

Registered number: 10269445

**TUBE LINES PENSION SCHEME
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2023**

TUBE LINES PENSION SCHEME

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TUBE LINES PENSION SCHEME

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 MARCH 2023

Trustee	Tube Lines Pension Scheme Trustees Limited
Company Appointed Director	T Handley
Member-Nominated Director	H Srikandarajah
Principal Employer	Tube Lines Limited
Participating Employers	London Underground Limited Transport for London
Secretary to the Trustee	J Head Aon Solutions UK Limited
Administrator	Aon Solutions UK Limited
Independent Auditor	RSM UK Audit LLP
Banker	HSBC Bank plc
Investment Adviser	T Lancaster Aon Solutions UK Limited
Investment Manager	Legal & General Investment Management Limited (‘LGIM’)
Death-in-Service Provider	Metropolitan Life Insurance Company (MetLife)
Legal Adviser	Sacker & Partners LLP
Contact Details	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

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Introduction

The Trustee of the 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 2023.

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.

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 2023

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	35	1,511	1,546
Adjustments to members	(3)	4	1
Retirements	-	(10)	(10)
Death	-	(1)	(1)
Transfers out	-	(17)	(17)
Leaver (PRS)	(1)	1	-
Members at the end of the year	<u>31</u>	<u>1,488</u>	<u>1,519</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.

Members with Multiple periods of service are included more than once in the above table.

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

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Contributions

Contributions were paid in accordance with the Payment Schedule dated 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:

Employer (percentage of Pensionable Salary*)	Employee (percentage of Pensionable Salary*)
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).

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

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-2023.pdf> and is shown on pages 57 to 64.

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

Manager	Custodians
LGIM	Citibank NA
HSBC	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

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

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 Fund¹
- LGIM Future World Emerging Markets Equity Index Fund²
- 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 Fund¹
- Tube Lines Multi-Asset Fund²
- LGIM Investment Grade Corporate Bond All Stocks
- LGIM Over 5 years Index-Linked Gilt Index Fund
- LGIM Future World Annuity Aware Fund
- LGIM Cash Fund

¹ Fund removed from 30 March 2023

² Fund added from 30 March 2023

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Investment report (continued)

Investment options (continued)

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 Fund¹
- LGIM Future World Emerging Markets Equity Index Fund²
- LGIM UK Equity Index Fund
- Invesco Global Targeted Returns Pension Fund¹
- LGIM Investment Grade Corporate Bond All Stocks
- Tube Lines Multi-Asset Fund²
- LGIM Over 5 years Index-Linked Gilt Index Fund
- LGIM Cash Fund
- Tube Lines Multi-Asset Fund²
- LGIM Over 5 years Index-Linked Gilt Index Fund
- LGIM Cash Fund

¹ Fund removed from 30 March 2023

² Fund added from 30 March 2023

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.

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Investment report (continued)

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 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.

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 Titans 100 Net Total Return Index, 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 Fund¹

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 SONIA (Sterling Overnight Index Average) (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.

Tube Lines Multi Asset Fund²

The fund aims to deliver long-term investment growth through investment in a diversified range of different asset classes. The fund target allocation is 30% equities, 60% bonds and 10% property.

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Investment report (continued)

LGIM Future World Annuity Aware Fund

The Fund aims to improve potential outcomes for investors likely to purchase fixed annuities by providing a diversified exposure to assets that reflect the broad characteristics of investments underlying a typical traditional level annuity product, incorporating Environmental, Social and Governance ("ESG") considerations as part of the investment strategy.

Cash Fund

The Fund aims to perform in line with SONIA, 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.

Default and alternative lifestyle strategies

The aim of the default (Drawdown targeting) lifestyle strategy, and alternative Annuity targeting and Cash targeting lifestyle strategies, 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 aligned with how members may take their benefits when they retire.

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Investment report (continued)

Review of Investment Performance

The performance of the investment funds is detailed below (all returns are stated to 31 March 2023). Performance has not been shown for the Tube Lines Multi-Asset Fund or the LGIM Future World Emerging Markets Equity Index Fund as these funds were added to the fund range from 30 March 2023.

Description	1 Year Performance (p.a. %)			3 Year Performance (p.a. %)		
	Fund	Index	Relative	Fund	Index	Relative
LGIM World (ex UK) Equity Index Fund	(3.7)	(3.6)	(0.1)	16.1	16.1	0.0
Alternatively Weighted Global Equity Fund	(1.8)	(1.4)	(0.4)	14.8	15.0	(0.2)
LGIM World Emerging Market Equity Index Fund ¹	(5.3)	(5.1)	(0.2)	8.6	8.9	(0.3)
LGIM UK Equity Index Fund	2.5	2.4	0.1	14.3	14.2	0.1
LGIM North America Equity Index Fund	(6.0)	(5.8)	(0.2)	17.1	17.2	(0.1)
LGIM Europe (ex UK) Equity Index Fund	6.6	6.9	(0.3)	15.6	15.8	(0.2)
LGIM Japan Equity Index Fund	1.3	1.5	(0.2)	7.7	7.9	(0.2)
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	(4.4)	(4.2)	(0.2)	13.6	13.9	(0.3)
LGIM Ethical Global Equity Index Fund	(1.7)	(1.6)	(0.1)	16.9	17.0	(0.1)
HSBC Islamic Global Equity Index Fund	(5.6)	(5.8)	0.2	16.0	16.2	(0.2)
Invesco Global Targeted Returns Pension Fund ¹	5.7	7.9	(2.2)	(0.2)	6.1	(6.3)
LGIM Investment Grade Corporate Bond All Stocks	(10.4)	(10.3)	(0.1)	(3.2)	(3.1)	(0.1)
LGIM Over 5 years Index-Linked Gilt Index Fund	(29.4)	(29.4)	0.0	(10.3)	(10.3)	0.0
LGIM Future World Annuity Fund	(19.7)	(19.2)	(0.5)	(8.4)	(10.1)	1.7
LGIM Cash Fund	2.2	2.2	0.0	0.8	0.8	0.0

¹ Fund removed from 30 March 2023

² Fund added from 30 March 2023

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Investment report (continued)

Source: Legal & General Investment Management. Performance periods over a year are annualised. Fund returns based on daily mid-market prices before deduction of fees. The target benchmark of 5% p.a. above SONIA is shown here.

