IMI 2014 DEFERRED FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

FUND REGISTRATION NUMBER: 12009946

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IMI 2014 DEFERRED FUND

TRUSTEE AND ADVISERS

YEAR ENDED 31 MARCH 2021

Trustee	IMI Pensions Trust Limited Lakeside Solihull Parkway Birmingham Business Park Birmingham B37 7XZ
Directors of the Trustee:	**Company-appointed** Mr J O'Shea (Chairman) Mr G Croydon Mr J Jones
	Member-nominated Mrs J Cooke Mr C Dunn Mr P Russell Mrs K Strath
Investment consultants	Aon Solutions UK Limited (formerly Aon Hewitt Limited)
Fund Secretary	Mr D Brown
Administrators	Towers Watson Limited
Fund Actuary	Mr C Smith
Independent auditor	KPMG LLP
Legal advisers	Squire Patton Boggs (UK) LLP
Buy in provider	Pension Insurance Corporation (PIC)
Investment manager	IMI Common Investment Fund
Custodian bank	Northern Trust
Bankers	Barclays Bank

Composition of Trustee Board

The Trustee of the Fund is IMI Pensions Trust Limited, a wholly owned subsidiary of IMI plc. At 31 March 2021 the Trustee had three company appointed and four member nominated trustee directors (MNTD). The proportion of MNTDs to Company Appointed Directors (CAD) is higher than the 1/3rd requirement of the Pensions Act 2004. The Trustee is also the appointed Trustee of the IMI Pension Fund and the IMI 2014 Pensioner Fund.

The Trustee Board has eight Director positions. The term of appointment for MNTDs is six years.

Constitution of the Fund

The Fund was established with effect from 12 September 2014 and operates in accordance with a Definitive Trust Deed and Rules. References to "the Company" are to IMI plc , which is the Principal Employer. The Fund exists to provide benefits for employees of IMI plc and those subsidiaries that participate in the Fund. Its assets are entirely separate from those of the Company.

The Fund is a registered pension scheme by virtue of being an approved scheme (under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988). It is registered under Chapter 2 of Part 4 of Finance Act 2004.

Changes to Rules

There were no changes to the Fund Rules during the year.

Financial developments and financial statements

The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

COVID-19

During 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of Fund assets. The Trustee has designed and implemented the Plan's investment strategy taking a long term view and has built resilience to withstand short term fluctuations. Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of the virus.

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* is the responsibility of the Trustee. Pension scheme regulations require the Trustees to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

(i) show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes.*

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up Fund, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have 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 Fund and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Fund and financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Membership

The changes in membership during the year are as follows:

	Deferred/ Preserved Employed members	Pensioners	Total
At 1 April 2020	2,840	318	**3,158**
Adjustments to prior period	(19)	22	**3**
New beneficiaries	–	5	**5**
Retirements	(108)	108	**–**
Deaths	(9)	(3)	**(12)**
Transfers out	(19)	–	**(19)**
Full commutations	(1)	(1)	**(2)**
At 31 March 2021	2,684	449	**3,133**

The adjustments to the prior period relate to late notifications which were processed after the finalisation of the financial statements in the previous period.

Pension increases

The pension increases notes that follow do not apply to members who opted for a Pension Increase Exchange in 2012. These members receive no further increases.

Main Section (excluding ex MKR members), Senior Section and IMI Section (excluding former YIM Section members)

The Fund pays post retirement increases for these members each year on 1 January. The current rules allow for increases to be paid by reference to the movement in the retail prices index (RPI) for the 12 months preceding 30 September, to a maximum of 5% per year (2.5% for service after January 2006). Increases are applied to post-commuted pensions.

The post retirement increase applied on 1 January 2021 to pensions was 2.4%. Pensions commencing in the 12 months preceding 1 January 2021 receive a pro-rated increase.

The pension increases above do not apply to that element of the pensions in payment representing Guaranteed Minimum Pension (GMP) once GMP Pension Age (65 for men and 60 for women) is attained. The Fund is required to provide GMP as a consequence of contracting out of State pension arrangements. GMP earned after April 1988 will be increased by the Fund in line with inflation, as required by legislation, to a maximum of 3% per year. GMPs relate to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply.

Main Section (former MKR Scheme Members)

The same conditions apply as those in the IMI section above, except that post retirement increases for these members are applied each 1 April. On 1 April 2020 the pensions for these members were increased by 2.4% being the increase in the Retail Price Index (RPI) for the 12 months to September 2019. On 1 April 2019 an increase of 3.3% was awarded in line with the RPI increase for the 12 months to 30 September 2018.

IMI Section (former YIM Section Members)

On 1 January 2021 the increase awarded was 2.4%. In addition members receive a triennial additional bonus increase of 11% in respect of their previous membership of the YIM section. Additional triennial bonus increases are applied to post-commuted pensions.

Facsimile section

Pensions in payment are adjusted in line with the objective to pay pensions as if members had continuous service within the ICI Pension Fund. Increases prior to and after retirement are granted by taking into account the increases made under applicable ICI pension arrangements. Pensions in this category have been bought out and therefore no increase was awarded from the Fund at 1 November 2020.

Transfer values

Individual Transfers paid by the Fund

Transfer values represent the cash equivalent of members' deferred pensions.

Actuarial liabilities

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every Fund is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, which is available to Fund members on request.

