM wanted to ensure this was reflected in the executive remuneration package paid for the year. In addition, in 2018 the company granted long-term incentives (LTI) to the executives and committed not to grant any LTI awards until financial year 2022. After review of the remuneration policy, the remuneration committee asked shareholders to adopt a new LTI structure with the first award under this plan to be made in the 2021 financial year.



## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

LGIM decided to support the remuneration report which looks back at the remuneration earned during the financial year. LGIM noted the remuneration committee's decision to apply a 20% deduction and cancel the planned increase of salaries of the executives and fees of the board members. No annual bonus was granted, given the performance of the company. LGIM was comfortable that the impact of COVID-19 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report. Regarding the remuneration policy, LGIM's direct engagement with the company allowed them to better understand the rationale for the proposed changes to the LTI plan. LGIM took into account the company's concerns around retention and the fact that there would be a substantial gap in the vesting of any long-term incentives if the plan was not approved.

#### Vote results:

90.79% of shareholders supported resolution 2

96.4% of shareholders supported resolution 3

**Company name:** The Procter & Gamble Company (P&G) (investee company within the Alternatively Weighted Global Equity Fund, LGIM World (ex UK) Equity Index Fund, LGIM North America Equity Index Fund and LGIM Ethical Global Equity Index Fund)

**Date of Vote:** 13/10/2020

#### Summary of resolution:

Resolution 5 - Report on effort to eliminate deforestation – LGIM voted in favour

#### Description:

P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation, calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests.

LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. They also spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. The company had not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of the P&G's level of commitment. Given deforestation is one of the key drivers of climate change, a key priority for LGIM is to ensure that investee companies are not contributing to deforestation.

LGIM has asked P&G to respond to the CDP Forests Disclosure and continues to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.

#### Vote result:

67.68% of shareholders supported resolution 5

#### Engagement Example

LGIM have provided an engagement case study about how they engaged with the energy company, BP. Believing that the shift to a low-carbon economy has profound implications, LGIM and other major shareholders put forward a motion calling on BP to explain how its strategy was consistent with the Paris Agreement on climate change.

In May 2019, LGIM worked with the board of BP to secure its support for the motion. At BP's annual general meeting, the proposal was passed with overwhelming approval from shareholders. LGIM have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. At the time of this report, the company announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it extracts, and a 50% reduction in the carbon intensity of all the products it sells.

#### Invesco

**Company name:** easyJet Plc

**Date of Vote:** 14/07/2020

#### Summary of resolution:

Resolution to approve raising of capital – Invesco voted in favour

#### Description:

Invesco believed that the capital raise would strengthen the Company's balance sheet as part of the Company's response to the impact of COVID-19 thus helping the Company in its recovery and long-term growth.

#### Vote result:

Capital raising approved

## TUBE LINES PENSION SCHEME

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### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

**Company name:** Citigroup Inc.

**Date of Vote:** 21/04/2020

**Summary of resolution:**

Resolution to report on lobbying payments and policy – Invesco voted against

**Description:** Invesco decided to vote against the proposal on the basis that, in their view, the company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risks.

**Vote result:**

Resolution was voted down.

#### HSBC

**Company name:** Chevron Corporation

**Date of Vote:** 27/05/2020

**Summary of resolution:**

Resolution to report on climate lobbying – HSBC voted in favour

**Description:**

HSBC voted against management so as to support a resolution for the company to report on climate lobbying, in alignment with the goals of the Paris Climate Agreement. HSBC favour resolutions that request increased reporting and accountability on climate change issues. HSBC had contacted the company to explain the voting rationale and to request the opportunity to discuss further, highlighting that they would vote in favour of increased reporting at the AGM and in future cases.

**Vote result:**

53.5% of shareholders supported resolution

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Engagement Policy Implementation Statement ('EPIS') (continued)

##### Engagement Example

HSBC engaged with a number of companies including Royal Dutch Shell, Exxon Mobil and Rio Tinto on the investor initiative launched in 2017 to encourage the world's largest corporate greenhouse gas emitters take action on climate change; Climate Action 100+. HSBC engaged with these companies to:

- Reduce emissions;
- Improve governance; and
- Strengthen climate-related financial disclosures.

The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive a clean energy transition.

HSBC participated in group meetings with the Chairs of all three companies as well as other meetings and its own direct engagement. During the period, both Royal Dutch Shell and Rio Tinto made significant commitments related to carbon transition.

##### Further information

Further information about the Scheme is available, on request, to members and prospective members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

Individual benefit statements are provided to active and deferred members annually. In addition to the information shown on these statements members can request details of the amount of their current transfer value and, if applicable, the current amount of any refund of contributions to which they would be entitled on leaving service. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme or their own pension position, or wish to obtain further information, they should contact Aon Solutions UK Limited at the contact details on page 1 who will also be able to provide them with a further copy of the Scheme's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Solutions UK Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustee with a report and financial statements on the operation of the Scheme. Aon Solutions UK Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustee, the data controller. Aon Solutions UK Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Employers will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

# TUBE LINES PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Compliance matters

#### HM Revenue & Customs Registration

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Principal and Participating Employers and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

#### Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members in tracing their rights if they have lost contact with the previous Employers' scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

0800 731 0193  
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

#### The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('UK') regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pension schemes.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrong doers.

TPR can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

0345 600 1011  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

#### Compliance matters (continued)

##### Questions about pensions

If you have any questions about your pension, MoneyHelper which is part of the Money and Pensions Service, provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

MoneyHelper can be contacted at:

Money and Pensions Service  
120 Holborn  
London  
EC1N 2TD

0800 011 3797  
[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

##### Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's Administrator. In the event that a member's complaint cannot be resolved by the Administrator they may make a formal complaint using the Scheme's Internal Dispute Resolution ('IDR') procedure, details of which can be obtained from the Administrator or the Secretary to the Trustee or use the Pensions Ombudsman's informal Early Resolution Service.

The Government appointed Pensions Ombudsman can investigate complaints of injustice due to bad administration either by the Trustee or the Scheme's Administrator, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

0800 917 4487  
[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

# TUBE LINES PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2021

### Statement of Trustee's Responsibilities

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 to 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 them 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 under pensions legislation for securing that a Payment Schedule is prepared, maintained and from time to time revised 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 Payment Schedule. 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.

### Approval

The Trustee's Report was approved by the Trustee and signed on its behalf by:

Trustee Director:

Trustee Director:

Date: 28 October 2021

# TUBE LINES PENSION SCHEME

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## CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

The Occupational Pension Scheme (Scheme Administration) Regulations 2018 ('the Administration Regulations') require trustees to prepare an annual statement regarding governance and charges of their Trust-based Defined Contribution (DC) and Additional Voluntary Contribution ('AVC') schemes, which should be included in the Trustee's Annual Report and Accounts.

This is the statement issued by the Scheme which covers the period from 1 April 2020 to 31 March 2021. It is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- The Default Arrangement;
- Processing of core financial transactions;
- Member borne charges and transaction costs;
- Value for Members; and
- Trustee knowledge and understanding.

### 1. The Default Arrangement

The Scheme is not used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default arrangement. A lifestyle strategy is provided as the default arrangement for members who join the Scheme and who do not choose an investment option for their contributions. Members can also choose to invest in the default arrangement.