The split of investments across the funds, as at 31 March 2023, is detailed below:

Fund	£	%
Alternatively Weighted Global Equity Fund	46,058,318	48.5
LGIM World (ex UK) Equity Index Fund	25,033,651	26.4
LGIM World Emerging Markets Equity Index Fund	7,882,958	8.3
LGIM Over 5 Year Index-Linked Gilts Index Fund	4,003,668	4.2
Invesco Global Targeted Returns Fund	3,643,528	3.8
LGIM UK Equity Index Fund	3,451,612	3.6
LGIM Investment Grade Corporate Bond All Stocks Index Fund	3,204,569	3.4
LGIM Future World Annuity Aware Fund	757,404	0.8
LGIM Cash Fund	763,136	0.8
LGIM North America Equity Index Fund	67,291	0.1
LGIM Japan Equity Index Fund	44,993	0.1
LGIM Europe (ex UK) Equity Index Fund	18,455	0.0
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	29,337	0.0
HSBC Islamic Global Equity Index Fund	509	0.0
LGIM Ethical Global Equity Index Fund	476	0.0
Total investments	94,959,905	100.0

Note: Numbers may not sum due to rounding. Dealing values shown. Source: Legal & General Investment Management

Market Commentary

Global equities

Global equities generated negative returns over the year to 31 March 2023, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressures. However, equity markets recouped more than half of the losses over the last six months of the year as markets felt confident that a deep recession would be avoided and investor concerns on tighter monetary policy abated.

Government bonds

The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. Index-linked gilts fell by 26.7% over the year to 31 March 2023.

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Investment report (continued)

Investment grade credit

Credit markets declined over the past twelve months. The index declined 10.2% as rising gilt yields and widening spreads outweighed the income yield.

Engagement Policy Implementation Statement ('EPIS')

The Trustee has prepared an Engagement Policy Implementation Statement in accordance with legislation. This statement is shown at Appendix I.

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 18 to the financial statements.

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

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Other matters

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

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
www.thepensionsregulator.gov.uk

Registrar of Pension Schemes

The Trustee is required to provide certain information about the Scheme to the Registrar of Pension Schemes.

This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

0191 225 6316
communications@thepensionsregulator.gov.uk

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Other 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

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 to the Trustee or use the Pensions Ombudsman's informal Early Resolution Service.

The Government appointed Pensions Ombudsman can investigate complaints brought by members and beneficiaries against the Trustee or the Scheme's Administrator in relation to maladministration 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
helpline@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

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.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the Tube Lines Pension Scheme website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

TUBE LINES PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 MARCH 2023

Approval

The Trustee has prepared an Engagement Policy Implementation Statement and Chair's Statement in accordance with legislation. These statements are shown on the Appendix pages 33 to 56.

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

Trustee Director:

Date:

TUBE LINES PENSION SCHEME

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 2023 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 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme's trustee'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

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

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 15, 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

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 2023

	Note	2023 £	2022 £
Employer contributions	4	117,951	129,605
Employee contributions	4	40,970	46,757
		158,921	176,362
Other income	5	-	196
		158,921	176,558
Benefits paid or payable	6	(722,994)	(812,712)
Payments to and on account of leavers	7	(1,376,408)	(2,454,728)
Administrative expenses	8	(4,900)	19,470
		(2,104,302)	(3,247,970)
Net withdrawals from dealing with members		(1,945,381)	(3,071,412)
Returns on investments			
Investment income	9	4,888	-
Change in market value of investments	10	(3,747,234)	9,505,917
		(3,747,346)	9,505,917
Net returns on investments		(3,747,346)	9,505,917
Net (decrease)/increase in the fund during the year		(5,687,727)	6,434,505
Opening net assets		101,356,919	94,922,414
Closing net assets		95,669,192	101,356,919

The notes on pages 22 to 30 form part of these financial statements.

TUBE LINES PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Investment assets			
Pooled investment vehicles	12	94,959,905	100,720,027
Total net investments		<u>94,959,905</u>	<u>100,720,027</u>
Current assets	16	750,817	749,198
Current liabilities	17	(41,530)	(112,306)
Net assets available for benefits at 31 March		<u>95,669,192</u>	<u>101,356,919</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 22 to 30 form part of these financial statements.

These financial statements on pages 20 to 30 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

Date:

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 Scheme 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, United Kingdom, 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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.

Group transfers out are accounted for in accordance with the terms of the transfer agreement.

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

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.

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.

Investment Management expenses

Investment management fees and rebates are counted for on an accruals basis, net of recoverable VAT.

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.

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

3. Accounting policies (continued)

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 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.

4. Contributions

	2023	2022
	£	£
Employer:		
Normal	117,951	129,605
Employee:		
Normal	40,970	46,757
Total	158,921	176,362

5. Other income

	2023	2022
	£	£
Other income	-	196

6. Benefits paid or payable

	2023	2022
	£	£
Commutations of pensions and lump sum retirement benefits	481,677	685,778
Purchase of annuities	130,454	-
Lump sum death benefits	110,863	126,934
	722,994	812,712

7. Payments to and on account of leavers

	2023	2022
	£	£
Individual transfers to other schemes	1,376,408	2,454,728

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

8. Administrative expenses

	2023 £	2022 £
Other professional fees	4,807	(19,475)
Sundry expenses	21	-
Bank charges	72	5
	4,900	(19,470)

The majority of administrative expenses have been paid for by the Employer, in line with the Payment Schedule. Administrative expenses are in a credit in the prior due to rebates received from the investment manager.

9. Investment income

	2023 £	2022 £
Interest on cash deposits	4,888	-

Interest on cash deposits were received in respect of balance held with the HSBC Bank plc.

10. Investments

	Opening value at 1 April 2022 £	Purchases at cost £	Sales proceeds £	Change in market value £	Closing value at 31 March 2023 £
Pooled investment vehicles	100,720,027	3,817,238	(5,830,126)	(3,747,234)	94,959,905
Total net investments	100,720,027				94,959,905

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

Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds in the reconciliation above. Transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

11. 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.

12. Pooled investment vehicles

	2023 £	2022 £
Bond funds	7,208,237	7,216,131
Cash & liquidity funds	763,136	763,719
Equity funds	83,345,004	89,204,097
Multi-asset funds	3,643,528	3,536,080
	94,959,905	100,720,027

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

	2023 £	2022 £
Authorised unit trust	94,959,905	100,720,027

13. 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.

Scheme's investment assets fall within the above hierarchy as follows:

	Level 1 £	Level 2 £	Level 3 £	2023 Total £
Investment assets				
Pooled investment vehicles	-	94,959,905	-	94,959,905
Investment assets				
Pooled investment vehicles	-	100,720,027	-	100,720,027

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

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- **Credit risk:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their value.

Market risk 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 asset 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 asset – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – will fluctuate because of changes in market interest rates.
- **Other price risk:** This is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk – primarily equity prices), 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 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.

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).

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. Investment risk (continued)

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 2023.