The latest completed actuarial valuation of the Fund was carried out by Towers Watson Limited as at 31 March 2018. The results are summarised as follows and the 31 March 2021 valuation is currently in progress and is expected to be completed later this year. The valuation Report dated 26 November 2018 showed that the present value of promised retirement benefits (the "technical provisions") was £554 million at 31 March 2018, corresponding to a deficit of assets relative to the technical provisions of £80 million and a funding level of 86%. In assessing the deficit, the assets used exclude the value ascribed to the Trustee Payment Plan (TPP, referred to in the financial statements as the Special Purpose Vehicle). The Trustee's investment in the TPP generates an income of £7 million p.a. for the Fund.

The deficit is expected to be eliminated through the income from the TPP, of £7 million per year until mid-2030 (unless full funding on an insurer pricing basis is reached before then), and anticipated investment returns above the discount rate used to determine the technical provisions.

The Actuary's statutory estimate of the solvency funding level as at 31 March 2018 is 62%.

In addition, the Actuary has estimated that the technical provisions deficit as at 31 March 2020 has fallen to £25 million and the technical provisions funding level has improved to 96%. The position at 31 March 2020 has been estimated using actuarial assumptions that are consistent with those adopted for the 31 March 2018 valuation. Further detail on the 31 March 2018 actuarial assumptions is given below. As noted above, the 31 March 2021 actuarial valuation is currently in progress.

Method

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

Significant actuarial assumptions

The table below summarises the main financial assumptions used to calculate the Scheme's technical provisions:

Financial assumptions	31 March 2018 % pa
Discount rate	**Nominal gilt curve plus 0.25% pa – equivalent to an average rate of 1.85% pa**
Retail price inflation (RPI)	**Gilt market breakeven inflation curve – equivalent to an average rate of 3.3% pa**
Consumer price inflation (CPI)	**RPI less 1.0% pa**
Pension increases where not fixed	**Term-dependant increases as implied by the relevant inflation assumption or the relevant cap/floor if lower/higher**

The table below summarises the main demographic assumptions used to calculate the Scheme's technical provisions:

Demographic assumptions	31 March 2018
Base mortality tables	**SAPS S2 pensioner (amounts) tables with improvements from 2007 to 2018 in line with the CMI 2017 core projection model with a long term trend of 1.5% pa**
Proportion of base mortality rates	
Male pensioners - 'high paid'*	**67%**
Male pensioners - 'other'	**104%**
Female pensioners	**90%**
Female dependants	**90%**
Male dependants	**102%**
Future improvements in longevity	**From 2018 in line with the CMI 2017 core projections model with a long-term trend of 1.5% pa**

* for the actuarial valuation as at 31 March 2018, this is defined as being members with accrued pensions in excess of £33,000 pa as at the valuation date. This figure is expected to increase over time, generally in line with the Fund's normal pension increases.

Administration

During the Fund year to 31 March 2021 the Fund was administered by Towers Watson Limited, who undertook the day-to-day administration. This included record keeping, accounting and operation of the pensioner payroll.

The Company's specialist in-house pensions team, IMI Group Pensions, provide secretarial services to the Trustee, prepares communications to members and liaises with the Fund's professional advisers. IMI Group Pensions also carries out specific duties, on behalf of the Trustee, which have been formally delegated and documented.

Operational Costs

The Company pays the operational costs of IMI Group Pensions.

The Trustee approves the fees incurred in the operation of the Fund, which are paid from the Fund's resources and monitored by IMI Group Pensions. They include the following:-

administration services;
actuarial and legal advice;
audit fees;
investment consultancy;
bank charges;
printing costs of all communications and information literature; and fees for medical reports requested by the Trustee.

Participating Companies

In addition to IMI plc, the Principal Employer, the following companies participated in the Fund as at 31 March 2021 :

IMI Components Ltd
IMI Kynoch Ltd
IMI Scott Ltd
IMI Webber Ltd
IMI Precision (formerly Norgren Ltd)
TA Hydronics Ltd (formerly Tour & Andersson Ltd)

The Fund is closed to future accrual of benefits.

Investment management

Investment managers

The majority of the Fund's assets are invested in the IMI Common Investment Fund (CIF). The investment managers used by the CIF is included in the financial statements of the CIF which is available on request from the contact on page 12.

Investment managers and the Fund's investment consultant are appropriately authorised under the Financial Services and Markets Act 2000 in the United Kingdom.

Investment principles

The Trustee has produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995, as well as the requirements under the 2004 Pension Act and the Occupational Pension Schemes (Investment) Regulations 2005, which sets out the Trustee's general approach to risk management.

The Statement summarises how the Trustee:

- sets the investment policy and chooses the most suitable types of investments for the Fund;
- delegates buying and selling investments to the Investment Managers;
- monitors the performance of the investments;

The SIP was updated during the year in September 2020 to include:

- The Trustee's policies on the arrangements with its asset managers, including how costs and performance are monitored and assessed; and
- Extended policies in relation to stewardship of investments.

Fund performance

The performance of the Deferred Fund's assets held in the CIF over the year to 31 March 2021 has been included within the CIF Annual Report which is appended to this Annual Report. The table below shows the performance of the assets relative to the appropriate benchmarks.

Period to 31 March 2021

	Fund %	Benchmark %
1 Year	5.7	11.8
3 Years (p.a)	9.9	8.6

Source: Northern Trust (performance report to 31 March 2021)

Socially responsible investments

These include the risk that environmental, social and governance (ESG) factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from the investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

Rights attaching to investments

Within the overall constraint of achieving the best financial return for the Fund's investments, the Trustee has delegated to the managers responsibility for taking social, environmental and ethical considerations into account when assessing the selection, retention and realisation of investments. As part of their delegated responsibilities, the Trustee expects the Fund's investment managers to:

- where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Fund's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regards to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustee does not seek the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Custody of assets

Northern Trust has been appointed as global custodian of the CIF's segregated assets. Where the CIF invests in pooled investment vehicles, the investment managers are responsible for appointing a custodian to safeguard the underlying assets of the pooled vehicles.

