

IMI 2014 DEFERRED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023
FUND REGISTRATION NUMBER: 12009946

IMI 2014 DEFERRED FUND

CONTENTS

YEAR ENDED 31 MARCH 2023

Contents	Page
Trustee and advisers	1
Trustee's report	2
Actuarial certificate of schedule of contributions	12
Trustee's statement about contributions	13
Independent auditor's statement on contributions	14
Independent auditor's report	15
Fund account	19
Statement of net assets (Available for benefits)	20
Notes to the financial statements	21
Implementation statement (forming part of the Trustee's Report)	

IMI 2014 DEFERRED FUND
TRUSTEE AND ADVISERS
YEAR ENDED 31 MARCH 2023

Principal Employer	IMI plc
Trustee	IMI Pensions Trust Limited Lakeside Solihull Parkway Birmingham Business Park Birmingham B37 7XZ
Directors of the Trustee:	Company-appointed Mr G Croydon Mr J Jones Member-nominated Mrs J Cooke Mr C Dunn Mr P Russell (resigned 12 April 2022) Mrs K Strath
Investment consultants	Aon Solutions UK Limited
Fund Secretary	Mr D Brown (resigned 24 January 2023) Mr A Edwards (appointed 24 January 2023)
Administrators	Towers Watson Limited (trading as WTW)
Fund Actuary	Mr C Smith, Towers Watson Limited (trading as WTW)
Independent auditor	KPMG LLP
Legal advisers	Squire Patton Boggs (UK) LLP
Buy in providers	Pension Insurance Corporation plc (PIC) Legal & General
Investment manager	IMI Common Investment Fund
Custodian bank	Northern Trust
Bankers	Barclays Bank

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT

YEAR ENDED 31 MARCH 2023

Composition of Trustee Board

The Trustee of the Fund is IMI Pensions Trust Limited, a wholly owned subsidiary of IMI plc. At 31 March 2023 the Trustee had two company appointed and three 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 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.

World events

Global equities generated negative returns over the year, 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.

Significant volatility in the gilt market occurred following the UK's 'mini-budget' in September 2022, affecting many UK schemes using leveraged liability-driven investments (LDI). The Fund met the resulting collateral calls by using available cash holdings and selling credit. The Bank of England subsequently intervened to restore normal market function. Nevertheless, the UK gilt curve rose across all maturities over the year as inflation concerns drove yields higher.

The Trustee has designed and implemented the Fund's investment strategy taking a long term view and built in resilience to withstand short term market fluctuations. Given the inherent uncertainties, it is not practicable to provide a quantitative estimate of the impact of these events.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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 Trustee 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 making a statement whether the financial statements 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.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Membership

The changes in membership during the year are as follows:

	Deferred/ Preserved Employed members	Pensioners	Total
At 1 April 2022	2,464	525	2,989
Adjustments to prior period	(6)	28	22
New beneficiaries	–	3	3
Retirements	(68)	68	–
Deaths	(9)	(1)	(10)
Transfers out	(10)	–	(10)
Full commutations	(1)	–	(1)
At 31 March 2023	2,370	623	2,993

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 2023 to pensions was 5%. Pensions commencing in the 12 months preceding 1 January 2023 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 2022 the pensions for these members were increased by 4.9% being the increase in the Retail Price Index (RPI) for the 12 months to September 2021.

IMI Section (former YIM Section Members)

On 1 January 2023 the increase awarded was 5%.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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 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 2021. The results are summarised as follows. The valuation Report dated 20 December 2021 showed that the present value of promised retirement benefits (the "technical provisions") was £579 million at 31 March 2021, corresponding to a surplus of assets relative to the technical provisions of £6 million and a funding level of 101%. In assessing the surplus, the assets used excluded the value ascribed to the Trustee Payment Plan (TPP, referred to in the 31 March 2021 financial statements as the Special Purpose Vehicle). In light of the continued strengthening of the funding position, in line with the terms of the TPP, the Trustee's interest in the TPP has now come to end.

The Actuary's statutory estimate of the solvency funding level as at 31 March 2021 is 87%.

The next valuation is due as at 31 March 2024.