	Credit risk	Currency risk	Interest rate risk	Other price risk	2023 Value (£)	2022 Value (£)
Alternatively Weighted Global Equity Fund	-	✓	-	✓	46,058,318	49,751,052
LGIM World (ex UK) Equity Index Fund	✓	✓	-	✓	25,033,651	26,420,167
LGIM World Emerging Markets Equity Index Fund	✓	✓	-	✓	-	8,299,370
LGIM Future World Emerging Markets Equity Index Fund	✓	✓	-	✓	7,882,958	-
LGIM Over 5 Year Index-Linked Gilts Index Fund	✓	-	✓	✓	4,003,668	4,189,052
Tube Lines Multi-Asset Fund	✓	✓	✓	✓	3,643,528	-
LGIM UK Equity Index Fund	-	-	-	✓	3,451,612	3,451,888
Invesco Global Targeted Returns Fund	✓	✓	✓	✓	-	3,536,080
LGIM Investment Grade Corporate Bond All Stocks Index Fund	✓	-	✓	-	3,204,569	3,027,078
LGIM Future World Annuity Aware Fund	✓	-	✓	-	757,404	987,293
LGIM Cash Fund	✓	-	✓	-	763,136	763,719
LGIM North America Equity Index Fund	✓	✓	-	✓	67,291	205,633
LGIM Japan Equity Index Fund	✓	✓	-	✓	44,993	45,727
LGIM Europe (ex UK) Equity Index Fund	✓	✓	-	✓	18,455	17,316
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	✓	✓	-	✓	29,337	24,628
HSBC Islamic Global Equity Index Fund	-	✓	-	✓	509	540
LGIM Ethical Global Equity Index Fund	✓	✓	-	✓	476	482
Total investments					94,959,905	100,720,025

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 2023

14. Investment risk (continued)

Fair Value Measurements

According to FRED 62 methodology LGIM pooled funds are classified as Level 2.

15. Concentration of investments

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

	2023		2022	
	Value	%	Value	%
	£		£	
Alternatively Weighted Global Equity Fund	46,058,318	48.20	49,751,052	49.09%
LGIM World (ex UK) Equity Index Fund	25,033,651	26.019	26,420,167	26.07%
LGIM World Emerging Markets Equity Index Fund	7,882,956	8.24	8,299,370	8.19%

16. Current assets

	2023	2022
	£	£
Employer contributions due	3,770	3,770
Cash balances	744,337	742,718
Sundry debtors	2,710	2,710
	<u>750,817</u>	<u>749,198</u>

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

Included in the cash balances is £390,846 (2022: £104,090) which is not allocated to members. All other assets are allocated to members. Figures shown in sundry debtors £2,710 (2022: £2,710) relate to the amounts due from HMRC, and they are not allocated to members. All other assets are allocated to members

17. Current liabilities

	2023	2022
	£	£
Accrued expenses	13,175	13,175
Accrued benefits	-	35,279
HM Revenue & Customs	27,761	63,258
Sundry creditors	594	594
	<u>41,530</u>	<u>112,306</u>

TUBE LINES PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

18. Employer related investments

There were no direct Employer related investments during the year or at the year end (2022: 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% (2022: 5%) at year end.

19. Related party transactions

Related party transactions and balances comprise:

Key management personnel

No contributions have been received, or benefits paid, in respect of trustee directors, who are members of the scheme, during the year. Any transactions with trustee directors who are members of the scheme will be made in accordance with the Trust Deed and Rules.

Fees and expenses were paid to the Trustee Directors in the amount of £Nil (2022: £Nil) by the Scheme. At the year end a creditor balance of £Nil (2022: £Nil) is due to be paid.

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

T Handley – non-member (2022 – non-member)
H Srikantharajah – deferred (2022 – 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 8.

TUBE LINES PENSION SCHEME

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

Statement about contributions payable under payment schedule

We have examined the summary of contributions payable to the Tube Lines Pension Scheme on page 32, in respect of the Scheme year ended 31 March 2023.

In our opinion the contributions for the scheme year ended 31 March 2023 as reported in the attached summary of contributions on page 32 and payable under the payment schedule have in all material respects been paid at least in accordance with the payment schedule 30 March 2021.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 32 have in all material respects been paid at least in accordance with the payment schedule. 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 schedule.

Respective responsibilities of trustees and auditor

As explained more fully on page 15 in the Statement of Trustees' Responsibilities, the scheme's trustees are 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 trustees are 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 schedule.

It is our responsibility to provide a statement about contributions paid under the payment schedule 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

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 MARCH 2023

During the year ended 31 March 2023 the contributions payable to the Scheme were as follows:

	Employer £	Employees £	Total £
Contributions payable under the Payment Schedule and as reported on by the Scheme auditor			
Normal	117,951	40,970	158,921
Total contributions reported in the financial statements	<u>117,951</u>	<u>40,970</u>	<u>158,921</u>

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

Trustee Director:

Date

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

Engagement Policy Implementation Statement (‘EPIS’)

The purpose of the Implementation Statement is for us, the Trustee Directors of the Tube Lines Pension Scheme, to explain what we have done during the year ending 31 March 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

As set out in the Engagement Action Plan, we will invite our investment managers to a meeting to ensure we maintain a full understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.

Changes to the SIP during the year

We reviewed the SIP during the year and updated it in March 2023. The changes made were to reflect the replacement of the Invesco Global Targeted Returns Fund with a bespoke Multi-Asset Fund and the replacement of the World Emerging Market Equity Index Fund with the Future World Emerging Market Equity Fund.

Additionally, the Pre-Retirement Fund underlying fund structure was updated, ESG strategies incorporated and new benchmarks put in place in July 2022. The fund was renamed the Future World Annuity Aware Fund.

The Scheme’s latest SIP can be found here: <https://tfl.gov.uk/corporate/publications-and-reports/tube-lines-pension-scheme-documents>

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

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.”	<p>Supported by advice provided by the investment adviser over the year, the Trustee Directors are comfortable that they have made available a comprehensive selection of investment options including three lifestyle strategies and a range of standalone self-select funds.</p> <p>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. This was reaffirmed in the course of undertaking the 2021 strategy review which included further comprehensive analysis.</p> <p>Accordingly, the Trustee Directors are satisfied that this policy has been fully adhered to over the year.</p>
Default Investment Objective “The Trustee Directors’ objectives for the default strategy are as follows: <ul style="list-style-type: none">- 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.”	<p>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.</p> <p>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.</p> <p>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.</p> <p>Overall, the Trustee Directors are satisfied that the default strategy is appropriate given their objectives. This view is backed by their investment adviser.</p>

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

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.”**

An investment guide is 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 Trustee Directors obtained from their investment adviser. This advice included consideration of the full range of asset classes and managerstyles that would be suitable for the Scheme and how appropriate diversification (including across managers) could be put in place.