Employer related investments

There were no employer related investments during the year or at the year end.

Compliance Statement

Matters relating to the Trustee

The Trustee has received a copy of the Guide for Pension Scheme Trustees issued by the Pensions Regulator.

Cash equivalents

Cash equivalents paid during the Fund year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

Fund advisers

There are written agreements in place between the Trustee and each of the Fund advisers listed on page 1 of these financial statements and also with the Principal Employer.

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

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

- if they have general requests for information or guidance concerning pension arrangements contact MoneyHelper:

Address:	Holborn Centre, 120 Holborn, London EC1N 2TD
Telephone:	0800 011 3797
Website:	www.moneyhelper.org.uk

- if they have a complaint or dispute concerning a workplace or personal pension arrangement they have the right to contact The Pensions Ombudsman free of charge:

Address:	10 South Colonnade, Canary Wharf, E14 4PU
Telephone:	0800 917 4487
Website:	www.pensions-ombudsman.org.uk
Email:	enquiries@pensions-ombudsman.org.uk

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

Address:	Napier House, Trafalgar Place, Brighton, BN1 4DW
Email:	customersupport@tpr.gov.uk

It has wide ranging powers which include the power to:

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

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

Telephone:	0800 713 0193
Website:	www.gov.uk/find-pension-contact-details

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

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by beneficiaries or potential beneficiaries of the Fund and details of this can be obtained by writing to the contact below.

Contact for further information

Any queries or complaints about the Fund, including requests from individuals for information about their benefits or for a copy of Fund documentation, should be sent in the first instance to:

Alex Ives
Towers Watson Limited
Westgate
120-130 Station Road
Redhill
Surrey
RH1 1WS

On behalf of IMI Pensions Trust Limited

Trustee Director	**Trustee Director**

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of the schedule of contributions

Name of scheme: IMI 2014 Deferred Fund

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2018 to be met by the end of the period specified in the recovery plan dated 21 November 2018.

Adherence to statement of funding principles

I hereby certify that, in my opinion, the schedule of contributions is consistent with the Statement of Funding Principles dated 21 November 2018.

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

Signature: Colin Smith

Date: 26 November 2018

Colin Smith
Fellow of the Institute and Faculty of Actuaries

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Towers Watson Limited is authorised and regulated by the Financial Conduct Authority

Trustee's summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer contributions payable to the Fund under the schedule of contributions dated 26 November 2018 in respect of the Fund year ended 31 March 2021. The Fund Auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

Statement of Trustee's responsibilities in respect of contributions

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received in respect of any active member of the fund and for procuring that contributions are made to the Fund in accordance with the schedule.

No contributions were due under the schedule of contributions during the year.

On behalf of IMI Pensions Trust Limited

Trustee Director

Date: 9 December 2021

Trustee Director

Date: 9 December 2021

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE

YEAR ENDED 31 MARCH 2021

We have examined the summary of contributions payable under the schedule of contributions to the IMI 2014 Deferred Fund in respect of the Fund year ended 31 March 2021 which is set out on page 14.

In our opinion contributions for the Fund year ended 31 March 2021 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 26 November 2018.

Scope of work on statement about contributions

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

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

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

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Nadia Dabbagh-Hobrow,
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 10 December 2021

Opinion

We have audited the financial statements of the IMI 2014 Deferred Fund ("the Fund") for the year ended 31 March 2021, which comprise the Fund Account and the Statement of Net Assets *(available for benefits)* and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* and
- contain the information specified in Regulation 3 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Fund, and as it has concluded that the Fund's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Fund and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, as to the Fund's high-level policies and procedures to prevent and detect fraud as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board meeting minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or its delegates including Fund Administrator) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of the annuity policies. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Fund wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards) and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Fund is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Fund's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Fund's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation recognising the financial and regulated nature of the Fund's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and their delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedule of Contributions in our Statement about Contributions on page 15 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities and the summary of contributions), the Implementation Statement and the actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 3, the Fund Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund'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 they either intend to wind up the Fund, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund Trustee those matters we are required to state to it 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 Fund Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow,
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 10 December 2021

IMI 2014 DEFERRED FUND

FUND ACCOUNT

YEAR ENDED 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Transfers in	4	–	*2*
		–	*2*
Benefits payable	5	(5,147)	*(4,318)*
Transfers out	6	(4,895)	*(5,780)*
Administrative expenses	7	(2,218)	*(1,391)*
		(12,260)	*(11,489)*
Net withdrawals from dealings with members		(12,260)	*(11,487)*
Returns on investments			
Investment income	8	7,818	*7,447*
Change in market value of investments	9	19,677	*46,516*
Investment management expenses	10	(349)	*(149)*
Net return on investments		27,146	*53,814*
Net increase in the fund during the year		14,886	*42,327*
Net assets of the Fund			
At 1 April		608,054	*565,727*
At 31 March		622,940	*608,054*

The notes on pages 22 to 32 form part of these financial statements.

IMI 2014 DEFERRED FUND

STATEMENT OF NET ASSETS (AVAILABLE TO MEET BENEFITS)

AS AT 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Investment assets	9		
Pooled investment vehicles	12	524,409	*547,233*
Buy in policies	13	59,600	*15,300*
Other investments	14	37,858	*45,308*
		621,867	*607,841*
Current assets	19	2,989	*1,674*
Current liabilities	20	(1,916)	*(1,461)*
Net assets of the Fund at 31 March		622,940	*608,054*

The notes to the financial statements form part of these financial statements.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the report on the actuarial liabilities on page 6 of the Annual Report and these financial statements should be read in conjunction with this report.