Method

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

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Significant actuarial assumptions

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

Financial assumptions	31 March 2021 % pa
Discount rate	Nominal gilt curve plus 0.25% pa – equivalent to an average rate of 1.55% pa
Retail price inflation (RPI)	Gilt market breakeven inflation curve – equivalent to an average rate of 3.4% pa
Consumer price inflation (CPI)	RPI less 0.7% pa until February 2030 and in line with RPI thereafter
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 Fund's technical provisions:

Demographic assumptions	31 March 2021
Base mortality tables	Relevant SAPS S3 pensioner (amounts) tables with improvements from 2013 to 2021 in line with the CMI 2020 core projections model with a long term trend of 1.5% pa, 0.25% initial addition, 7.5 smoothing parameter and zero weighting to 2020
Proportion of relevant base mortality rates	
Male pensioners (vary by size of pension)	
Less than £5,000 pa	85.2% of the (male) 'Heavy' table
£5,000 pa to £20,000 pa	94.1% of the (male) 'Middle' table
£20,000 pa to £40,000 pa	90.7% of the (male) 'Light' table
More than £40,000 pa	84.0% of the (male) 'Very light' table
Male Dependants	102.2% of the (male) 'All pensioners' table
Female pensioners (vary by size of pension)	
Less than £1,000 pa	92.7% of the (female) 'Heavy' table
£1,000 pa to £8,000 pa	94.2% of the (female) 'Middle' table
£8,000 pa to £16,000 pa	89.8% of the (female) 'Light' table
More than £16,000 pa	91.6% of the (female) 'Very light' table
Female Dependants	98.3% of the (female) 'All pensioners' table
Future improvements in longevity	From 2021 in line with the CMI 2020 core projections model with a long-term trend of 1.5% pa, 0.25% initial addition, 7.5 smoothing parameter and zero weighting to 2020 population experience

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

Administration

During the Fund year to 31 March 2023 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 2023 :

IMI Components Ltd	IMI Webber Ltd
IMI Kynoch Ltd	IMI Precision Engineering Ltd
Scott Precision Wire Ltd	IMI Hydronic Engineering 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 are included in the financial statements of the CIF which is available on request from the contact on page 11.

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

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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 most recently updated in March 2023, following the purchase of a bulk-annuity policy from Pension Insurance Corporation in Q4 2022.

Fund performance

The performance of the Deferred Fund's assets held in the CIF over the year to 31 March 2023 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 2023

	Fund %	Benchmark %
1 Year	-46.2	-34.0
3 Years (p.a)	-13.4	-8.6

Source: Northern Trust

Socially responsible investments

Environmental, social and governance (ESG) factors including climate change could negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers these risks by taking advice from the investment consultant 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 (where applicable).

The Trustee accepts responsibility for how the managers steward assets on its behalf.

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

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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.

IMI 2014 DEFERRED FUND

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2023

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

IMI 2014 DEFERRED FUND

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 2021 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated December 2021.

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

Signature: Colin Smith

Date: 21 December 2021

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

IMI 2014 DEFERRED FUND

TRUSTEE'S STATEMENT ABOUT CONTRIBUTIONS

YEAR ENDED 31 MARCH 2023

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 21 December 2021 in respect of the Fund year ended 31 March 2023. 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 monitoring 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

Trustee Director

Date:

Date:

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE

YEAR ENDED 31 MARCH 2023

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 2023 which is set out on page 13.

In our opinion contributions for the Fund year ended 31 March 2023 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the actuary on 21 December 2021.

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 13, 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:

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of the IMI 2014 Deferred Fund ("the Fund") for the year ended 31 March 2023, 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 2023 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 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 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.

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2023

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 and unusual journals to cash.
- Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

Identifying and responding to risks of material misstatement related to 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.

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2023

Fraud and breaches of laws and regulations - ability to detect *(continued)*

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 13 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.

IMI 2014 DEFERRED FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2023

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:

IMI 2014 DEFERRED FUND**FUND ACCOUNT****YEAR ENDED 31 MARCH 2023**

	Note	2023 £000	2022 £000
Benefits payable	4	(5,179)	(4,693)
Transfers out	5	(3,021)	(25,581)
Administrative expenses	6	(2,868)	(5,142)
Other payments	7	(13)	–
		<u>(11,081)</u>	<u>(35,416)</u>
Net withdrawals from dealings with members		(11,081)	(35,416)
Returns on investments			
Investment income	8	5,908	9,031
Change in market value of investments	9	(245,256)	19,803
Investment management expenses	10	(652)	(627)
		<u>(240,000)</u>	<u>28,207</u>
Net return on investments		(240,000)	28,207
Net decrease in the fund during the year		(251,081)	(7,209)
Net assets of the Fund			
At 1 April		<u>615,731</u>	<u>622,940</u>
At 31 March		<u>364,650</u>	<u>615,731</u>

The notes on pages 21 to 30 form part of these financial statements.