Overall, the Trustee Directors are satisfied that their choices of investment options arealigned 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 Trustee Directors obtained from their investment adviser. This advice included consideration of the risks members might experience and waysthese could be appropriately managed and mitigated.

During the year, the Trustee Directors received quarterly monitoring reports which considered the performance of the investment managers and funds over time aswell as the performance the default investment strategy as whole.

The Trustee Directors also received reporting detailing the impact realised performance and the changing financial outlook would have on expected member retirementoutcomes.

In the course of this monitoring, no material issues were identified with the Scheme’s Investment options during theyear and theteeTrustee Directors are comfortable that the risks have been considered, managed and monitored appropriately given their objectives.

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

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 Trustee Directors undertook relevant training and obtained professional support and advice from their advisers.

Aon Solutions UK Limited (‘Aon’) has continued to support the Trustee 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 Trustee Directors have received has enabled them to make informed decisions over the course of the year.

During the year, the Trustee 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 Trustee Directors consider the fund managers to be best placed to make day-to-day investment decisions and meet the fund objectives.

The Trustee 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 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 Trustee Directors changing the Scheme’s investments.

During the year the Invesco Global Targeted Returns Fund was replaced with a bespoke Multi-Asset Fund and the World Emerging Market Equity Index Fund was replaced with the Future World Emerging Market Equity Fund. The Trustee Directors received investment advice that these changes were in members’ best interests. The investment adviser provided further support with communicating the changes to members and overseeing the transition of assets.

The Trustee Directors are satisfied that this policy has been fully adhered to over the year.

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

Engagement Policy Implementation Statement (‘EPIS’) (continued)

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 Trustee Directors obtained professional investment support and advice from their investment adviser, Aon, when setting and reviewing 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 Trustee Directors considered member feedback when updating the default strategy and range of funds as part of the investment strategy review. It was member feedback that led to the implementation of the Ethical and Shariah funds which have been available to members throughout the year.

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 Trustee 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 Trustee 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 Trustee Directors.

Voting statistics and engagement information covering the year to 31 March 2023 are included later in this statement. This information has been reviewed by the Trustee Directors and Aon and will continue to be reported, through the Implementation Statement, on an annual basis.

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

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

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 Trustee Directors have received from Aon during the year includes a performance assessment which informs the Trustee 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 Chair’s Statement which is available on a publicly accessible website.

The costs and charges were also considered as part of a Value for Members assessment, produced by Aon on behalf of the Trustee Directors. This assessment compared the Scheme’s costs and changes with three comparator schemes (all ‘Master Trust’ arrangements) and concluded that the costs and charges of the Scheme are very competitive.

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

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.

During the year, the Trustee Directors 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 Trustee Directors to consider the extent to which the investment strategy and decisions of the asset managers are aligned their policies.

No new managers were appointed during the year but the Trustee 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 Trustee Directors are satisfied that the asset managers have been making decisions in line with the Trustee Directors’ policies, expectations and other considerations. The Trustee Directors are supported in this view by Aon.

The asset managers were also formally reviewed as part of the strategy review which was completed in September 2021. The review concluded that the Scheme’s investment strategy, including the default arrangement, continues to be appropriate given the Trustee Directors’ objectives and understanding of the Scheme members’ requirements. However, the Trustee Directors did conclude that it would be appropriate to replace the Invesco fund and the Emerging Market Equity fund with a view to improving risk adjusted returns. These changes were implemented with effect from March 2023.

The decision to remove the Invesco fund from the fund range followed a long-standing period of underperformance of the fund, concerns about personnel changes at the manager, and the investment adviser’s reduced conviction in the fund.

Overall

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

Our Engagement Action Plan

Based on the work we have done for the Implementation Statement, we have decided to take the following steps over the next 12 months:

1. While LGIM provided a comprehensive list of fund-level engagement, which we find encouraging, these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group

(“ICSWG”) industry standard. It also did not provide firm-level engagement information.

2. We will invite our investment manager to a meeting to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.

**APPENDIX I – IMPLEMENTATION STATEMENT
(forming part of the Trustee’s Report)**

Our managers’ voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company’s stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme’s investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme’s equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme’s material funds with voting rights for the year to 31 March 2023.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions.

Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM – Developed Balanced Factor Equity Index Fund	11,712	99.8%	20.2%	0.1%
LGIM – UK Equity Index Fund	10,870	99.9%	5.5%	0.0%
LGIM – World (ex UK) Equity Index Fund	36,202	99.8%	21.7%	0.8%
LGIM – North America Equity Index Fund	8,543	99.4%	34.6%	0.1%
LGIM – Europe (ex UK) Equity Index Fund	10,391	99.9%	18.5%	0.5%
LGIM – Japan Equity Index Fund	6,267	100.0%	11.3%	0.0%
LGIM – Asia Pacific (ex Japan) Developed Equity Index Fund	3,590	100.0%	29.2%	0.0%
LGIM – Global Emerging Markets Equity Index Fund	42,279	99.9%	19.7%	2.1%
LGIM – Ethical Global Equity Index Fund	16,602	99.8%	17.8%	0.2%
HSBC – Islamic Global Equity Fund	1,423	97.0%	19.8%	0.0%
Invesco – Global Targeted Returns Fund	4,026	98.9%	6.1%	0.1%

Source: Managers

**APPENDIX I – IMPLEMENTATION STATEMENT
(forming part of the Trustee’s Report)**

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser’s recommendations.

The table below describes how the Scheme’s managers use proxy voting advisers.

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.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

	Description of use of proxy voting advisers
Legal and General Investment Management Limited (“LGIM”)	LGIM’s Investment Stewardship team uses Institutional Shareholder Services’ (ISS) ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.
HSBC Global Asset Management (“HSBC”)	We use the leading voting research and platform provider ISS to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. We review voting policy recommendations according to the scale of our overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines.
Invesco Asset Management Limited (“Invesco”)	Invesco may supplement its internal research with information from third-parties, such as proxy advisory firms, to assist us in assessing the corporate governance of investee companies. Globally Invesco leverages research from ISS and Glass Lewis and we use the Institutional Voting Information Service (IVIS) in the UK for corporate governance research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. Globally, we receive research reports, including vote recommendations from ISS and Glass Lewis for company shareholder meetings across our holdings. To assist with the operational aspects of the proxy voting process including vote disclosure to meet regulatory requirements, Invesco retains the services of ISS and leverages our proprietary proxy voting platform (“PROXYintel”) to further streamline the process. Invesco also engages ISS to provide written analysis and recommendations based on Invesco’s internally developed custom voting guidelines with specific voting recommendations on environmental, social and governance (ESG) issues applied globally. Our custom voting guidelines are reviewed annually and seek to support Invesco’s Good Governance Principles on best practice standards in corporate governance and long-term investment stewardship. For more information on Invesco’s use of third-party proxy advisory firms, please see our Policy Statement on Global Corporate Governance and Proxy Voting publicly available on our website: https://www.invesco.com/corporate/en/our-commitments/esg.html

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme’s investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme’s funds. A sample of these significant votes can be found in the appendix.