The financial statements were approved by the Trustee and signed on behalf of the board by:

Trustee Director

Date: 9 December 2021

Trustee Director

Date: 9 December 2021

The notes on pages 22 to 32 form part of these financial statements.

1. General information

The Fund is established as a trust under English law. The address for enquiries to the Fund is included in the Trustee's Report.

2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (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) (Revised June 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Fund has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least twelve months from the date of approval of these financial statements.

In reaching this conclusion, the Trustee considered the impact of the COVID-19 outbreak and has taken into account plausible downside assumptions of the sponsoring employer to gain comfort that it will continue to make contributions as they fall due. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

Identification of the financial statements

The Fund is established as a trust under English Law. The registered address of the Fund is
Lakeside,
Solihull Parkway,
Birmingham Business Park,
Birmingham,
B37 7XZ

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements functional and presentational currency is pound sterling.

Foreign currency conversion

Assets and liabilities in foreign currencies, including the effect of forward exchange contracts, are expressed in sterling at the rates of exchange ruling at the period end. Surpluses and deficits arising on conversion or translation are dealt with as part of realised and unrealised investment gains and losses. Other surpluses and deficits are dealt with as other receipts or payments as appropriate.

Contributions

Contributions are accounted for on an accruals basis at rates agreed by the Trustee as recommended by the actuary.

3. **Accounting policies** ***(continued)***

Transfers to and from other schemes

Individual transfers in or out are accounted for when received or paid which is normally when member liability is accepted/discharged.

The buy out has been accounted for in accordance with the terms of the agreement.

Benefits

Pensions payable in respect of the Fund year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for on a cash basis if members can exercise a choice in relation to these benefits or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Fund.

Expenses

Administrative expenses and investment management expenses are accounted for by reference to the period to which they relate.

Annuity policies

The Trustee does not hold annuity policies in the name of the Trustee, other than the buy-in policies referred to in note 13.

Investment income

Investment income in respect of the Special Purpose Vehicle is accounted for under the agreement under which it is being paid.

Investment income arising from the underlying investments of the Pooled investment vehicles is reinvested within the Pooled investment vehicles and reflected in the unit price. It is reported within 'Change in Market Value'.

Interest is accrued on a daily basis.

Investments

Investments are included at fair value.

The Fund's interest in the Scottish Limited Partnership (SLP) is stated at the Trustee's estimate of the present value of expected cashflows arising from the SLP. The discount rate used to determine present value is based on market gilt rates at the reporting date adjusted for credit, funding and liquidity risks. The value of the SLP at the year end is based on an independent valuation by PricewaterhouseCoopers LLP.

Investment holdings in the IMI Common Investment Fund are stated at bid price for funds with bid / offer spreads, or single price where there are no bid/offer spreads as provided by the custodian.

Buy-in policies

The buy-in policies held with PIC has been valued at the value calculated by the Fund Actuary.

4. Transfers in

	2021	2020
	£000	*£000*
Group transfer in from FCX Retirement Benefit Scheme	**–**	*2*

During 2020, the group transfer relates to the transfer of a residual balance relating to the wind up of the FCX Retirement Benefit Scheme.

5. Benefits payable

	2021	2020
	£000	*£000*
Pensions	**1,824**	*1,214*
Commutations and retirement lump sums	**3,166**	*2,985*
Lump sum death benefits	**157**	*119*
	5,147	*4,318*

6. Transfers out

	2021	2020
	£000	*£000*
Individual transfers out	**4,895**	*5,780*

7. Administrative expenses

	2021	2020
	£000	*£000*
Administration fees	**263**	*278*
Legal fees	**98**	*80*
Regulatory levies	**93**	*41*
Actuarial fees	**375**	*262*
Audit fee	**56**	*33*
Communications fees	**467**	*388*
Other fees	**866**	*309*
	2,218	*1,391*

8. Investment income

	2021	2020
	£000	*£000*
Annuity income	**828**	*464*
Income from Special Purpose Vehicle	**6,990**	*6,979*
Interest on cash deposits	**–**	*4*
	7,818	*7,447*

9. Investments

	Value at 01/04/20 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	**Value at 31/03/21 £000**
Pooled investment vehicles	547,233	6,990	(64,722)	34,908	**524,409**
Insurance policies	15,300	52,081	–	(7,781)	**59,600**
Other investments	45,308	–	–	(7,450)	**37,858**
	607,841	59,071	(64,722)	19,677	**621,867**

Explanatory note

The change in market value of investments during the year comprises 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 during the year.

Costs are borne by the Fund in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the unit price of these investments and are not therefore separately identifiable.

10. Investment management expenses

	2021 £000	*2020 £000*
Administration, management and custody	**349**	*149*

11. Taxation

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

12. Common investment fund

	2021 £000	2020 £000
IMI Common Investment Fund	**524,409**	*547,233*

The funds held by Investment manager in the IMI Common Investment Fund are as follows:

	2021 £000	2020 £000
Cash	**32,969**	*11,348*
Commercial Real Estate Debt	**33,395**	*40,987*
Corporate Bonds	**294**	*83,862*
Diversified Credit Fund	**161,991**	*140,250*
Fund of Hedge Funds	**–**	*(1,687)*
Currency Hedge	**446**	–
Gilts	**194,109**	*155,485*
Private Equity Fund	**100,376**	*115,089*
Property Fund	**829**	*1,899*
	524,409	*547,233*

13. Insurance policies (annuity buy in policies)

	2021 £000	2020 £000
Annuities	**59,600**	*15,300*

In December 2020, the Trustee transferred £52.08m into a new buy-in policy with Pension Insurance Corporation to annuitise some of the pensioners of the Fund.