The current Statement of Investment Principles ('SIP') for the Scheme is shown below on pages 40 to 47. The SIP governs decisions about investments in the default arrangement, including an explanation of how this arrangement is intended to ensure that assets are invested in the best interests of members and beneficiaries.

The last investment strategy review concluded on 20 September 2018 and it was agreed to undertake some changes to the Scheme's investment strategy as a result. In particular:

- Three different lifestyle options were made available which invest in such a way as to be appropriate for members who wish to take their retirement benefits as a cash lump sum or who want to drawdown their funds over time or who want to purchase an annuity at retirement.
- The lifestyle strategy targeting drawdown at retirement was designated as the default strategy for the Scheme. The Trustee, having received advice from their investment consultant ('Aon'), considered this to be the most appropriate default strategy taking into account the Scheme's membership profile, how members are expected to take their benefits and the expected performance of the drawdown lifestyle strategy.
- In addition to the lifestyle strategies, the Trustee reviewed and decided to expand the range of standalone self-select funds made available to members.

The aim of the default arrangement (and the other lifestyle arrangements) is to strike a reasonable balance between maximising the opportunity for growth and managing risks, particularly as a member approaches retirement. This is achieved by automatically moving members' funds from return-seeking assets, which aim for long-term growth in excess of inflation, to a more broad-based and lower risk asset mix as a member approaches their target retirement date.



# TUBE LINES PENSION SCHEME

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## CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Each lifestyle option makes use of highly diversified global equities while members are further away from retirement. From nine years before a member's target retirement date, the strategies begin investing in a mixture of assets which are designed to reduce volatility in members' fund values. Over the final five years before retirement, the strategies invest in a way that is commensurate with their respective targets (i.e. cash lump sum, drawdown and annuity).

These changes were implemented during July and August 2019.

The investment strategy will be reviewed again by 19 September 2021.

The Trustee reviews the performance of the default strategy and other investment options on a quarterly basis to ensure the funds and strategy are delivering as expected in terms of the aims and objectives for the Scheme.

### **2. Processing of Core Financial Transactions**

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- Investment of contributions to the Scheme;
- Transfer of member assets into and out of the Scheme;
- Transfers between different investments within the Scheme; and
- Payments to and in respect of members.

Core financial transactions during the year were undertaken on behalf of the Trustee by Aon.

The Trustee has reviewed the processes and controls used by Aon and considers them to be suitable and likely to meet the required levels. The processes include daily monitoring of the Trustee bank account, a dedicated contribution processing team, and two individuals who are in place to check all investment and banking transactions. An independent audit of the administration team's activities is undertaken on an annual basis and the controls around administration and the processing of transactions are documented in the Scheme's risk register.

The Trustee has a Service Level Agreement in place with Aon which covers the accuracy and timeliness of all core financial transactions. Aon reports quarterly through its governance report which includes details of the performance of the administration team against the agreed service levels for all transaction types. This reporting assists the Trustee in its monitoring of the processing of core financial transactions and is considered at each Trustee meeting.

Aon met the Service Level Agreement standards throughout the year with an average of 99% of activities completed within 5 working days. Due to the impact of the pandemic, there were delays to some member contributions being invested early in the scheme year, these are being rectified and no member will be financially impacted due to this. Accordingly, the Trustee had no concerns in this respect.

In the light of the above, the Trustee considers that the requirements for processing core financial transactions have been met.

# TUBE LINES PENSION SCHEME

## CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

### 3. Member Borne Charges and Transaction costs

The Trustee assesses the costs associated with the Scheme which are paid by the members. These costs are made up of charges and transaction costs:

**Charges** such as the Annual Management Charge ('AMC') – the annual fee charged by the investment manager for investing in a fund, as well as additional expenses which, together, comprise the Total Expense Ratio ('TER') which is the total cost of investing in the fund.

**Transaction costs** are costs which are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the funds.

The default arrangement – the Drawdown Lifestyle Strategy – has levied a TER of less than 0.75% p.a. of assets under management for all members during the period 1 April 2020 to 31 March 2021 (0.75% is the cap on charges for the default arrangement established under relevant pension scheme legislation).

The Drawdown Lifestyle Strategy has a TER payable of between 0.14% p.a. and 0.25% p.a. depending on a member's term to their selected retirement date. The Annuity Lifestyle Strategy and the Cash Lifestyle Strategy have TERs of between 0.05% p.a. and 0.25% p.a. and 0.06% p.a. and 0.25% p.a. respectively. The TER for each lifestyle strategy and at each year to a member's target retirement date are shown in the chart below.



## TUBE LINES PENSION SCHEME

### CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

The table below sets out the relevant charges for each of the standalone funds used by the Scheme. Again, where transaction costs have been provided as a negative cost (i.e. profit), these have been set to zero by the Trustee to avoid potentially understating the level of costs and charges:

Fund	Total Expense Ratio	Transaction Costs	Total
LGIM World (ex UK) Equity Index Fund *	0.08%	0.00%	0.08%
Alternatively Weighted Global Equity Fund *	0.14%	0.07%	0.21%
LGIM World Emerging Market Equity Index Fund *	0.35%	0.02%	0.37%
LGIM UK Equity Index Fund *	0.05%	0.00%	0.05%
LGIM North America Equity Index Fund	0.14%	0.00%	0.14%
LGIM Europe (ex-UK) Equity Index Fund	0.18%	0.00%	0.18%
LGIM Japan Equity Index Fund	0.16%	0.01%	0.17%
LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund	0.20%	0.01%	0.21%
LGIM Ethical Global Equity Index Fund	0.35%	0.00%	0.35%
HSBC Islamic Global Equity Index Fund	0.35%	0.03%	0.38%
Invesco Global Targeted Returns Pension Fund *	0.75%	0.52%	1.27%
Investment Grade Corporate Bond – All Stocks – Index Fund *	0.12%	0.00%	0.12%
LGIM Over 5 Years Index-Linked Gilt Index Fund *	0.05%	0.03%	0.08%
LGIM Pre-Retirement Fund	0.05%	0.04%	0.09%
LGIM Cash Fund **	0.06%	0.00%	0.06%

\* Used in all the lifestyle strategies

\*\* Used in the cash and annuity lifestyle strategies

#### Illustration of the effect of costs and charges

The Trustee is required to illustrate the effect on fund values of the costs and charges typically paid by a member. The Trustee has produced the following illustrations, with the fund values shown net of the TER and transaction costs to show the impact of total costs and charges.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members and are based on a number of assumptions about the future which are set out under 'notes and assumptions' below. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Members are primarily invested in the default strategy which automatically transitions members' investments between the underlying funds as members approach retirement age. Members are also offered a series of self-select funds.

The tables below illustrate the effect of the costs and charges at different ages on accumulated funds for two representative members invested in the default strategy and two of the self-select fund options, which have different charges and expected growth rates.

The projected fund values shown are estimates for illustrative purposes only and are not guaranteed.