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

Our managers’ engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme’s material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund Specific	Firm Level	
LGIM – Developed Balanced Factor Equity Index Fund	279	<i>Not provided</i>	Environment - Climate change Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Remuneration
LGIM – UK Equity Index Fund	266	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Strategy/purpose
LGIM – World (ex UK) Equity Index Fund	421	<i>Not provided</i>	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Strategy/purpose
LGIM – North America Equity Index Fund	252	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration
LGIM – Europe (ex UK) Equity Index Fund	139	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Public health Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Strategy/purpose
LGIM – Japan Equity Index Fund	100	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting) Other - ESG Scores
LGIM – Asia Pacific (ex Japan) Developed Equity Index Fund	108	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting), Strategy/purpose Other - ESG Scores

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund Specific	Firm Level	
LGIM – Global Emerging Markets Equity Index Fund	325	<i>Not provided</i>	<p>Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity)</p> <p>Social - Human capital management (e.g., inclusion & diversity, employee terms, safety)</p> <p>Governance - Remuneration</p> <p>Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting)</p> <p>Other - ESG Scores</p>
LGIM – Ethical Global Equity Index Fund	338	<i>Not provided</i>	<p>Environment - Climate change</p> <p>Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health</p> <p>Governance - Board effectiveness – Diversity, Remuneration</p> <p>Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose</p>
LGIM – Pre-Retirement Fund	156	<i>Not provided</i>	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity)</p> <p>Social - Human capital management (e.g. inclusion & diversity, employee terms, safety)</p> <p>Governance - Board effectiveness – Diversity, Remuneration</p> <p>Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose</p>
LGIM – Investment Grade Corporate Bond - All Stocks - Index Fund	180	<i>Not provided</i>	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity)</p> <p>Social - Human capital management (e.g. inclusion & diversity, employee terms, safety)</p> <p>Governance - Board effectiveness – Diversity, Remuneration</p> <p>Strategy, Financial and Reporting - Strategy/purpose</p>
HSBC – Islamic Global Equity Fund	160	3,456	<p>Environment - Climate change, Pollution, Waste</p> <p>Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety)</p> <p>Governance - Board effectiveness – Diversity</p> <p>Strategy, Financial and Reporting - Capital allocation, Financial performance, Strategy/purpose</p>
Invesco – Global Targeted Returns Fund	22	122	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity)</p> <p>Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations)</p> <p>Governance - Leadership - Chair/CEO, Remuneration</p> <p>Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Risk management (e.g. operational risks, cyber/information security, product risks)</p>

Source: Managers. HSBC did not provide fund-level themes; themes provided are at a firm-level.

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

Data limitations

At the time of writing, LGIM did not provide detailed fund-level engagement examples and didn’t provide firm-level engagement information. We will engage with LGIM to encourage improvements in reporting.

This report does not include commentary on the Scheme’s gilts and cash because of the limited materiality of stewardship to these asset classes.

Appendix – Significant Voting Examples

In the table below are significant vote examples provided by the Scheme’s managers and we set out here those examples the Trustee considers to be significant in the context of the Scheme. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

LGIM – Developed Balanced Factor Equity Index Fund; LGIM – Ethical Global Equity Index Fund	Company name	Eli Lilly and Company
	Date of vote	02-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.9% (Developed Balanced Factor Equity Index Fund); 0.7%(Ethical Global Equity Index Fund)
	Summary of the resolution	Require Independent Board Chair
	How manager voted	LGIM voted in favour of the shareholder resolution (management recommendation: against).
	Where manager voted against management, did they communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an Annual General Meeting (“AGM”) as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
	Outcome of the vote	Failed
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Criteria for manager deeming this a significant vote	LGIM considers this vote to be significant as it is an application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	
LGIM – World (ex UK) Equity Index Fund; LGIM – North America	Company name	Alphabet Inc.
	Date of vote	01-Jun-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.2% (World (ex UK) Equity Index Fund); 1.8% (North America Equity Index Fund)
	Summary of the resolution	Report on Physical Risks of Climate Change
	How manager voted	For

TUBE LINES PENSION SCHEME

APPENDIX I – IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

	Where manager voted against management, did they communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	Outcome of the vote	Failed
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria for manager deeming this a significant vote	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
LGIM – UK Equity Index Fund	Company name	Rio Tinto Plc
	Date of vote	08-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.7%
	Summary of the resolution	Approve Climate Action Plan
	How manager voted	Against
	Where manager voted against management, did they communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
	Outcome of the vote	Passed
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria for manager deeming this a significant vote	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

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HSBC – Islamic Global Equity Fund	Company name	Visa Inc.
	Date of vote	24-Jan-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.9%
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	How manager voted	Against (Vote Against Management)
	Where manager voted against management, did they communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Against grant of shares or options to executives within the Long-term Incentive Plan ("LTIP") that are not majority (+51%) linked to performance criteria. Against grant of shares or options to executives within the LTIP if the vesting period is less than 3 years.
	Outcome of the vote	Pass
	Implications of the outcome	We will likely vote against a similar proposal should we see insufficient improvements.
	Criteria for manager deeming this a significant vote	The company has a significant weight in the portfolio and we voted against management.
Invesco – Global Targeted Returns Fund	Company name	Suofeiya Home Collection Co., Ltd.
	Date of vote	03-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	>1% IVZ Ownership
	Summary of the resolution	Approve Cash Management
	How manager voted	Against (Against Management)
	Where manager voted against management, did they communicate your intent to the company ahead of the vote?	Dialogue with portfolio companies is a core part of the investment process. Invesco may engage with investee companies to discuss ESG issues throughout the year or on specific ballot items to be voted on. In some instances we may choose to communicate our voting intentions to company's ahead of the shareholder meeting, where appropriate.
	Rationale for the voting decision	A vote Against is warranted because the proposed investment could expose the company to unnecessary risks.
	Outcome of the vote	Pass
	Implications of the outcome	The outcome of the vote did not meet our desired voting intention. We will continue to monitor the company on this issue and engage as necessary.
	Criteria for manager deeming this a significant vote	>1% IVZ Ownership and Includes Key ESG proposal

Source: Managers

TUBE LINES PENSION SCHEME

APPENDIX II – CHAIR'S STATEMENT (forming part of the Trustee's Report)

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 2022 to 31 March 2023. It is signed on behalf of the Trustee by the Chair.