Previously, in November 2018, the Trustee transferred £14.7m into a buy-in policy with Pension Insurance Corporation to annuitise some of the pensioners of the Fund.

The market value of the annuity policies has been estimated by the Trustee based on the actuarial value of the expected future payments due to the Trustee under the terms of the policies. The actuarial value was calculated by the Scheme Actuary based on the "Guidance on assumptions to use when undertaking a valuation in accordance with Section 179 of the Pensions Act 2004" published by the Pension Protection Fund.

14. Special purpose vehicles

	2021	*2020*
	£000	*£000*
Special Purpose Vehicles	**38,046**	*45,308*

As part of a package of initiatives to fund the deficit and remove volatility, the Principal Employer made a one-off deficit funding contribution of £48.6 million into the IMI Pension Fund to be invested in a Special Purpose Vehicle (SPV). The SLP holds loan notes issued by IMI Overseas Investments Limited. On the insolvency of a participating employer of the SLP or IMI Overseas Investments Limited or the General Partner, the Fund is entitled to a proportion (based on the self-sufficiency deficit) of the lower of:

- £48,600,000;
- Buy-out deficit;
- Net value of the SLP assets.

The Trustee agreed to transfer the SPV from the IMI Pension Fund to the two separate schemes on 1 December 2014 based on the proportion of the self-sufficiency deficit at that date. Going forward, interest cashflows also get paid into the participating schemes as a proportion of the self-sufficiency deficits up to the earlier of 2030 or when both Funds have a surplus on a self-sufficiency basis.

On 31 January 2017 the Trustee received a contribution of £9m from IMI plc and used this to invest in the IMI 2017 Scottish Limited Partnership, which alongside the IMI 2014 Pensioner Fund invested in a £64.8m loan issued by IMI Overseas Investments Limited paying a fixed rate of 4.01% pa. The partnership terms are very similar to the 2010 SPV whereby interest is received to the earlier of June 2030 or when both schemes are in a surplus on a self-sufficiency basis (Gilts + 0.25%).

On 28 March 2018, the Fund purchased the portion of the SPVs held by the IMI 2014 Pensioner Fund for £70,263,000. This amount is higher than the year end valuation due to the inclusion of an allowance for illiquidity premium in the transaction price.

15. Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) 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.

15. Fair value determination *(continued)*

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

	At 31 March 2021 Level 3	**Total**
	£000	**£000**
Pooled investment vehicles	524,409	524,409
Insurance policies	59,600	59,600
Other investments	37,858	37,858
	621,867	621,867

	At 31 March 2020 Level 3	*Total*
	£000	*£000*
Pooled investment vehicles	547,233	547,233
Insurance policies	15,300	15,300
Other investments	45,308	45,308
	607,841	607,841

16. Investment risk disclosures

Investment policy and objectives

The Trustee aims to invest the assets of the Fund prudently with the aim of ensuring that the benefits promised to members are provided as they fall due. In setting the Fund's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The asset allocation at 31 March 2021 is set out in the table below:

Asset allocation

Asset Class	**31 March 2021 Allocation**
Diversified Credit	***30.9***
PIMCO	30.9
Corporate Bonds	***0.1***
Fidelity	0.1
Liability Driven Investment (LDI)	***37.0***
LGIM	37.0
Alternatives	***25.7***
M&G Real Estate Debt	6.4
Multi-manager Private Equity	19.1
Multi-manager Property	0.2
Cash	***6.3***
Cash	6.3
LGIM Currency Hedge	***0.1***
LGIM Currency Hedge	0.1
Total Assets	**100.0**

Source: Northern Trust. Figures subject to rounding.

Note: The Fidelity corporate bond account was in the process of being terminated. The small remaining balance in the account as at 31 March 2021 related to some residual derivative contracts which were settled by Fidelity in February 2021.

The assets listed in the table above are invested in the IMI Common Investment Fund ("CIF").

In addition to the assets invested through the CIF, the Fund holds buy-in policies with Pension Insurance Corporation ("PIC") and Legal and General Assurance Society ("LGAS"), and has an interest in two Special Purpose Vehicles known as the IMI Scottish Limited Partnerships ("SLPs"). The SLPs were set up in June 2010 and January 2017 to provide income streams for up to 20 years and 13 years respectively from their inception.

Custody of assets

Northern Trust has been appointed as global custodian of the CIF's segregated assets. Where the CIF invests in pooled investment vehicles, the investment managers are responsible for appointing a custodian to safeguard the underlying assets of the pooled vehicles.

16. Investment risk disclosures ***(continued)***

Risk management structure and risk mitigation

The Trustee is responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustee monitors the Fund's risks periodically, measuring and reviewing investment risks in addition to other risks in relation to employer covenant and funding.

An investment advisor has been appointed to assist the Trustee in determining and implementing the investment strategy for the Fund.

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.

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 or 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 Fund has exposure to these risks through its investment in the CIF, buy-in policies and its interest in the SLPs. For detailed risk disclosures relating to the Fund's investments within the CIF, please refer to the separate CIF disclosures.