## TUBE LINES PENSION SCHEME

### CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

#### Active Member

For an active member aged 20, invested in the default lifestyle strategy, the estimated impact of charges on projected retirement values is shown below. Projections are based on a salary of £40,000 p.a. and a fund value of £20,000 at age 20.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
20	20,000	20,000	0
25	45,160	44,880	280
30	74,930	74,050	880
35	110,130	108,280	1,850
40	151,780	148,420	3,360
45	201,030	195,500	5,530
50	259,280	250,730	8,550
55	328,190	315,500	12,690
60	400,890	382,020	18,870
65	454,440	426,590	27,850

For an active member aged 20, invested in the Invesco Global Targeted Returns Pension Fund, the estimated impact of charges on projected retirement values is shown below. Projections are based on a salary of £40,000 p.a. and a fund value of £20,000 at age 20.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
20	20,000	20,000	0
25	42,770	40,910	1,860
30	67,850	62,640	5,210
35	95,470	85,220	10,250
40	125,900	108,670	17,230
45	159,410	133,030	26,380
50	196,320	158,350	37,970
55	236,970	184,640	52,330
60	281,750	211,960	69,790
65	331,070	240,350	90,720

## TUBE LINES PENSION SCHEME

### CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

For an active member aged 20, invested in the UK Equity Index fund, the estimated impact of charges on projected retirement values is shown below. Projections are based on a salary of £40,000 p.a. and a fund value of £20,000 at age 20.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
20	20,000	20,000	0
25	45,160	45,080	80
30	74,930	74,680	250
35	110,130	109,610	520
40	151,780	150,820	960
45	201,030	199,450	1,580
50	259,280	256,840	2,440
55	328,190	324,550	3,640
60	409,690	404,460	5,230
65	506,090	498,750	7,340

#### Deferred Member

For a deferred member (someone who is no longer contributing to the Scheme) aged 45, invested in the default lifestyle strategy, the estimated impact of charges on projected retirement values is shown below. Projections are based on a fund value of £50,000 at age 45.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
45	50,000	50,000	0
50	59,140	58,650	490
55	69,950	68,790	1,160
60	80,940	78,710	2,230
65	87,610	83,710	3,900

For a deferred member aged 45, invested in the fund Invesco Global Targeted Returns Pension Fund, the estimated impact of charges on projected retirement values is shown below. Projections are based on a fund value of £50,000 at age 45.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
45	50,000	50,000	0
50	55,070	51,950	3,120
55	60,660	53,970	6,690
60	66,810	56,070	10,740
65	73,590	58,250	15,340

## TUBE LINES PENSION SCHEME

### CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

For a deferred member aged 45, invested in the fund UK Equity Index fund, the estimated impact of charges on projected retirement values is shown below. Projections are based on a fund value of £50,000 at age 45.

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
45	50,000	50,000	0
50	59,140	59,000	140
55	69,950	69,620	330
60	82,740	82,150	590
65	97,860	96,940	920

Notes and assumptions made for the purposes of the above illustrations:

- All projected fund values are shown in today's terms and do not need to be reduced further for the effect of future expected inflation.
- The assumed growth rates (gross of costs and charges) are as follows:
  - Equities 6.0% p.a. (used within the projection of the default lifestyle strategy and for the UK Equity Index fund)
  - Index Linked Gilts 0.3% p.a. (used within the projection of the default lifestyle strategy)
  - Corporate Bonds 1.5% p.a. (used within the projection of the default lifestyle strategy)
  - Active Multi Asset Fund 4.5% p.a. (used within the projection of the default lifestyle strategy and for the Invesco Global Targeted Returns Pension Fund)
- Annual Salary Growth and Inflation of 2.5% p.a.
- Retirement at the normal retirement age of 65.
- For the active member, total contributions of 10% p.a. of pensionable pay payable to the normal retirement age.
- The lifestyle strategy is rebalanced annually.

#### 4. Value for Members

In addition to the requirement to assess the charges paid by members, the Trustee is also required to consider the extent to which those charges and costs represent good value for money for members ('Value for Members'). The Regulations do not prescribe how trustees are to go about assessing Value for Members; it is left to the respective trustee body to develop their own assessment framework.

The Trustee, in consultation with its advisers, has established an assessment framework in order to determine whether the charges and transaction costs paid by members represent Value for Members. The Trustee has identified the following areas where they believe there is a benefit derived by members; these benefits can be financial or non-financial in nature:

- Costs
- Member communications and engagement
- Investments
- Retirement support
- Sound administration
- The time spent by the Trustee in making sure that the Scheme is run in the interests of its members overall (referred to as 'governance').

# TUBE LINES PENSION SCHEME

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## CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes in respect of the six core benefit categories identified above.

- **Costs**

Based on the profile of the Scheme arrangements, we believe that the explicit charges are competitive when compared to current market rates on a like-for-like basis.

- **Member communications and engagement**

The Scheme provides effective communications that are relevant, clear, easy to understand and engaging. The communications help members better understand their DC savings and take appropriate actions.

Use is made of a variety of communication media.

There are also online tools and access to information via the Scheme's member website.

- **Investments**

The Scheme offers a variety of lifestyle and standalone investment options covering a range of member risk profiles and asset classes. The investment choices available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind. Investments are regularly reviewed and performance is regularly monitored.

- **Retirement support**

The Scheme provides members with an at-retirement service, enabling members to explore their retirement options and includes modelling tools.

- **Sound administration**

The Trustee has appointed Aon to provide administration services to the Scheme and is satisfied that Aon has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that, if administrative errors do occur, members are not disadvantaged as a result.

- **Governance**

The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee considers the governance arrangements in place to be robust, with the right structures in place to support effective management of risks. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet legal requirements and industry best practice.

Overall, the Trustee believes that the costs incurred by members offer value for money in this context. Additionally, the charges paid by members for the default arrangement are significantly below the statutory Charge Cap.

### 5. Trustee's Knowledge and Understanding

There are currently two Directors, one of whom is nominated by the Company. The other Director is nominated by members, fulfilling the legal requirement that at least one-third of a pension scheme's trustee directors should be member nominated.

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge, skills and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

# TUBE LINES PENSION SCHEME

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## CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

The Trustee has met the Pension Regulator's TKU requirements (as set out under Code of Practice 7) during the Scheme year through the following measures:

- There were four Trustee meetings with advisers who have provided specialist advice and updates on legislation, guidance and best practice developments. Trustee meeting minutes were compiled and circulated.
- Trustee Directors are familiar with the Scheme documentation, including the Trust Deed & Rules, Trustee Report & Accounts and SIP. In particular, the Trustee refers to the Rules when making decisions, has a meeting each year to discuss the Trustee Report & Accounts and regularly reviews and updates the SIP as appropriate.
- Trustee Directors keep their knowledge of the law relating to pensions and trusts up to date through training provided at Trustee meetings and external seminars. Specifically, the Trustee reviews quarterly updates from their advisers and receives a legal training session at least once a year. All training sessions (both external and at meetings) are recorded on their training log.
- Trustee Directors are familiar with the investment principles appropriate for DC schemes. The Trustee reviews quarterly updates from their advisers and receives training and updates on markets and developing investment thinking. Furthermore, specific training is provided so as to ensure the Trustee is able to make informed decisions in respect of the strategies and funds used by the Scheme at the appropriate time. For example, the Trustee received training on crisis management and response to help ensure the Scheme remains resilient through the Coronavirus crisis.
- Training and guidance was also provided to the Trustee by their advisers in respect of the technical, legal and investment considerations associated with the move to the new investment strategy.
- All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit.