IMI 2014 DEFERRED FUND**STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)****AS AT 31 MARCH 2023**

		2023	2022
	Note	£000	£000
Investment assets	9		
Pooled investment vehicles	12	91,486	<i>348,530</i>
Buy in policies	13	335,100	<i>267,300</i>
		426,586	<i>615,830</i>
Investment liabilities	9		
Other investment balances	14	(63,500)	<i>–</i>
		(63,500)	<i>–</i>
Total investments		363,086	<i>615,830</i>
Current assets	19	3,538	<i>3,681</i>
Current liabilities	20	(1,974)	<i>(3,780)</i>
Net assets of the Fund at 31 March		364,650	<i>615,731</i>

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**Trustee Director****Date:****Date:**

The notes on pages 21 to 30 form part of these financial statements.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

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 current economic environment, funding position of the Fund, the strength of the Principal Employer and the employer covenant to gain comfort that it will continue to make contributions as they fall due. This assessment 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.

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.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

3. Accounting policies *(continued)*

Benefits

Pensions payable in respect of the Fund year are accounted for by reference to the period to which they relate. Benefits 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.

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 and Legal & General have been valued at the values calculated by the Fund Actuary.

4. Benefits payable

	2023	2022
	£000	£000
Pensions	2,877	2,560
Commutations and retirement lump sums	2,116	1,742
Lump sum death benefits	186	391
	<u>5,179</u>	<u>4,693</u>

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

5. Transfers out

	2023	2022
	£000	£000
Individual transfers out	3,021	25,581

6. Administrative expenses

	2023	2022
	£000	£000
Administration fees	360	735
Legal fees	106	142
Regulatory levies	33	26
Actuarial fees	740	603
Audit fee	63	70
Communications fees	135	778
Other fees	1,431	2,788
	2,868	5,142

The administration fees are reduced as compared to previous year as a result of insurance buy-in.

The communication fees are reduced as the communications have been scaled back considerably. There have been no pension roadshows. The Scheme has not produced the combined annual statements and the communications on IMI website have been reduced.

The other fees are reduced which was due to reduction in the strategic costs regarding the future direction of the Fund and future buy-ins. The majority of the costs are incurred in year ended 31 March 2022.

The overall decrease in the fees was also due to £850k reversal of fees in quarterly recharges from the Company as these amounts were wrongly charged to the Fund in previous years.

7. Other payments

	2023	2022
	£000	£000
Premiums on term assurance policies	13	-

8. Investment income

	2023	2022
	£000	£000
Annuity income	5,863	2,059
Income from Special Purpose Vehicle	-	6,972
Interest on cash deposits	45	-
	5,908	9,031

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

8. Investment income *(continued)*

At 31 March 2022, the Fund was estimated to be over 100% funded on an insurer pricing basis and hence the income stream ceased from SPV and the valuation became £nil at that date.

The increase in annuity income was due to one-off receipt of £2.6m from PIC to fund the transfers out payments and back-payments from PIC of £814k in respect of funding for retirements and transfers out paid in the current year and last year.

9. Investments

	Value at 01/04/22 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31/03/23 £000
Pooled investment vehicles	348,530	–	(118,153)	(138,891)	91,486
Insurance policies	267,300	174,165	–	(106,365)	335,100
	<u>615,830</u>	<u>174,165</u>	<u>(118,153)</u>	<u>(245,256)</u>	426,586
Other investment balances	–	–	–	–	(63,500)
	<u>615,830</u>			<u>(245,256)</u>	363,086

Explanatory note

The pooled investment vehicles are held with IMI Common Investment Fund (CIF).