SLP

The Fund holds the right to receive annual cash distributions from two Scottish Limited Partnerships where the underlying assets are fixed interest loan notes issued by IMI Overseas Investments Limited. The relevant risks to the Fund are detailed below:

- **Credit risk** - the loan note has a corporate issuer and is valued using a corporate bond yield curve;
- **Interest rate risk** - the assets are streams of fixed annual payments discounted using a corporate bond yield curve. Increases in yields will, all else equal, decrease the value of the SLPs;
- **Other price risk** - the annual payments from the SLPs are conditional upon the company paying a dividend and may cease if the scheme becomes fully funded on a solvency basis.

16. Investment risk disclosures *(continued)*

Buy-in policies

At 31 March 2021, the policies were estimated to be valued at £59.6m combined.

The buy-in policies contribute to the management of funding risks, by insuring a proportion of the Fund's liabilities.

The principal risk to the Fund in relation to a buy-in policy is that the insurer will fail to meet its obligations under the terms of the buy-in contract. This credit risk is limited:

- By the strict regulatory environment in which insurers operate. PIC and LGAS are regulated by both the Financial Conduct Authority and the Prudential Regulation Authority. The Prudential Regulation Authority sets rules to ensure that insurers have sufficient capital and reserves to meet their obligations.

- Because the buy-in policies are covered by the Financial Services Compensation Scheme should the insurers become insolvent.

The value of the buy-ins relates to the value of the insured liabilities. The indirect risks to the Fund therefore include:

- **Interest rate risk** - a rise in yields will reduce the value of the buy-ins;
- **Other price risk -** the value of the buy-ins may fall if there is a decrease in expected inflation or pensioner longevity.

17. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Fund:

	2021		*2020*	
	£000	**%**	*£000*	*%*
IMI CIF Gilts Fund	**194,109**	**31.16**	*155,485*	*25.57*
IMI CIF Diversified Credit Fund	**161,991**	**26.00**	*140,250*	*23.07*
IMI CIF Private Equity Fund	**100,376**	**16.11**	*115,089*	*18.93*
IMI Buy In -Insurance Policies	**59,600**	**9.57**	–	–
Special Purpose Vehicle - Non CIF	**37,858**	**6.08**	*45,308*	*7.45*
IMI Commercial Real Estate Debt Fund	**33,395**	**5.36**	*40,987*	*6.74*
IMI Cash	**32,969**	**5.29**	–	–

18. Employer related investments

There were no employer related investments during the year or at the year end.

19. Current assets

	2021	2020
	£000	*£000*
Cash balances	**2,989**	*1,674*

20. Current liabilities

	2021	2020
	£000	£000
Unpaid benefits	102	124
Accrued expenses	1,814	1,337
	1,916	1,461

21. Related party transactions

One Trustee Director, who is a pensioner of the Fund, received pension payments during the year in accordance with the Trust Deed and Rules.

IMI Pensions Trust Limited, the Corporate Trustee, is also the Corporate Trustee for IMI Retirement Savings Plan.

IMI plc is the sponsoring employer for IMI 2014 Deferred Fund, IMI Retirement Savings Plan and IMI Common Investment Fund.

The Trustee is not aware of any additional material related party transactions that require disclosure in the financial statements.

22. GMP equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A further High Court case in November 2020 has ruled that schemes are now required to equalise transfer values paid to members prior to October 2018 to take account of GMP equalisation where applicable. The implication of these rulings on the Fund and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Fund and the value of any liability, is estimated not to be material to the figures presented in these accounts.

The Trustee is in the process of reviewing the impact of GMP equalisation on both current members of the Fund and those that have previously transferred out, once this review is finalised and any liability quantified, then members will be contacted.

Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual implementation statement which:

- Explains how and the extent to which it has followed its engagement policy, which is outlined in the SIP.
- Describes the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the Fund year and states any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement ("EPIS") for the IMI 2014 Deferred Fund (the "Fund") has been prepared by the Trustee for the Fund year from 1 April 2020 to 31 March 2021.

Stewardship Policy Summary

The below bullet points summarise the Fund Stewardship Policy in force over the majority of the reporting year to 31 March 2021 (the full Statement of Investment Principles ("SIP") can be found at https://imipensions.co.uk/other_schemes/imi_2014_deferred_fund_and_imi_2014_pensioner_fund):

- The Trustee recognises the importance of its role as a steward of capital and the need to promote high standards of governance and corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries.
- As part of their delegated responsibilities, the Trustee expects the Fund's investment managers to: 1) Where appropriate, engage with investee companies with the aim to protect and enhance the long-term value of assets; and 2) exercise the Trustee's voting rights in relation to the Fund's assets.
- On an annual basis, the Trustee reviews the stewardship policies and practices of all managers, and takes advice from the investment adviser with regards to the continuing suitability of the appointed managers. This advice includes consideration of broader stewardship matters and where applicable, the exercise of voting rights by the appointed managers.
- If an incumbent manager is found to be falling short of the standards the Trustee has set out in the SIP, the Trustee will consider, on a case by case basis, a broad range of methods to undertake to engage with the manager to seek improvements to respective processes and outcomes. In relation to responsible investment standards in particular, if an incumbent manager is found to be falling short of these standards, the Investment Executive will undertake to engage with the manager to facilitate greater levels of stewardship activity and disclosure.

Fund stewardship activity over the year

Training

Over the year, the Investment Executive and Trustee received responsible investment training from their investment advisor, which provided updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance ("ESG") factors in investment decision making. Specific examples include:

- In May 2020, the Investment Executive received a training session on fulfilling the new regulatory requirements on stewardship, disclosures and costs.
- In June 2020, an update on the changing regulatory requirements was also provided to the Trustee.
- In March 2021, the Investment Executive received training on ESG factors within private equity investing and a presentation on monitoring the investment manager's costs.