In addition to the skills within the Trustee Board, the Trustee engaged with the appointed professional advisers regularly throughout the year to ensure that the Scheme is run, and functions are exercised, properly, including the following:

- Reviewing quarterly stewardship reports from the administration provider
- Reviewing quarterly reports from Legal & General Investment Management
- Receiving an independent annual audit report

New Trustee Directors are asked to complete the Trustee Toolkit within one year of appointment and the Chair will provide them with key documents. Training will be provided to ensure any newly appointed Trustee Director is familiar with the Scheme, the relevant documentation and their duties. No new Directors were appointed over the course of the year.

The Trustee Board as a whole formally discuss their training requirements each year and training logs are reviewed and updated as appropriate.

The independent Scheme Secretary provides oversight of the performance and effectiveness of the Trust Board and identifies areas of training that are appropriate based on the Scheme's business plan and developments within the pensions industry. For example, developments in the investment industry towards taking into account Ethical, Social and Governance (ESG) factors in decision making and ensuring that appropriate stewardship of pension scheme assets is maintained were identified as appropriate training areas. These were addressed with training provided by the Trustee's advisors.



## TUBE LINES PENSION SCHEME

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### CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Clearly a key concern for the Trustees, during the year, has been around the robustness of the administrator's business continuity plans for continuing to work effectively during the current pandemic. The Trustees are pleased to advise that they have received business continuity updates from Aon at each ASC meeting. In addition, the Trustees have been given access to Aon's COVID-19 Hub which contains additional information.

The Trustees are happy to confirm that the administration team has continued to run a high quality, consistent and stable service. This includes:

- The Administration Team transitioned to 100% homeworking prior to UK lockdown.
- The Pensions Contact Centre also successfully transitioned to a flexible homeworking environment, with around 95% of members rating their call experience 'excellent' or 'good', and over 80% of members able to resolve their request on their first call during the crisis.
- Online ID verification on death, retirement and transfer-out cases was introduced alongside a non-post facility for members to send documents to ensure that cases could be settled efficiently.

The Trustees are pleased to report that, to date, there has been no material impact to SLAs as a result of COVID-19.

Overall, the Trustee is confident that all requirements of the Regulations as they apply are being met in the interests of members of the Scheme.

#### **Approval**

The Chair's Statement was approved by the Trustee and signed on its behalf by:

Chair of Trustee

Date: 28 October 2021

# TUBE LINES PENSION SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

This Statement of Investment Principles sets out the principles governing decisions about the investment of the assets of the Tube Lines Pension Scheme ('the Scheme').

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005), the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019.

### **Scheme Investment Objective**

In investing the assets of the Scheme in a prudent manner, the Trustee Directors' key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. They have taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

The Scheme Investment Objective is implemented using the range of investment options set out in the Appendix. Details of the Trustee Directors' aims and objectives in respect of the default investment strategy and other investment options are provided below.

### **Drawdown Lifestyle Strategy ('Default Strategy')**

The Trustee Directors' objectives for the default strategy are as follows:

- Aim for significant long term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with how members may take their benefits when they retire.

The objectives of the fund managers in respect of the underlying funds used within the strategy are set out in the Appendix which also details the kinds of investments held and the balance between them.

Other investment policies relating to the default strategy are set out in the sections below.

Taken together, the objectives and policies the Trustee Directors have adopted in respect of the default strategy, and following analysis of the membership, are expected to meet the needs of members, by providing the following:

- The opportunity to increase the value of their benefits with investment growth.
- An investment which manages risk in an appropriate and considered way.
- A portfolio commensurate with how members may take their benefits when they retire.

### **Other Investment Options**

It is the Trustee Directors' policy to provide suitable information for members so that they can make appropriate investment decisions. The range of other investment options was chosen by the Trustee Directors after taking advice from their investment adviser. In choosing the Scheme's investment options, it is the Trustee Directors' policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification.

# TUBE LINES PENSION SCHEME

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## STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

### EXPECTED RETURNS

The Trustee Directors expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower than the predominantly equity options. However, bond funds are expected to broadly match the price of annuities. Cash funds will provide protection against changes in short-term capital values and may be appropriate for members receiving part or all of their retirement benefits in the form of cash.

### RISK MEASUREMENT AND MANAGEMENT

The Trustee Directors recognise that members experience risk associated with the Scheme's investment options including the default strategy. The Trustee Directors take account of this in the selection and monitoring of the investment managers and the choice of funds offered to members.

The main areas of risk with this type of arrangement are as follows:

**Market Risk:** The Scheme is subject to currency, interest rate and other price risk associated with the underlying investments. These risks can impact the valuations of the funds. The Trustee Directors have selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies. Furthermore, the Trustee Directors closely monitor the performance of the funds and receive quarterly updates from the investment adviser giving views on their continuing appropriateness.

**Inflation:** The absolute return on investments and hence the value of the pension policy may be diminished by inflation. To help mitigate this risk, a range of funds is offered including growth funds which aim to provide real growth (growth in excess of inflation) over the long term.

**Credit Risk:** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Scheme is exposed to arises from holdings in the underlying funds accessed through Legal & General's investment platform. The investment adviser has provided advice on the funds and investment platform. This includes information on the security of the Scheme assets in relation to credit risk.

Due to the complex and interrelated nature of these and other risks, the Trustee Directors considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review.

In addition, the Trustee Directors measure risk in terms of the performance of the assets compared to the benchmarks and targets on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet their performance targets.

# TUBE LINES PENSION SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

### GOVERNANCE

The Trustee Directors of the Scheme have ultimate responsibility for the investment of the Scheme assets. The Trustee Directors take some decisions and delegate others. When deciding which decisions to take and which to delegate, the Trustee Directors have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee Directors have established the following decision-making structure:

<b>Trustee Directors</b>
<ul style="list-style-type: none"><li>• Set structures and processes for carrying out their role.</li><li>• Select and monitor planned asset allocation.</li><li>• Monitor and select investment advisers and fund managers.</li><li>• Monitor and select direct investments.</li><li>• Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.</li><li>• Set investment structures and oversee their implementation.</li></ul>

<b>Investment Adviser</b>	<b>Fund Managers</b>
<ul style="list-style-type: none"><li>• Advise on all aspects of the investment of the Scheme's assets, including implementation.</li><li>• Advise on this statement.</li><li>• Provide required training.</li></ul>	<ul style="list-style-type: none"><li>• Operate within the terms of this statement and their written contracts.</li><li>• Select individual investments with regard to their suitability and diversification.</li><li>• Advise Trustee Directors on suitability of their benchmarks.</li></ul>

The Trustee Directors' policy is to review their investments and to obtain written advice about them at regular intervals. When deciding whether to make any new investments or terminate any investments, the Trustee Directors will obtain written advice from their investment adviser.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee Directors (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries;
- Security;
- Quality;
- Liquidity;
- Profitability;
- Nature and duration of liabilities;
- Tradability on regulated markets;
- Diversification;
- Use of derivatives.

The Trustee Directors' investment adviser has the knowledge and experience required under the Pensions Act 1995.

# TUBE LINES PENSION SCHEME

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## STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

### IMPLEMENTATION

Aon has been selected as the investment adviser to the Trustee Directors. It has a mandate to provide the Trustee Directors with a full service designed to ensure that the Trustee Directors are fully briefed on the decisions they need to take themselves and those they need to delegate. Aon is paid on a time-costed fee basis.