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

	2023 £000	2022 £000
Administration, management and custody	<u>652</u>	<u>627</u>

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.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

12. Common investment fund

	2023	2022
	£000	£000
IMI Common Investment Fund	<u>91,486</u>	<u>348,530</u>

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

	2023	2022
	£000	£000
Cash	1,635	23,873
Commercial Real Estate Debt	4,591	10,052
Diversified Credit Fund	–	93,825
Currency Hedge	–	(1,490)
Gilts	4,794	103,306
Private Equity Fund	80,445	118,936
Property Fund	21	28
	<u>91,486</u>	<u>348,530</u>

13. Insurance policies (annuity buy in policies)

	2023	2022
	£000	£000
Buy in policies	<u>335,100</u>	<u>267,300</u>

In December 2022, the Trustee transferred £110.7m into a new buy-in policy with Pension Insurance Corporation to annuitise some of the pensioners of the Fund. The value of the insurance policy also includes the deferred premium of £63.5m (including interest) payable in two instalments i.e. £40m to be paid by 31 May 2023 and £20m to be paid by 31 December 2027. The first premium of £40.6m was already paid in April 2023 along with interest.

Previously, in December 2021, the Trustee transferred £251.5m into a new buy-in policy with Pension Insurance Corporation and in December 2020, the Trustee transferred £52.08m into a buy-in policy with Legal & General and 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 as at 31 March 2023 and 31 March 2022 was calculated by the Fund Actuary using assumptions consistent with those used to assess the Fund's technical provisions, as set out in the Statement of Funding Principles ("SFP") dated December 2021 and reflecting financial market conditions as at both the year-ends.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

14. Other investment balances

	2023	2022
	£000	£000
Other investment balances liabilities		
Deferred premium payable to PIC	(63,500)	–

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.

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

	At 31 March 2023		
	Level 1	Level 3	Total
	£000	£000	£000
Pooled investment vehicles	–	91,486	91,486
Insurance policies	–	335,100	335,100
Other investment balances	(63,500)	–	(63,500)
	<u>(63,500)</u>	<u>426,586</u>	<u>363,086</u>

	<i>At 31 March 2022</i>		
	Level 1	Level 3	<i>Total</i>
	£000	£000	<i>£000</i>
Pooled investment vehicles	–	348,530	348,530
Insurance policies	–	267,300	267,300
Other investment balances	–	–	–
	<u>–</u>	<u>615,830</u>	<u>615,830</u>

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

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 2023 is set out in the table below:

Asset allocation

Asset Class	31 March 2023 Allocation (%)
Alternatives	93.0
M&G Real Estate Debt	5.0
Multi-manager Private Equity	88.0
Cash	7.0
Cash	7.0
Total Assets	100.0

Source: Northern Trust. Figures subject to rounding.

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").

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.

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

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

16. Investment risk disclosures *(continued)*

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 and buy-in policies. For detailed risk disclosures relating to the Fund's investments within the CIF, please refer to the separate CIF disclosures.

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

16. Investment risk disclosures *(continued)*

Buy-in policies

At 31 March 2023, the policies, including the additional PIC buy-in purchased in December 2022 and deferred premium payable on this policy of £63.5m, were estimated to be valued at £335.1m combined.

At 31 March 2022, the policies were estimated to be valued at £267.3m 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 buy-in policies is that an 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:

	2023		2022	
	£000	%	£000	%
IMI Buy In -Insurance Policies	331,600	91.90	267,300	43.41
IMI CIF Private Equity Fund	80,445	22.06	118,936	19.32
IMI CIF Gilts Fund	–	–	103,306	16.78
IMI CIF Diversified Credit Fund	–	–	93,825	15.24

18. Employer related investments

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

IMI 2014 DEFERRED FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

19. Current assets

	2023	2022
	£000	£000
Other debtors	814	–
Pensions prepayment	275	–
Cash balances	2,449	3,681
	<u>3,538</u>	<u>3,681</u>

20. Current liabilities

	2023	2022
	£000	£000
Unpaid benefits	41	118
Accrued expenses	1,933	3,662
	<u>1,974</u>	<u>3,780</u>

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 plc is the sponsoring employer for IMI 2014 Deferred Fund 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

Following High Court rulings in October 2018 and November 2020, in common with many other UK pension schemes, the Fund is in process of removing gender inequalities caused by unequal male and female Guaranteed Minimum Pensions accrued between May 1990 and April 1997. 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 financial statements.