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

1. The Default Arrangement;
2. Net investment returns;
3. Processing of core financial transactions;
4. Member borne charges and transaction costs;
5. Value for Members; and
6. 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.

Details of the objectives and the Trustees' policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' (SIP). The Scheme's SIP is attached.

The last investment strategy review was concluded on 10 September 2021 and after considering the membership profile, it was agreed to undertake some changes to the Scheme's investment strategy as a result. In particular:

- Given developments since the previous strategy review, the decision was taken to replace the Invesco GTR Fund with a bespoke Multi-Asset fund; and
- Given the high level of concentration to Chinese stocks and the Environmental, Social and Governance (ESG) risks associated with emerging markets, the decision was taken to replace the existing Emerging Markets Fund with an alternative Emerging Markets Fund which aims to address these concerns.

These changes were implemented during March 2023.

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.

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).

The investment strategy will be reviewed again by 9 September 2024.

TUBE LINES PENSION SCHEME

APPENDIX II – CHAIR’S STATEMENT (forming part of the Trustee’s Report)

Chair’s Statement (continued)

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 is required to report on net investment returns for each default arrangement and for each non-default fund which scheme members were invested in during the scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance. It is important to note that past performance is not a guarantee of future performance.

Fund performance covering a five year period has not been reported for all funds as some funds have not yet been available to members for a five year period.

(i) Default arrangement – Drawdown Lifestyle Strategy

Performance to 31 March 2023	Annualised returns (%)
Age of member in 2023	1 year
25	(2.7)
45	(2.7)
55	(2.7)

Source: Legal & General Investment Management

(ii) Alternative Lifestyle Strategies Annuity Lifestyle Strategy

Performance to 31 March 2023	Annualised returns (%)
Age of member in 2023	1 year
25	(2.7)
45	(2.7)
55	(2.7)

Source: Legal & General Investment Management

Cash Lifestyle Strategy

Performance to 31 March 2023	Annualised returns (%)
Age of member in 2023	1 year
25	(2.7)
45	(2.7)
55	(2.7)

Source: Legal & General Investment Management

TUBE LINES PENSION SCHEME

APPENDIX II – CHAIR’S STATEMENT (forming part of the Trustee’s Report)

(iii) Self-select investment funds

Performance to 31 March 2023	Annualised returns (%)	
Fund name	1 year	5 years
LGIM World Emerging Market Equity Index Fund	(5.3)	-
LGIM North America Equity Index Fund	(6.0)	-
LGIM Europe (ex-UK) Equity	6.6	-
LGIM Japan Equity Index Fund	1.3	-
LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund	(4.4)	-
LGIM Ethical Global Equity Index Fund	(1.7)	-
LGIM Investment Grade Corporate Bond – All Stocks – Index Fund	(10.4)	-
HSBC Islamic Global Equity Index Fund	(5.6)	-
Invesco Global Targeted Returns Pension Fund	5.7	-
Alternatively Weighted Global Equity Fund	(1.8)	-
LGIM UK Equity Index Fund	2.4	5.1
LGIM World (ex UK) Equity Index Fund	(3.7)	10.7
LGIM Over 5 Years Index-Linked Gilt Index Fund	(29.4)	(4.1)
LGIM Future World Annuity Aware Fund	(19.7)	(3.2)
LGIM Cash Fund	2.1	0.7

Source: Legal & General Investment Management

The Tube Lines Multi-Asset fund was added to the fund range in March 2023 and therefore performance over the above periods is not yet available. Performance will be shown in the next Chair’s Statement.

3. 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.

The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Scheme administrator, Aon, and the Company is responsible for ensuring that contributions are paid to the Scheme promptly. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted 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.

In order to determine how well the administration is performing the Trustees have service level agreements (“SLAs”) in place with Aon. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLAs, Aon aims to accurately complete all financial transactions within 5 working days, with the exception of the investment of contributions, which is within 3 working days of receipt, and transfers out and retirement settlements which are within 10 working days.

TUBE LINES PENSION SCHEME

APPENDIX II – CHAIR’S STATEMENT (forming part of the Trustee’s Report)

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.

An average of 95% of activities were completed within 5 working days during the year, against a target of 95%. Any issues arising during the year are reported to the Trustee. The Trustee had no concerns in this respect.

The trustees note that during the period several instances of the investment of contributions not being performed in line with the time periods specified in the SLA. The trustee are working with the administrator to ensure that no members were in detriment due to these delays.

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

4. 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:

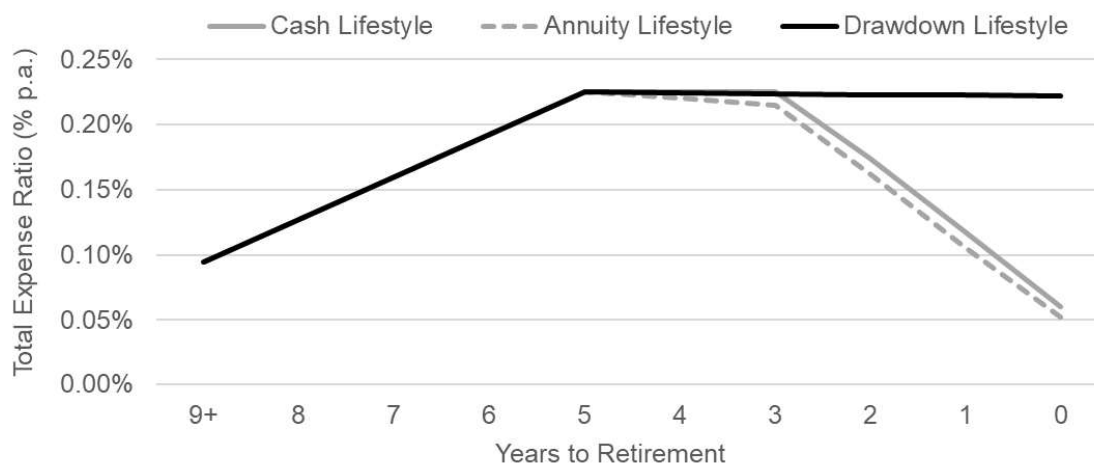
Charges such as the Annual Management Charge (AMC) – the annual fee charged by the investment manager for investing in a fund, as well as additional expenses which, together, comprise the Total Expense Ratio (TER) which is the total cost of investing in the fund.

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 2022 to 31 March 2023 (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 0.09% p.a. and 0.23% 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 0.23% p.a. and 0.06% p.a. and 0.23% 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.