Details of each fund chosen by the Trustee Directors are set out in the Appendix. The custodians appointed by the fund managers provide safekeeping for all the funds' assets and perform the administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

The Trustee Directors have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager. When choosing investments, the Trustee Directors and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The Trustee Directors expect the provider to ensure the fund manager of the underlying assets carries out the powers of investment delegated to it with a view to giving effect to the principles in this statement so far as is reasonably practicable.

The Fund managers are remunerated through an annual management charge for each fund (calculated as a percentage of funds held). The charges have been negotiated to ensure competitiveness and are reviewed regularly.

### RESPONSIBLE INVESTMENT

#### Environmental, Social and Governance Considerations

The Trustee Directors view any considerations that can affect long term, risk adjusted returns as being financially material. Financially material considerations include environmental, social and governance factors, including climate change, which can negatively impact the value of investments held if not understood and evaluated properly.

The Trustee Directors consider these risks by taking advice from their investment adviser when setting the Scheme's investment strategy, when selecting managers and when monitoring their performance.

#### Members' Views and Non-Financial Factors

The Trustee Directors recognise the importance of offering a suitable range of investment options for members and, where applicable, will consider member feedback on updating the default strategy and range of funds.

The Trustee Directors have made the Ethical and Shariah funds available to members who would like to invest in funds with these specific considerations. The funds that make up the default strategy and other investment options do not apply purely ethical or moral judgements as the basis for investment decisions.

#### Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee Directors expect the Scheme's fund managers to:

- Where appropriate, engage with investee companies and issuers of debt with the aim to protect and enhance their value.
- Exercise the Trustee Directors' voting rights in relation to the Scheme's assets.

# TUBE LINES PENSION SCHEME

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## STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

The Trustee Directors regularly review the continuing suitability of the appointed managers and takes advice from their investment adviser in this regard. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If a manager is found to be falling short of the standards that the Trustee Directors expect, they will engage with the manager and seek a more sustainable position.

The Trustee Directors will review and report on the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee Directors will review the alignment of the investment managers' policies with their own and ensure the manager uses its influence as a major institutional investor to carry out the Trustee Directors' rights and duties as a responsible shareholder and asset owner. This will include voting, along with engaging with underlying investee companies and issuers of debt to promote good corporate governance and accountability.

### **Policies on Costs and Transparency**

Asset managers are remunerated by the deduction of set percentages of assets under management, which is in line with market practice. This avoids a short-term approach to investment performance that may be the result of any performance-related fees.

The Trustee Directors believe that net of all costs performance assessments provide an incentive for investment managers to manage costs efficiently. As such, the Trustee Directors believe it is important to understand the different costs and charges which are paid by members. These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER').
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund. The Trustee Directors define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The Trustee Directors collect information on these member-borne costs and charges on an annual basis, where available, and sets these out in the Annual Chairman's Statement regarding DC Governance, which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee Directors expect its investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chairman's Statement exercise.

### **Policies on Arrangements with Asset Managers**

The Trustee Directors monitor those investments used by the Scheme to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee Director's policies as set out in the Statement of Investment Principles, including those on non-financial matters.

The Trustee Directors also monitor those investments available through the Scheme but not included in the default strategy. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

## TUBE LINES PENSION SCHEME

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### STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

The Trustee Directors are supported in this monitoring activity by its investment consultant. Before appointment of a new investment, the Trustee Directors review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee Directors' policies. Where possible, the Trustee Directors will seek to express its expectations to the asset managers to try to achieve greater alignment.

The Trustee Directors believe that setting clear expectations to the asset managers and regular monitoring of asset managers' performance and investment strategy is, in most cases, sufficient to incentivise the asset managers to make decisions that align with the Trustee Director's policies.

Where asset managers are considered to be making decisions that are not in line with the Trustee Director's policies, expectations, or the other considerations set out above, the Trustee Director's will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

#### **REVIEW**

The Trustee Directors will review this statement at least every three years and sooner if there is a change in the policy on any of the areas covered by the statement. The Trustee Directors will consult with the Employer and take written advice when revising the statement.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Act 1995 and to comply with the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustee Directors also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Version: Final Effective date: 30 September 2020

Last-Reviewed: 30 September 2019

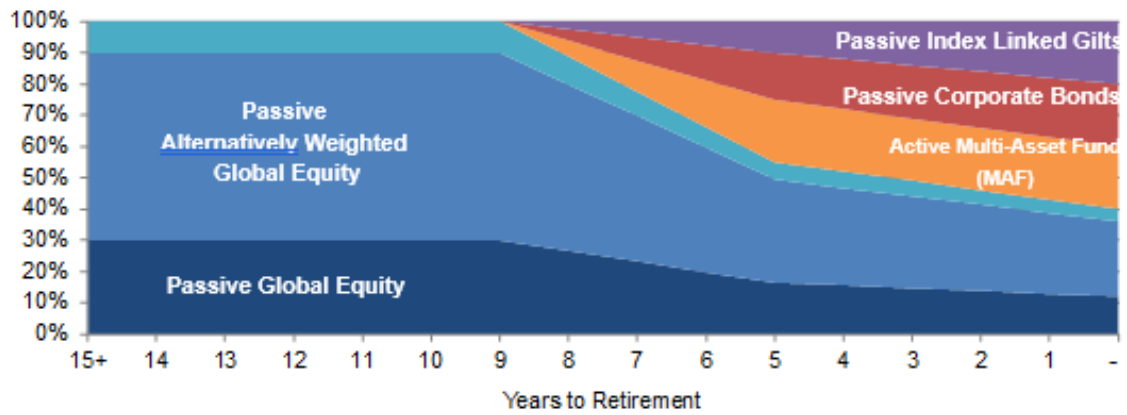
# TUBE LINES PENSION SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

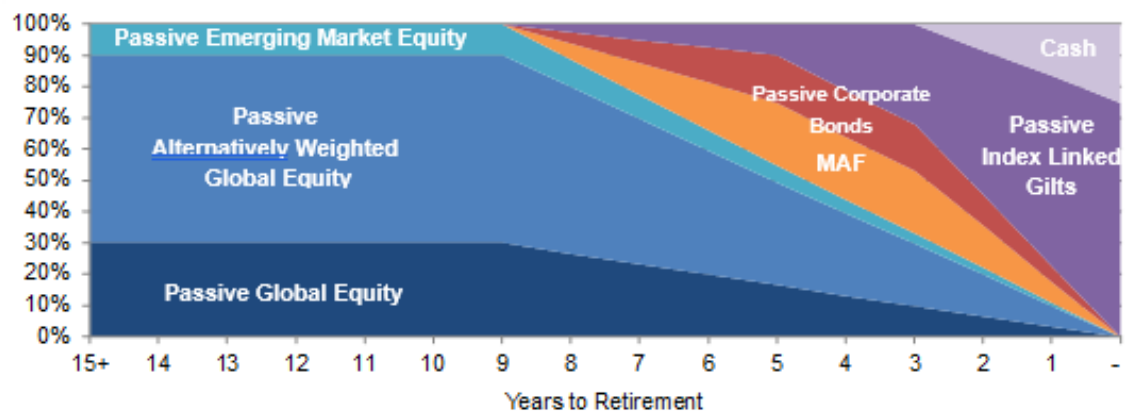
### APPENDIX

Details of the Scheme investment options including the default investment strategy are set out below.