Viewpoints Survey

In June 2020, the Investment Executive completed Aon's Viewpoints Survey on responsible investment. The survey responses were used to draft responsible investment policies within the SIP, which were subsequently reviewed and approved by the Trustee. The revised SIP was finally approved at the September 2020 Trustee meeting.

Updating the Stewardship Policy

The Trustee was proactive to ensure the stewardship policy in the SIP was updated during the year.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Fund's investment managers and other considerations relating to voting and methods to comply with the stewardship policy.

This has been made available on the IMI Pensions website.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The report highlights any areas of concern, or where action is required.

An ESG rating is provided for PIMCO, the Fund's credit manager. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy, active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

As part of the preparation of this EPIS, the Trustee has reviewed the engagement policies of the Fund's key investment managers.

Manager meetings

In May 2020, the Investment Executive met with the Fund's key remaining managers at that time, PIMCO, M&G and Fidelity, to review their management and stewardship of the investments. Owing to the large number of private equity funds in the portfolio, a member of Aon's specialist team presented a summary update on the private equity funds to the Investment Executive.

Summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Fund through considered engagement activities.

Further details are provided below for each asset class in which the Fund invests.

Engagement activity – Fixed Income and Real Estate Debt

Over the year the Fund invested in the PIMCO Diversified Income Fund, the M&G Real Estate Debt fund and a segregated corporate bond mandate managed by Fidelity (which was fully redeemed in November 2020).

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and there is therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

PIMCO

<u>Engagement Policy</u>

As stewards of capital, PIMCO believe their size, scale and history as a premier fixed income manager gives them a platform to engage with issuers, help lead the industry and drive positive change. In PIMCO's view engagement is an essential tool for delivering impact for investors, markets and society and it is about partnering with issuers with less advanced sustainability practices, as well as those that already demonstrate a deeply unified approach to sustainability commitments. PIMCO believe that this can be a direct way that they can influence positive changes that may benefit all stakeholders, including investors, employees, society and the environment.

PIMCO aim to have an industry-leading engagement program among fixed income asset managers. By investing across a diverse asset class and group of issuers – including corporates, municipalities, sovereigns and others – PIMCO believe they are ideally positioned to drive meaningful change.

PIMCO's credit research analysts engage regularly with the issuers that they cover, discussing topics with company management teams related to corporate strategy, leverage and balance sheet management, as well as sustainability-related topics such as climate change targets and environmental plans, human capital management, and board qualifications and composition.

Engagement Example

Over 2020, PIMCO engaged with Lloyds Banking Group to obtain an update on the progress made on its ESG initiatives and developments. Lloyds has limited direct exposure to transition risks and has recently taken positive steps on carbon emissions. As part of the engagement it discussed its progress and plans on climate risk assessment, alignment with the Paris Agreement, sectoral policy, human capital support towards digitalisation and how ESG is reflected into employee performance assessments. The discussion has led to an update on PIMCO's ESG view on Lloyds. PIMCO aim to maintain the dialogue for follow-up discussion on these areas moving forward.

M&G

Engagement Policy

Stewardship activities such as monitoring and engaging with investee companies, as well as voting at shareholder meetings and reporting to clients, are undertaken by M&G's investment teams, research analysts and members of M&G's Corporate Finance & Stewardship team on an integrated basis. To ensure an integrated approach, regular investment meetings are held with investee companies (and meetings with potential investee companies), with representation from each team.

M&G have undertaken engagement both bilaterally and through collective action with Climate Action 100+ ("CA 100+"), where they have taken an active role. M&G has also joined the Institutional Investors Group on Climate Change ("IIGCC") Corporate Programme Advisory Group, as well as several working groups on the CA100+ focus list.

M&G generally engages through meetings with senior management / directors, but will meet with other stakeholders where appropriate, and also uses written communications to supplement this activity. Over time they have become more stringent in what they refer to as an "engagement" and have implemented a traffic light system to track the progress of engagements. M&G is working through the list of targeted companies to make the expectations clear, and will have a period of monitoring to see how companies are implementing those expectations to determine if further engagement is necessary.

Engagement Example

In 2020, M&G initiated a climate engagement programme, where a targeted engagement list was based on the highest carbon emissions and largest M&G-wide exposure. Overall, M&G expects companies to commit to reaching net zero in line with the Paris Agreement, and to provide credible targets and metrics for how they will do so. The climate engagement programme is a key component of achieving M&G's goal to reduce their carbon emissions to net zero by 2050, in line with the Paris Agreement and the UK Government's target. These engagements were led by M&G's Stewardship & Sustainability team alongside M&G's investment team and included many investee companies.

Fidelity

Engagement policy

Engaging with companies on financially material ESG issues reflects Fidelity's belief that active ownership can contribute to the long-term sustainability of a company and positive investor returns. Engagements are undertaken for two reasons: to gain a deeper understanding of a company's ESG practices to better inform their investment decisions; and to use their influence to improve the sustainability practices of the companies they own or lend money to.

Fidelity believes the best approach is constructive dialogue with companies to explain their beliefs and expectations, and encourage shifts in long term behaviour. Because of Fidelity's reputation for a fundamental and long-term approach to investing and their long-standing relationships with issuers worldwide, they believe they are well placed to use their influence on issuers to promote more sustainable practices and that engagement is often a better course for Fidelity to drive change than exclusion.

Fidelity engages with companies at a strategy level and engagement is carried out in-house. When considering the level of engagement to undertake, Fidelity considers factors including the objective of the engagement e.g. to seek long-term improvement or to highlight one-off issues, the scope of engagement, the duration of the engagement and the impact of the engagement on stakeholders.

