

Tube Lines Pension Scheme **Statement of Investment Principles**

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.

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.

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:

Trustee Directors	
<ul style="list-style-type: none">• Set structures and processes for carrying out their role.• Select and monitor planned asset allocation.• Monitor and select investment advisers and fund managers.• Monitor and select direct investments.• Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.• Set investment structures and oversee their implementation.	
Investment Adviser	Fund Managers
<ul style="list-style-type: none">• Advise on all aspects of the investment of the Scheme's assets, including implementation.• Advise on this statement.• Provide required training.	<ul style="list-style-type: none">• Operate within the terms of this statement and their written contracts.• Select individual investments with regard to their suitability and diversification.• Advise Trustee Directors on suitability of their benchmarks.

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.

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.

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.

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.

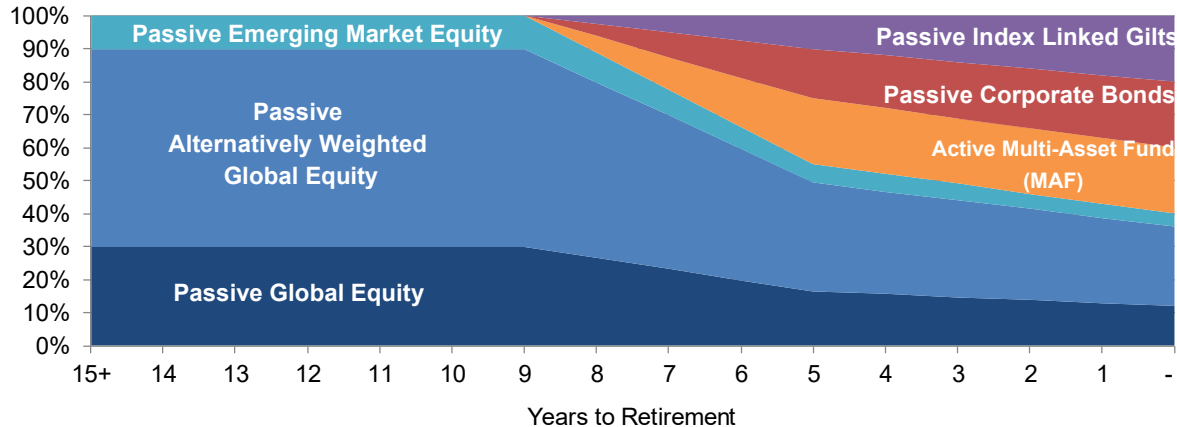
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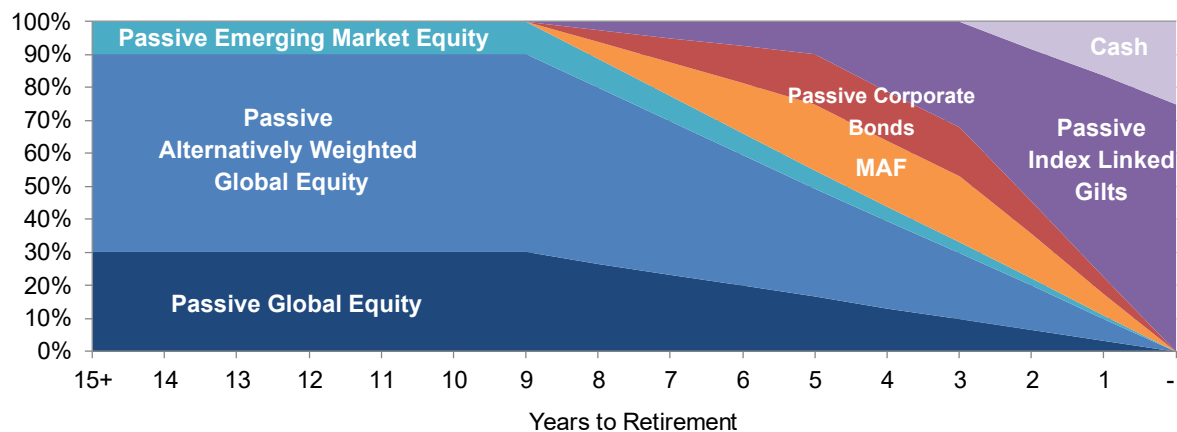
APPENDIX

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

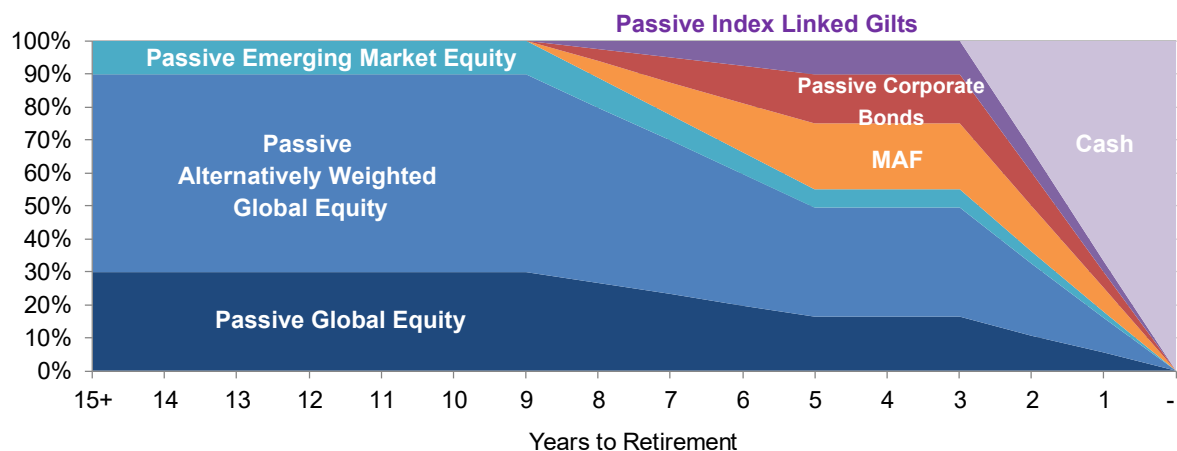
Drawdown Lifestyle Strategy (Default Strategy)



Annuity Lifestyle Strategy



Cash Lifestyle Strategy



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
Equities		
LGIM World (ex UK) Equity Index Fund	FTSE World ex UK Index	0.08%
Alternatively Weighted Global Equity Fund	Bespoke Index	0.14%
LGIM World Emerging Market Equity Index Fund	FTSE Emerging Index	0.35%
LGIM UK Equity Index Fund	FTSE All-Share Index	0.05%
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%
Active Multi Asset Fund		
Invesco Global Targeted Returns Pension Fund	LIBOR plus 5% p.a.	0.75%
Bonds		
LGIM Investment Grade Corporate Bond – All Stocks – Index Fund	Markit iBoxx £ Non-Gilts Index	0.12%
LGIM Over 5 Years Index-Linked Gilt Index Fund	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	0.05%
LGIM Pre-Retirement Fund	Composite of gilts and corporate bonds	0.05%
Cash		
LGIM Cash Fund	7 day LIBID	0.06%