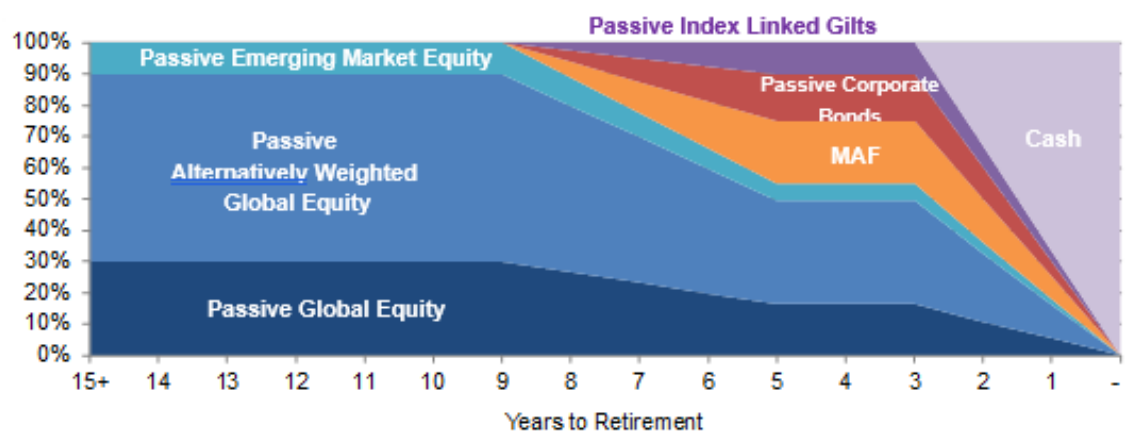
#### Drawdown Lifestyle Strategy (Default Strategy)



#### Annuity Lifestyle Strategy



#### Cash Lifestyle Strategy





## TUBE LINES PENSION SCHEME

### STATEMENT OF INVESTMENT PRINCIPLES YEAR ENDED 31 MARCH 2021

#### Standalone Fund Options

The standalone fund range is set out in table below along with their respective benchmarks / targets and the current charges (TERs). Funds in bold are also used within the lifestyle strategies detailed above.

Fund	Benchmark / Target	TER % pa
<b>Equities</b>		
<b>LGIM World (ex UK) Equity Index Fund</b>	<b>FTSE World ex UK Index</b>	<b>0.08%</b>
<b>Alternatively Weighted Global Equity Fund</b>	<b>Bespoke Index</b>	<b>0.14%</b>
<b>LGIM World Emerging Market Equity Index Fund</b>	<b>FTSE Emerging Index</b>	<b>0.35%</b>
<b>LGIM UK Equity Index Fund</b>	<b>FTSE All-Share Index</b>	<b>0.05%</b>
LGIM North America Equity Index Fund	FTSE World North America Index	0.14%
LGIM Europe (ex-UK) Equity Index Fund	FTSE Developed Europe ex UK Index	0.18%
LGIM Japan Equity Index Fund	FTSE Japan Index	0.16%
LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund	FTSE Developed Asia Pacific ex Japan Index	0.20%
LGIM Ethical Global Equity Index Fund	FTSE4Good Global Equity Index	0.30%
HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Titans 100 Index	0.35%
<b>Active Multi Asset Fund</b>		
<b>Invesco Global Targeted Returns Pension Fund</b>	<b>LIBOR plus 5% p.a.</b>	<b>0.75%</b>
<b>Bonds</b>		
<b>LGIM Investment Grade Corporate Bond – All Stocks – Index Fund</b>	<b>Markit iBoxx £ Non-Gilts Index</b>	<b>0.12%</b>
<b>LGIM Over 5 Years Index-Linked Gilt Index Fund</b>	<b>FTSE Actuaries UK Index Linked Gilts Over 5 Years Index</b>	<b>0.05%</b>
LGIM Pre-Retirement Fund	Composite of gilts and corporate bonds	0.05%
<b>Cash</b>		
<b>LGIM Cash Fund</b>	<b>7 day LIBID</b>	<b>0.06%</b>

# TUBE LINES PENSION SCHEME

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF TUBE LINES PENSION SCHEME

### Opinion

We have audited the financial statements of the Tube Lines Pension Scheme for the year ended 31 March 2021 which comprise the Fund Account, 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 March 2021, 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 documents, we have concluded that the Scheme's trustee's 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.

### 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.

# TUBE LINES PENSION SCHEME

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF TUBE LINES PENSION SCHEME

### Responsibilities of Trustee

As explained more fully in the Trustee's Responsibilities Statement set out on page 29, 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 determines 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.

### 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 frameworks that the Scheme operates in and how the Scheme is complying with the legal and regulatory frameworks;
- 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.

## TUBE LINES PENSION SCHEME

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### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF TUBE LINES PENSION SCHEME

#### **The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

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). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

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 other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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.

#### **Use of our report**

This report is made solely to the Scheme's Trustee directors 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 Directors 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 Directors as a body, for our audit work, for this report, or for the opinions we have formed.

**RSM UK Audit LLP**  
Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
Date

## TUBE LINES PENSION SCHEME

### FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Employer contributions	4	137,861	149,477
Employee contributions	4	49,517	54,217
		187,378	203,694
Other income	5	6,417	1,347
		193,795	205,041
Benefits paid or payable	6	(1,096,149)	(919,107)
Payment to and on account of leavers	7	(1,375,540)	(2,677,527)
Other payments	8	-	(29,440)
Administrative expenses	9	11,168	(281,544)
		(2,460,521)	(3,907,618)
<b>Net withdrawals from dealing with members</b>		<b>(2,266,726)</b>	<b>(3,702,577)</b>
<b>Returns on investments</b>			
Change in market value of investments	10	22,477,444	(5,852,673)
Investment management expenses	11	-	(191,980)
<b>Net returns on investments</b>		<b>22,477,444</b>	<b>(6,044,653)</b>
<b>Net increase/(decrease) in the fund during the year</b>		<b>20,210,718</b>	<b>(9,747,230)</b>
<b>Opening net assets</b>		<b>74,711,696</b>	<b>84,458,926</b>
<b>Closing net assets</b>		<b>94,922,414</b>	<b>74,711,696</b>

The notes on pages 53 to 62 form part of these financial statements.

## TUBE LINES PENSION SCHEME

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### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2021

	Note	2021 £	2020 £
<b>Investment assets</b>			
Pooled investment vehicles	13	94,478,662	74,073,961
<b>Total net investments</b>		<u>94,478,662</u>	<u>74,073,961</u>
<b>Current assets</b>	17	457,521	738,017
<b>Current liabilities</b>	18	(13,769)	(100,282)
<b>Net assets available for benefits at 31 March</b>		<u>94,922,414</u>	<u>74,711,696</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay benefits which fall due after the end of the Scheme year.

The notes on pages 53 to 62 form part of these financial statements.

These financial statements on pages 51 to 62 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

Trustee Director:

Date: 28 October 2021

# TUBE LINES PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

### 1. Basis of preparation

The individual 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 ('FRS 102') – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice ('SORP') (2018) - Financial Reports of Pension Schemes, published by the Pensions Research Accountants Group ('PRAG').