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 (“EPIS”)

IMI 2014 Deferred Fund (the “Fund”)

Fund Year End – 31 March 2023

This EPIS documents the actions we have taken as Trustee of the IMI 2014 Deferred Fund during the year ending 31 March 2023 to achieve certain policies and objectives outlined in our Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP on asset stewardship (including both voting and engagement activity) in relation to the Fund’s investments have been followed during the year; and
2. 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, and the ‘most significant’ votes cast over the reporting year.

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 December 2022, the Trustee secured the remaining uninsured liabilities of the Fund with a bulk annuity provider. The residual invested assets of the Fund are invested in private equity investments, property debt, property and cash.

This EPIS does not disclose significant stewardship information due to the limited materiality of stewardship to these residual assets, the nature of the asset classes and given the relatively small value of the investments.

During the reporting year, the Fund did not hold any significant investments in which there was an opportunity to enact stewardship, including voting rights, in a meaningful capacity.

How voting and engagement policies have been followed

With the exception of the Liability Driven Investments which the Fund held until December 2022, the assets were invested in pooled funds, so the responsibility for voting and engagement was delegated to the Fund's investment managers. This is in line with our policy.

We reviewed at a high level the stewardship activity carried out over the Fund year by the two bulk annuity providers and the investment managers. More information on the stewardship activity carried out by the Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). Quarterly Environmental, Social and Governance ("ESG") ratings were received from Aon where available.

Each year, the Trustee reviews the voting and engagement of the Fund's investment managers to ensure they align with our own policies for the Fund.

The Fund's stewardship policy can be found in the SIP: <https://www.imipensions.co.uk/other-information/imi-2014-deferred-fund>. During the year, the SIP and stewardship policy were reviewed by the Trustee.

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.

At the time of writing, the following managers did not provide all the information we requested:

- Abrdn, M&G and New Mountain Partners were unable to provide a response to the initial data request.
- RCP, Unigestion and KKR did not provide engagement information as the requested metrics are not reported on. However, they were able to provide links to various ESG and Engagement reports that sufficiently explained their approach to voting and engagement.

The following section summarises the engagement activity of the remaining investment managers at 31 March 2023.

Note that:

- The information provided is at a firm level i.e. the engagement activity covered is not necessarily directly in relation to the assets held by the Fund.
- Engagement information is not included for immaterial assets (investments valued at less than £3m at 31 March 2023).
- This report does not include commentary on the Fund's cash owing to the limited materiality of stewardship to this asset class.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Abrdn

In Abrdn’s 2022 Stewardship report, the manager stated it has a duty to be active and engaged with owners of assets in which it invests. As a result of this, the manager maintains close contact with the companies and assets in which it invests, whether through listed equity, corporate bonds, or private markets.

Regular review meetings are held with executive management. However, Abrdn will also engage with board members – generally the Chair or non-executive directors. The below table breaks down the no. of total engagements Abrdn were involved in and the ESG topics that were discussed in such company meetings.

Engagements		ESG topics discussed
Priority ESG engagements	323	Water waste management, waste management, remuneration, product quality and safety, policies and practices, ownership and control, labour practices, human rights, governance, GHG emissions, energy management, employee Health & Safety, employee engagement, Diversity & Inclusion, ecological impacts, disclosure, customer privacy, controversies, board issues, air quality, accounting and audit and supply chain management.
Non-priority ESG engagements	2,161	
Total	2,484	

M&G

M&G noted in its 2022 engagement case study report that “to qualify as an engagement, the interaction must require an objective and action to influence or impact on an investment decision, or the behaviour, or disclosure of an investee company with the goal of reaching an outcome from the engagement”.

By actively engaging with asset managers, M&G is able to build and develop a close relationship with companies in which it invests to ensure they are complying with the latest ESG frameworks, standards, and initiatives.

Across the number of engagements that M&G were involved in for the year ending 31 December 2022, the below ESG themes and topics were discussed. Engagement topics related to strategy such as capital allocation, financial performance and risk management were also discussed at such discussions.

Environmental	Social	Governance
<ul style="list-style-type: none"> • Climate change • Natural resource use • Pollution and waste 	<ul style="list-style-type: none"> • Conduct, culture, and ethics • Human and labour rights • Human capital management • Inequality • Public health 	<ul style="list-style-type: none"> • Board Diversity • Board oversight/independence • Board leadership – CEO • Remuneration • Shareholder rights

Our insurers' 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.