Further detail on Fidelity's engagement policy can be found here:
https://www.fidelityinstitutional.com/static/master/media/pdf/esg/responsible-investment-policy.pdf

Engagement activity – Private Equity

Some examples of engagement activity provided by the most material private equity funds in which the Fund invests are described below.

Unigestion

Engagement activities are directed by the Responsible Investment Committee ("RIC") and conducted by the Corporate Engagement Team. Since 2016, Unigestion has engaged with companies on a variety of issues relating to directorship, reorganisation and mergers, health and environment, and social and corporate governance. Unigestion usually initiates the process by writing letters to corporate management, indicating that they are voting against the management on a specific issue, voicing their concerns and formally requesting that these concerns be addressed. Within the framework of their ESG integration process, Unigestion has defined and incorporated a rule to identify companies within the worst decile that have also shown signs of improvement over the recent past. Unigestion has decided to keep these companies in the portfolio on the evidence that they are trying to improve, while engaging with them based on their internal evaluations of the issues.

HgCapital ("Hg")

Hg embeds ESG into its entire deal process and as a first step, Hg is clear about the types of businesses it does not invest in, which are outlined in its exclusion list. During due diligence, Hg assesses companies for compliance with relevant laws in relation to ESG, health & safety and bribery & corruption issues. Hg also considers the inherent ESG risk of the company and carries out an associated ESG review detailing risks and opportunities in relation to its Sustainable Business framework.

Hg takes an active approach to managing ESG during its ownership. This starts with a Sustainable Business onboarding and maturity assessment within the first few months of acquisition to identify areas for improvement, where Hg can support the companies to realise its ambitions within and beyond its Sustainable Business framework. As part of Hg's ongoing engagement on Sustainable Business, each business is reassessed on an annual basis and followed up to ensure appropriate actions are taken to improve as required. Face-to-face forums help Hg's management teams to network, share best practice and receive support.

In 2020 Hg became launch members of the UK network of the Initiative Climate International ("iCI"), a global organisation sharing skills and experience to build a sustainable future through investment management and investment choices. The iCI is officially endorsed by the UN's Principles for Responsible Investment ("PRI"). The iCI meets monthly and, in addition to the overall network, Hg is part of the working group defining what Science Based Targets look like in the private equity industry.

New Mountain Partners ("NMP")

NMP is committed to responsibly investing in companies that contribute positively to society and simultaneously generate strong financial risk adjusted returns. NMP partners with management teams to identify and capitalise on value creation opportunities with the aim of building stronger, more suitable companies over the long-term.

NMP formalised its focus on reporting on social responsibility and ESG matters in 2015, with a formal ESG Policy and the Firm's first Annual ESG Report. The ESG Policy emphasises NMP's commitment since inception to investing in a sustainable and responsible way, with a focus on improving ESG issues within its portfolio companies and at the firm. The firm has identified 24 key ESG metrics to apply during the due diligence, investment, and monitoring stages of its portfolio companies, and has developed a reporting process to track ESG improvement. In addition, NMP has introduced a database called RepRisk, that helps to identify, assess and monitor ESG risks. RepRisk has been incorporated into the due diligence and monitoring process for private equity, credit, net lease, and public equity investments. More recently, NMP began to apply an industry specific ESG framework to identify material ESG risks and opportunities for new portfolio companies. The analysis is conducted post-investment and is presented to the deal team to determine Key Performance Indicators and other ESG initiatives to be incorporated into the plan. These metrics are monitored throughout the life of the investment while longer-term initiatives are developed over time.

RCP Advisors ("RCP")

RCP has recently made developments in ESG-related projects and research. In line with its commitment to improving ESG practices within private equity investing, RCP became a signatory to the PRI in September 2019. Shortly thereafter, RCP distributed an ESG-focused whitepaper that used its proprietary database to analyse the trends and return payoffs related to investing in ESG-beneficial firms. To activate the research, RCP distributed ESG policy templates to managers wishing to implement or improve their policies as part of RCP's policy education program.

RCP has distributed three sample ESG policies with the aim of helping its General Partners (GPs) to consider ESG issues in their day to day operations and investment processes. Each policy is accompanied by a comprehensive checklist of actions.

Aberdeen Asia Pacific / Aberdeen Venture Partners (Aberdeen Standard, now 'abrdn')

Aberdeen Standard seeks to integrate and appraise ESG factors in its investment process. Its aim is to generate the best long-term outcomes for clients and it will actively take steps as stewards and owners to protect and enhance the value of its clients' assets. Stewardship is a reflection of this bespoke approach to good governance and risk management. Aberdeen Standard seeks to understand each company's specific approach to governance, how value is created through business success and how investors' interests are protected through the management of risks that materially impact business success. This requires Aberdeen Standard to play its part in the governance process by being active stewards of companies, dynamically involved in dialogue with management and non-executive directors, fully understanding the material risks and opportunities – including those relating to environmental and social factors and helping to shape the future success of the business.

Aberdeen Standard is committed to exercising responsible ownership with a conviction that companies adopting improving practices in corporate governance and risk management will be more successful in their core activities and deliver enhanced returns to shareholders. As owners of companies, the process of stewardship is a natural part of its investment approach as it seeks to benefit from their long-term success on its clients' behalf. Aberdeen Standard's fund managers and analysts regularly meet with the management and non-executive directors of companies in which it invests.

Further information on Aberdeen Standard's stewardship code can be found here:
https://www.aberdeenstandardcapital.com/en/uk/adviser/meeting-clients-needs/uk-stewardship-code