The financial statements have been prepared on the going concern basis. At the date of signing these financial statements, the Trustees believe that, due to its investment de-risking structure for members and the fact that the Scheme is purely DC in nature, the Plan is able to comfortably cover its related outgoings for the foreseeable future. As a result, the Trustees consider the preparation of the financial statements on a going concern basis to be appropriate.

### 2. Identification of financial statements

Tube Lines Pension Scheme is a Defined Contribution occupational pension scheme established under trust under English Law.

The address of the Scheme's office is 5 Endeavour Square, London, E20 1JN.

### 3. Accounting policies

The principal accounting policies applied to the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### Functional and presentational currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

Assets and liabilities in other currencies are converted to Pounds Sterling at the rates of exchange ruling at the year end. Transactions in other currencies are translated into Pounds 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 and additional voluntary contributions, both from employees and Employers, are accounted for on an accruals basis in the period to which they relate.

Employers' additional contributions are accounted for in the year in which they fall due in line with the Payment Schedule. Where expenses of the scheme are met directly by the employer no separate contribution is recognised in these financial statements.

#### Benefits paid or payable

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type and amount of the benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Where tax liabilities are settled on behalf of members, for example where the lifetime allowance or annual allowance is exceeded, the tax due is accounted for on the same basis as the benefit.

# TUBE LINES PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

### 3. Accounting policies (continued)

#### Payments to and on account of leavers

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

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

#### Administrative expenses

Administrative expenses are accounted for on an accruals basis, net of recoverable VAT. Where expenses of the scheme are met directly by the employer no separate contribution is recognised in these financial statements.

#### Other income and payments

Other income and payments are accounted for on an accruals basis.

#### Investment income

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income arising from the underlying investments of the pooled investment vehicles, which is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

Income from cash and short-term deposits is accounted for in these financial statements on an accruals basis.

#### Change in market value of investments

The change in market value of investments during the year comprise 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. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

#### Transaction costs

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.

#### Valuation of investment assets

##### Investments

Investment assets are included in the financial statements at fair value. The methods of determining fair value for the principal classes of investment are pooled investment vehicles (including AVC investments) which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment manager at the year end.



## TUBE LINES PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 4. Contributions

	2021 £	2020 £
Employer:		
Normal	<u>137,861</u>	<u>149,477</u>
Employee:		
Normal	<u>49,517</u>	<u>54,217</u>

#### 5. Other income

	2021 £	2020 £
Other income	<u>6,417</u>	<u>1,347</u>

#### 6. Benefits paid or payable

	2021 £	2020 £
Commutations of pensions and lump sum retirement benefits	667,792	717,537
Purchase of annuities	313,024	201,570
Lump sum death benefits	115,333	-
	<u>1,096,149</u>	<u>919,107</u>

#### 7. Payments to and on account of leavers

	2021 £	2020 £
Individual transfers to other schemes	1,374,313	2,671,421
Refund to members leaving service	1,227	6,106
	<u>1,375,540</u>	<u>2,677,527</u>

## TUBE LINES PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 8. Other payments

	2021 £	2020 £
Payments on term insurance policies	-	29,440

The reduction in this expense year on year is due to the fact that costs for payments on term insurance policies have been paid for by the Employer in 2021, in line with the Payment Schedule.

#### 9. Administrative expenses

	2021 £	2020 £
Administration and processing	(4,508)	136,844
Audit fees	(20,000)	14,000
Legal fees	-	3,839
Other professional fees	13,311	122,975
Scheme levies	-	3,338
Trustee fees and expenses	-	495
Sundry expenses	-	4
Bank charges	29	49
	(11,168)	281,544

The reduction in this expense year on year is due to the fact that costs for administrative expenses have been paid for by the Employer in 2021, in line with the Payment Schedule. Negative balances relate to accrued invoices from the prior year which have been paid by the Employer.

#### 10. Investments

	Opening value at 1 Apr 2020	Purchases at cost	Sales Proceeds	Change in market value	Closing value at 31 Mar 2021
	£	£	£	£	£
Pooled investment vehicles	74,073,961	4,192,394	(6,265,137)	22,477,444	94,478,662
Total net investments	74,073,961				94,478,662

Included within purchases and sales figures above are £3,910,582 in relation to members' switches between investment funds.

## TUBE LINES PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 10. Investments (continued)

An analysis of investment assets is as follows:

	2021 £000	2020 £000
Allocated to members	94,478,662	74,073,440
Not allocated to members	-	521
	<u>94,478,662</u>	<u>74,073,961</u>

Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions were paid.

#### Transaction costs

There are no direct transaction costs in the year nor in the previous year. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustee to quantify these indirect costs.

#### 11. Investment management expenses

	2021 £	2020 £
Administration and management fees	<u>-</u>	<u>191,980</u>

The reduction in this expense year on year is due to the fact that costs for administration and management fees have been paid for by the Employer in 2021, in line with the Payment Schedule.

#### 12. Taxation

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and is exempt from income tax and capital gains tax except for withholding tax on overseas investment income.

## TUBE LINES PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 13. Pooled investment vehicles

	2021 £	2020 £
Bond funds	7,717,496	6,780,197
Cash & liquidity funds	787,230	1,006,634
Equity funds	82,812,554	63,842,405
Multi-asset funds	3,161,382	2,444,725
	94,478,662	74,073,961

The legal nature of the Scheme's pooled arrangements is:

	2021 £	2020 £
Authorised unit trust	94,478,662	74,073,961

#### 14. Fair value hierarchy

FRS102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the assessment dates;

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 fall within the above hierarchy as follows:

	Level 1 £	Level 2 £	Level 3 £	2021 Total £
<b>Investment assets</b>				
Pooled investment vehicles	-	94,478,662	-	94,478,662

	Level 1 £	Level 2 £	Level 3 £	2020 Total £
<b>Investment assets</b>				
Pooled investment vehicles	-	74,073,961	-	74,073,961

Valuation techniques and assumptions in determining fair value are described in note 3.

# TUBE LINES PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

### 15. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

**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 or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

**Interest rate risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**Other price risk:** this is the risk that the fair value or future cash flows of a financial instrument 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.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolio.

The day to day management of the underlying investments of the funds is the responsibility of the managers including the direct management of credit and market risks.

The risks disclosed here relate to the Scheme's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Board and therefore may face a different profile of risks from their individual choices compared with the Scheme as a whole.

#### Credit risk

Legal and General Assurance (Pensions Management) Limited (PMC) is a life insurance company authorised to write long-term business under the Financial Services and Markets Act 2000. PMC is an insurance undertaking for the purposes of the Insurance Distribution Directive. The business of PMC primarily consists of writing unit linked pooled pension fund insurance policies. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. As part of that business, it holds investments divided into separate sub-funds known as PF Sections. The value of each Policy that it issues is determined by reference to the value of one or more of the PF Sections. It is in these Policies that the Scheme invests.

LGIM has been appointed as the investment manager of these funds and is authorised and regulated by the Financial Conduct Authority. It provides investment and marketing services to PMC. The ultimate holding company is Legal & General Group Plc.

The Scheme is subject to direct credit risk in relation to its policies held with PMC. The policies themselves are unrated. However, credit risk is mitigated through the regulatory environment in which PMC operates and the underlying assets of PMC being ring-fenced from the investment manager.