Insurer	Commentary
PIC – Bulk Annuity	<p>PIC has implemented active engagement with investee companies across public credit and private debt investments on material sustainability issues. This is an integral part of PIC's ESG strategy to help ensure that long term ESG risks, such as climate and social risks, are accounted for within the issuer's operations which may influence its ability to meet its financial obligations.</p> <p>For direct investments (e.g., housing associations, equity release mortgages and other bilateral investments), PIC will engage where possible directly with organisations both at the point of capital raising and during the tenure of the investment on various ESG-related issues.</p> <p>For indirect holdings, PIC aims to work closely with external managers. The key external managers who help manage the public credit portfolio are also involved in thematic ESG research. This helps identify important emerging or prominent topics and to recognise sector leaders and laggards. These are reported directly to PIC through quarterly engagement meetings. Larger-scale industry engagements with identified laggards are held by the managers. This research, together with findings from engagements, complements PIC's forward-looking analysis and helps ensure the portfolio is correctly positioned for any long-term industry changes.</p>
LGAS – Bulk Annuity	<p>LGAS uses its in-house investment manager LGIM to manage its annuity portfolio. As the annuity book does not contain equity holdings, it has limited capabilities to exhibit stewardship. There is close co-operation across the Legal & General Group. So, indirectly through equity holdings in the listed companies that are in the annuity book, LGIM conducts its stewardship activities for the benefit of the annuity book.</p> <p>LGAS is also a member/signatory of the following initiatives, which it models its engagement and stewardship policies and actions on: United Nations Environment Programme, Principles for Sustainable Insurance; United-Nations Principles for Responsible Investment; Net Zero Insurance Alliance and the UK Stewardship Code.</p>

Appendix – Firm level engagement examples

In the table below are some engagement examples provided by the Fund's managers, in the managers' own words:

M&G	Topic for this engagement	Environment: Biodiversity
	Rationale for the engagement	Objective: to encourage global food and beverage company Nestlé's plastic packaging initiatives, and to ensure it was adequately taking account of both deforestation and forced/child labour in its supply chain. We also intended to discuss nutrition and climate targets, but time constraints meant we will have to have a separate conversation in the New Year.
	What you have done	Action: M&G met with the company's global lead, social impact, and a member of the investor relations team
	Outcomes and next steps	<p>Overall, we were very impressed with the company's efforts. In plastic packaging, it is really investing in, and looking for, solutions to plastic waste e.g. paying a premium to recyclers to drive the industry and establishing a plastics R&D centre. The company will miss its 100% reusable or recyclable plastic by 2025 target, but this pertains to most of the industry due to lack of capacity.</p> <p>In terms of biodiversity, the company has monitoring systems in place and is driving a regenerative agriculture initiative, to help meet its goal of 100% deforest-free supply chains by 2025. It acknowledges that this is not an easy feat, but appears to be doing the right things and moving in the right direction. We liked how Nestlé also linked its biodiversity targets with social considerations – small-holder farms often cannot be monitored for deforestation, or it happens outside their control. Nestlé doesn't remove them from the supplier list, as it is aware of the social impacts this would have, and therefore works with them to help avoid future instances.</p> <p>Further, it is very engaged on the issues of child labour, recognising that this is a common factor in long supply chains, but is monitoring and actively on the ground, working with communities to address the key issues. This is house-by-house engagement, with good remediation work in place where instances are discovered. We will follow up with the company in the New Year to carry on the discussion to include nutrition and climate.</p>

Abrdn

Topic for this engagement	Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)
Rationale for the engagement	Our analysts are supported by stewardship and ESG resource embedded in each investment team, as well as our specialist central Investments Vector Sustainability Group. Our activities include a regular engagement programme to discuss various relevant ESG issues. This priority engagement is an example where we believe through engagement the company could report ESG issues better.
What you have done	Intesa Sanpaolo have robust governance structures and ESG information flow that we are impressed by, however the overall strategy and oversight on ESG issues seemed to be lacking. For example, they stated that they did not have access to finance strategy, yet they do have various initiatives in place with many encouraging case studies. We got the impression that overall direction was lacking despite strong ESG actions.
Outcomes and next steps	Milestone set to publish financed emission data and set interim targets