The table below sets out the relevant charges for each of the standalone funds used by the Scheme. 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:

TUBE LINES PENSION SCHEME

APPENDIX II – CHAIR’S STATEMENT (forming part of the Trustee’s Report)

Fund	Total Expense Ratio (% p.a.)	Transaction Costs (%p.a.)	Total costs (% p.a.)
LGIM World (ex UK) Equity Index Fund *	0.08	0.06	0.14
Alternatively Weighted Global Equity Fund *	0.06	0.05	0.11
LGIM World Emerging Market Equity Index Fund *	0.35	0.36	0.71
LGIM UK Equity Index Fund *	0.05	0.03	0.08
LGIM North America Equity Index Fund	0.14	0.07	0.21
LGIM Europe (ex-UK) Equity Index Fund	0.18	0.06	0.24
LGIM Japan Equity Index Fund	0.16	0.02	0.18
LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund	0.20	0.03	0.23
LGIM Ethical Global Equity Index Fund	0.30	0.00	0.30
HSBC Islamic Global Equity Index Fund	0.35	0.00	0.35
Invesco Global Targeted Returns Pension Fund *	0.75	0.54	1.29
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	0.21	0.26
LGIM Future World Annuity Aware Fund	0.05	0.03	0.08
LGIM Cash Fund **	0.06	0.04	0.10

* Used in all the lifestyle strategies

** Used in the cash and annuity lifestyle strategies

TERs following fund changes that came into effect on 30 March 2023 can be found in Appendix 1.

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.

Each illustration is shown for a different type of member invested in the Drawdown Lifestyle Strategy, which is the default investment arrangement. Illustrations are shown as a table as follows:

- Each chart shows a projection of the member's retirement savings at retirement age, with and without costs and charges applied.
- As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures with other investments in the tables. For comparison purposes, we also show the projected retirement savings if the typical member were invested in the fund within the range offered by the Scheme which attracts the lowest charges – LGIM Future World Annuity Aware Fund, and the fund which attracts the highest charges – HSBC Islamic Global Equity Index Fund*.

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 second highest charging fund, HSBC Islamic Global Equity Index Fund, has been used in the illustrations as the highest charging fund, Invesco Global Targeted Returns has been removed from the fund range with effect from March 2023.

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Illustration A: is based on an active member who has 40 years to go until their retirement at age 65. The member has a current salary of £40,000 p.a., fund value of £20,000 and future contributions of 10% of salary.

Projected Pension Account in today's money									
Age	LGIM Future World Annuity Aware Fund			Drawdown Lifestyle Strategy (default arrangement)			HSBC Islamic Global Equity Index Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
25	20,000	20,000	0	20,000	20,000	0	20,000	20,000	0
30	40,340	40,130	210	45,990	45,750	240	45,990	45,330	660
35	61,080	60,510	570	77,460	76,710	750	77,460	75,440	2,020
40	82,230	81,150	1,080	115,570	113,940	1,630	115,570	111,220	4,350
45	103,800	102,040	1,760	161,730	158,720	3,010	161,730	153,750	7,980
50	125,790	123,200	2,590	217,610	212,570	5,040	217,610	204,300	13,310
55	148,210	144,630	3,580	285,290	277,330	7,960	285,290	264,370	20,920
60	171,070	166,320	4,750	361,930	349,380	12,550	367,240	335,770	31,470
65	194,380	188,280	6,100	434,710	414,810	19,900	466,490	420,630	45,860

Illustration B: is based on a deferred member (someone who is no longer contributing to the Scheme) who has 20 years to go until their retirement at age 65. The member has a current fund value of £50,000.

Projected Pension Account in today's money									
Age	LGIM Future World Annuity Aware Fund			Drawdown Lifestyle Strategy (default arrangement)			HSBC Islamic Global Equity Index Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
45	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0
50	50,980	50,630	350	60,550	60,130	420	60,550	59,430	1,120
55	51,990	51,260	730	73,320	72,310	1,010	73,320	70,630	2,690
60	53,010	51,910	1,100	87,490	85,520	1,970	88,790	83,940	4,850
65	54,050	52,560	1,490	99,980	96,400	3,580	107,520	99,770	7,750

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 6.5% p.a. (used within the projection of the default lifestyle strategy and for the HSBC Islamic Global Equity Index)
 - Multi Asset 4.5% p.a. (used within the projection of the default lifestyle strategy)

TUBE LINES PENSION SCHEME

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- Index Linked Gilts 2.9% p.a. (used within the projection of the default lifestyle strategy and for the LGIM Over 5 years Index-Linked Gilt Index Fund)
- Corporate Bonds 4.6% p.a. (used within the projection of the default lifestyle strategy)
- Transaction Costs (TCs) are unavailable for the Multi Asset Fund so the TCs for the Invesco GTR fund it replaced have been used in projections.
- 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.

5. Value for Members

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members. The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced a prescribed assessment framework for specified small schemes such as the Scheme. The Trustee has followed this framework in carrying out this year’s assessment. The assessment was carried out as at 31 March 2023, in line with the Scheme year end. The prescribed assessment framework is made up of three parts, as outlined below.

i) Cost and charges

The cost and charges that members pay in the Scheme have been compared to those that members may pay in three other (larger) pension schemes, referred to as the comparator schemes. For the purpose of this exercise, we have selected three Master Trusts as the comparator schemes: the Aon Master Trust, the Aegon Master Trust and the National Employment Savings Trust (NEST).

Our assessment showed that the costs and charges members pay in the Scheme are competitive relative to the cost and charges in the comparator schemes.

We believe that the costs and charges payable in the Scheme represent good value for members compared to the comparator schemes.

ii) Net investment returns

The investment returns that members achieved in the Scheme, net of all member borne costs and charges, over the one and three (or five where available) periods to 31 March 2023 have been compared to those that members may have achieved in the three comparator schemes mentioned above.

Our assessment showed that the net investment returns members achieved by the Scheme were in general competitive, across comparable funds, relative to the comparator schemes. For self-select funds we used the closest available fund from the fund range of the comparator schemes.

Overall, the Trustee is satisfied that the Scheme is delivering strong investment returns, in the context of both the returns delivered by the comparator schemes and the specific objectives of the Tube Lines Pension Scheme.

iii) Administration and Governance

An assessment of the following Governance and Administration metrics has been undertaken for the Scheme: Level of trustee knowledge, understanding and skills to operate the pension scheme effectively; effectiveness of management of conflicts of interest; appropriateness of the default investment strategy; quality of investment governance; quality of member communications; promptness and accuracy of core financial transactions and quality of record keeping. These metrics are not benchmarked against the comparator schemes, simply assessed by the Trustee.