## TUBE LINES PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 15. Investment risks (continued)

Furthermore, even if PMC did become insolvent, statutory protection is in place through the Financial Services Compensation Scheme (FSCS). The FSCS covers business conducted by firms authorised by the FCA and applies when a firm is unable or likely to be unable to pay claims arising against it. It is our understanding that if PMC became insolvent, the Board would be eligible to make a claim on FSCS in respect of all assets invested through the platform (although we should point out that this has never been tested in practice).

The Scheme is also subject to indirect credit risk arising from the underlying funds and from the individual securities held in the funds (including, potentially, in non-investment grade investments). This risk is managed through diversification across the investment options available in the Scheme.

#### Market risk

The Scheme is subject to indirect currency, interest rate and other price risk arising from the underlying financial instruments held in some funds. The table below summarises the indirect risk exposures by fund at 31 March 2021.

	Credit risk	Currency risk	Interest rate risk	Other price risk	2021 Value (£)	2020 Value (£)
Alternatively Weighted Global Equity Fund	-	✓	-	✓	47,147,698	36,885,954
LGIM World (ex UK) Equity Index Fund	✓	✓	-	✓	24,411,907	18,382,704
LGIM World Emerging Markets Equity Index Fund	✓	✓	-	✓	7,582,994	5,698,971
LGIM Over 5 Year Index-Linked Gilts Index Fund	✓	-	✓	✓	3,927,693	3,696,948
LGIM UK Equity Index Fund	-	-	-	✓	3,524,269	2,780,634
Invesco Global Targeted Returns Fund	✓	✓	✓	✓	3,161,382	2,444,725
LGIM Investment Grade Corporate Bond All Stocks Index Fund	✓	-	✓	-	2,694,177	2,011,416
LGIM Pre-Retirement Fund	✓	-	✓	-	1,095,626	1,071,833
LGIM Cash Fund	✓	-	✓	-	787,230	1,006,634
LGIM North America Equity Index Fund	✓	✓	-	✓	57,449	41,076
LGIM Japan Equity Index Fund	✓	✓	-	✓	46,933	31,135
LGIM Europe (ex UK) Equity Index Fund	✓	✓	-	✓	16,263	11,976
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	✓	✓	-	✓	24,192	9,332
HSBC Islamic Global Equity Index Fund	-	✓	-	✓	444	327
LGIM Ethical Global Equity Index Fund	✓	✓	-	✓	405	297
<b>Total investments</b>					<b>94,478,662</b>	<b>74,073,962</b>

Source: Legal & General Investment Management

The analysis of these risks set out above is at the Scheme level. Member level risk exposures will depend on the funds invested in by members.

## TUBE LINES PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 16. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the net assets of the Scheme.

	2021 Value £	%	2020 Value £	%
Alternatively Weighted Global Equity Fund	47,147,698	49.66	36,885,954	49.37
LGIM World (ex UK) Equity Index Fund	24,411,907	25.71	18,382,704	24.60
LGIM World Emerging Markets Equity Index Fund	7,582,994	7.99	5,698,971	7.63

#### 17. Current assets

	2021 £	2020 £
Employer contributions due	3,770	3,833
Cash balances	451,041	731,474
Sundry debtors	2,710	2,710
	457,521	738,017

All contributions due to the Scheme were received in accordance with the Payment Schedule.

Included in the cash balances is £302,388 (2020: £271,331) which is not allocated to members. All other assets are allocated to members. Figures shown in sundry debtors £2,710 (2019: £2,710) relate to the amounts due from HMRC, and they are not allocated to members. All other assets are allocated to members.

#### 18. Current liabilities

	2021 £	2020 £
Accrued expenses	13,175	69,494
Accrued benefits	-	20,267
HM Revenue & Customs	-	9,927
Sundry creditors	594	594
	13,769	100,282

The current liabilities balance includes allocated liabilities of £Nil (2020: £80,015).

#### 19. Employer related investments

There were no direct Employer related investments during the year or at the year end (2020: Nil).

The Trustee recognises that indirect investment in the Employer's sponsor group, is possible through holdings in pooled investment vehicles. The Trustee believes that any indirect exposure to shares in the Employer sponsor group was no more than 5% of the Scheme assets at any time during the year and was no more than 5% (2020: 5%) at year end.

## TUBE LINES PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 20. Related party transactions

Related party transactions and balances comprise:

##### **Key management personnel**

Contributions received into the Scheme and any benefits paid in respect of the Trustee Directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules.

Fees and expenses were paid to the Trustee Directors in the amount of £Nil (2020: £495) by the Scheme. At the year end a creditor balance of £Nil (2020: £Nil) is due to be paid.

The membership status of the Trustee Directors at the year end is as below:

T Handley – non-member (2020 – non-member)

H Sriandarajah – deferred (2020 – deferred)

##### **Employer and other related parties**

The Principal and participating Employers are considered related parties. All transactions involved with these entities relate to remittance of monthly contributions required under the Rules of the Scheme. The Employer has also paid for expenses of the Scheme during the year, in line with the Payment Schedule.

The Principal Employer meets all administrative expenses of the Scheme except for those in note 9.

#### 21. Contingent assets and liabilities

In the opinion of the Trustee, the Scheme had no contingent assets and liabilities as at 31 March 2021 (2020: £Nil).



# TUBE LINES PENSION SCHEME

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## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF TUBE LINES PENSION SCHEME

### Qualified Statement about contributions payable under Payment Schedules

We have examined the summary of contributions payable to the Tube Lines Pension Scheme on page 64, in respect of the scheme year ended 31 March 2021.

In our opinion, except for the effects of the matter described in the Basis for qualified contributions payable under Payment Schedules section of our statement, the contributions for the scheme year ended 31 March 2021 as reported in the summary of contributions on page 64 and payable under the Payment Schedules have in all material respects been paid at least in accordance with the Payment Schedules dated 21 August 2009 and 30 March 2021.

### Basis for qualified statement about contributions payable under Payment Schedules

As explained on page 64, during the year the employer did not make contributions of £13,340 in relation to expenses, insurance premiums and levies which are due under the Payment Schedule date 21 August 2009.

### Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 64 have in all material respects been paid at least in accordance with the Payment Schedules. 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 Payment Schedules.

### Respective responsibilities of Trustee and auditor

As explained more fully on page 29 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 Payment Schedule 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 Payment Schedules.

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

### Use of our statement

This statement is made solely to the Scheme's Trustees 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 Trustees those matters we are required to state to them 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 Trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

**RSM UK Audit LLP**  
Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

Date

## TUBE LINES PENSION SCHEME

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### SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2021

During the year ended 31 March 2021 the contributions payable to the Scheme were as follows:

	Employer £	Employees £	Total £
<b>Contributions payable under the Payment Schedule and as reported by the Scheme auditor</b>			
Normal	137,861	49,517	187,378
<b>Total contributions reported in the financial statements</b>	<b>137,861</b>	<b>49,517</b>	<b>187,378</b>

Under the Payment Schedule dated 21 August 2009, the employer is also required to pay contributions to the Scheme in relation to expenses, insurance premiums and levies. These have not been paid in accordance with the Payment Schedule dated 21 August 2009. Instead the Trustee has agreed with the employer that these expenses totalling £13,340 would be paid in line with clause 14.1 of the 2nd Definitive Deed dated 21 December 2009.

The Summary of Contributions was approved by the Trustee and signed on its behalf by:

Trustee Director:

Trustee Director:

Date: 28 October 2021