TUBE LINES PENSION SCHEME

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Our assessment concluded that for all members, the Governance and Administration of the Scheme does provide good value for members. We have provided further detail below, under the four broad areas in which we carried out this part of the assessment:

Scheme governance

The Trustee has processes and procedures in place to meet the level of knowledge, understanding and skills required and works alongside its professional advisers in the running of the Scheme (see section 6 for further details). 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 has processes in place to identify and manage any conflicts of interest.

Investments

The Trustee has suitably robust investment governance procedures in place. The Scheme offers lifestyle strategies, including the default investment strategy, that target the ways in which members can access DC funds at retirement and individual funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee’s investment adviser, with the specific needs of members in mind and were last reviewed on 10 September 2021. Regular performance reviews are carried out on the funds within the Scheme.

Administration

The Trustee has appointed Aon to provide administration services to the Scheme. The Board has processes in place, including Service Level Agreements and quarterly administration meetings with Aon Administration to monitor standards of administration and record-keeping for the Scheme. Quarterly stewardship reports are considered by the Board. The administration client manager attends the quarterly meetings, as do other senior representatives as required.

Member communications

The Trustee issues a regular series of communications such as a Scheme newsletter, annual benefit statements, news stories and articles. All these are delivered to members via the member portal wherever possible.

Overall conclusion of the Value for Members assessment

The Trustee believe that the Scheme provides good value for members.

6. Trustee's Knowledge and Understanding

There are currently two Trustee Directors, one of whom is nominated by the Company. The other Trustee 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.

The Trustee has met the Pension Regulator’s Trustee Knowledge and Understanding (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.

TUBE LINES PENSION SCHEME

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- 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. Throughout the year, the Trustee received training on Pension’s Dashboard and General Code.
- Training and guidance was also provided to the Trustee by their advisers in respect of the technical, legal and investment considerations associated with reviewing the 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 six months 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 advisers.

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.

TUBE LINES PENSION SCHEME

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The Trustee board has set up processes to publish this statement and relevant information on the costs and charges of the default arrangement and self-select funds publicly online at <https://tfl.gov.uk/corporate/publications-and-reports/tube-lines-pension-scheme-documents> and have notified members about this in their annual benefit statements.

Signed on behalf of the Trustee of the Tube Lines Pension Scheme

Name / Position: Tim Handley/Chair of Trustee :

Date of signing : _____

TUBE LINES PENSION SCHEME

APPENDIX III – 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.

TUBE LINES PENSION SCHEME

APPENDIX III – STATEMENT OF INVESTMENT PRINCIPLES

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

APPENDIX III – STATEMENT OF INVESTMENT PRINCIPLES

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 <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.	Fund Managers <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.

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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.

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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.

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APPENDIX III – STATEMENT OF INVESTMENT PRINCIPLES

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.

Version: Final Effective date: 14 March 2023

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APPENDIX III – STATEMENT OF INVESTMENT PRINCIPLES

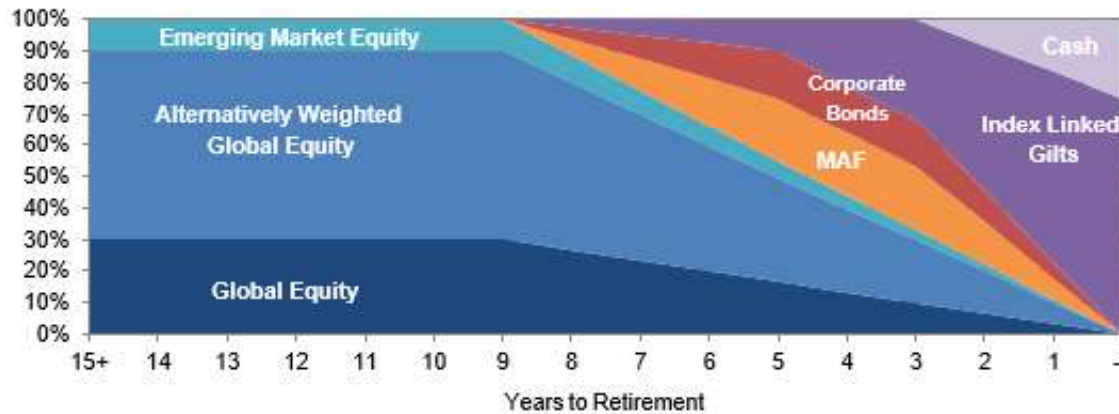
Appendix

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

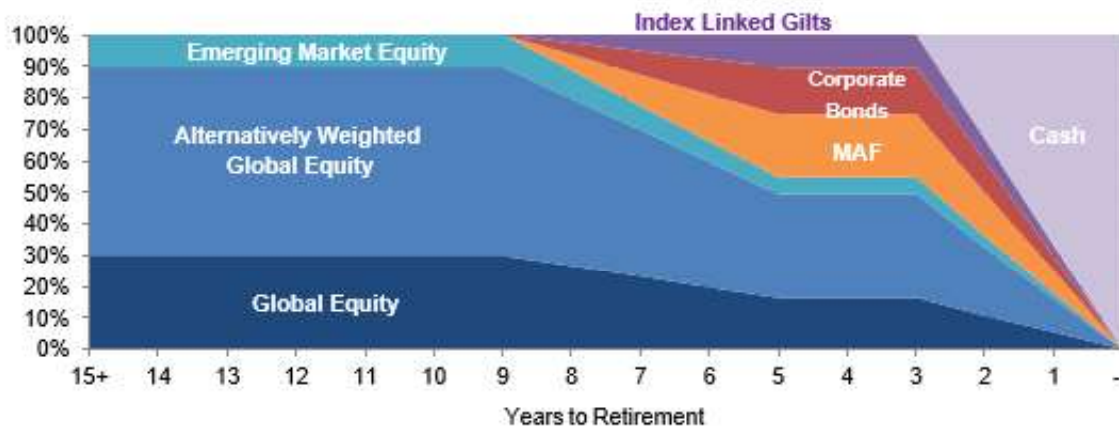
Drawdown Lifestyle Strategy (Default Strategy)



Annuity Lifestyle Strategy



Cash Lifestyle Strategy



TUBE LINES PENSION SCHEME

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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	TER % pa
Equities		
LGIM World (ex UK) Equity Index Fund	FTSE World ex UK Index	0.08%
Alternatively Weighted Global Equity Fund	Bespoke Index	0.06%
LGIM Future World Emerging Markets Equity Index Fund	Solactive L&G ESG Emerging Markets Index	0.48%
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%
Multi Asset Fund		
Tube Lines Multi-Asset Fund	Bespoke Index	0.12%
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	SONIA	0.06%