

## **IMI 2014 DEFERRED FUND STATEMENT OF INVESTMENT PRINCIPLES**

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, the Trustee of the IMI 2014 Deferred Fund (the "Fund") has prepared the following Statement of Investment Principles.

1. The Trustee has now insured a majority of the Fund's liabilities through bulk annuity policies. A deferred premium remains outstanding in respect of the final bulk annuity policy, given illiquidity in some of the residual assets of the Fund. The Trustee's primary objective is to settle this deferred premium and to fully buy out the Fund's liabilities.

The Trustee and sponsoring employer have a low appetite for risk. The Trustee reviews the strength of the sponsoring employer periodically and considers employer covenant as part of each triennial strategy review.

2. With respect to the residual invested assets of the Fund, the Trustee delegates its powers of investment to suitably qualified and authorised fund managers. The Trustee employs active management. The powers of each Manager are governed by an investment management agreement or pooled fund prospectus 'management agreements' to ensure that this statement and Section 36 of the Pensions Act 1995 are complied with. In particular, the agreements together ensure that investments that are made are suitable for the Fund, and appropriately diversified. The performance of each Manager is reviewed quarterly by the Trustee to ensure that it is acting in accordance with this statement and Section 36.
3. The Trustee selects investment advisers who are paid an agreed annual fee which includes most services needed on a regular basis. Some one-off projects fall outside the annual fee and the fees for these are negotiated separately. Fund Managers are remunerated on either a performance related fee basis or an ad valorem basis, or a combination of these.
4. The Managers have discretion to select investments which are suitable for the Fund in accordance with their management agreements.
5. Excluding the bulk annuity policies, the remaining invested assets of the Fund comprise primarily a diversified portfolio of private equity investments, in addition to small residual holdings of property and cash. The illiquid nature of the remaining investments (other than cash) has determined the balance of the invested assets, although this may change over time as cash is distributed back to the Fund or if a proportion of the assets are sold for cash on the secondary market. The Trustee expects that the combined assets will be sufficient, and will deliver an adequate return, to meet the deferred premium owed to the bulk annuity provider.
6. Most of the Fund's assets (excluding annuities) are invested through the IMI Common Investment Fund, the "IMI CIF". The Trustee delegates some of its powers of implementation to an Investment Executive, which is comprised of the Directors of IMI CIF Trustee Limited (the trustee of the IMI CIF). The Investment Executive reports regularly to the Trustee on its activities.
7. The Trustee's policy is to review its direct investments and to obtain written advice about them when appropriate. When deciding whether or not to make any new direct investments

the Trustee will obtain written advice and will consider the investments against the following criteria as set out in the Occupational Pension Schemes (Investment) Regulations 2005:

- The best interests of the members and beneficiaries
  - Security
  - Quality
  - Liquidity
  - Profitability
  - Nature and duration of liabilities
  - Tradability on regulated markets
  - Diversification
  - Use of derivatives
8. The Trustee's policy is to review this statement at least every three years or whenever there is a significant change in investment policy. Before preparing or revising this statement, the Trustee consulted the sponsoring employer and took appropriate written advice.
9. An investment approach is being followed so as to balance the long-term real return of the Fund with proper attention to investment risks. The Trustee takes advice from the Fund's investment advisers to ensure that this approach remains suitable for the Fund. The Trustee recognises that the key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities ("Funding Risk"). The Trustee has identified a number of key risks which have the potential to cause deterioration in the Fund's funding level and therefore contribute to Funding Risk. These include mismatching risk, cash flow risk, manager risk, risk of lack of diversification, covenant risk, climate change risk and operational risk. Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review.
10. The Trustee determines investment policy with a view to achieving an appropriately diversified portfolio such that it spreads the risks of investing in any one investment market, currency or asset.
11. The Trustee has agreed performance objectives with each of the Managers.

#### 12. Financially material ESG factors

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. 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.

The Trustee recognises that focussing on long-term outcomes and taking into account environmental, social and governance (ESG) considerations appropriately can lead to improved returns and lower risk over the long-term. 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 ESG factors and ethical considerations into account when assessing the selection, retention and realisation of investments.

### 13. Stewardship – Voting and Engagement

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. The Trustee has considered and agrees with the Institutional Shareholders Committee Statement of Principles on the responsibility of shareholders but the application of the Principles are at the discretion of the investment manager with the aim of achieving the best possible financial return for the Fund.

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 long-term value of assets; and
- Exercise the Trustee's voting rights in relation to the Fund's assets (where applicable – noting that the Fund does not invest in public equities).

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 this SIP relating to matters including performance, strategy, risks, social/environmental impact, corporate governance, capital structure, and conflicts of interest; 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.

### 14. Non-Financial Factors and Member Views

In setting and implementing the Fund's investment strategy the Trustee does not actively 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"<sup>1</sup>).

The Trustee engages with its managers on their rationale for investments in certain sectors.

The Trustee is aware of the impact diversity and inclusion can have on investment decisions.

### 15. Arrangements with fund managers

The Trustee recognises that arrangements with its fund managers are important to ensure that interests are aligned. The Trustee seeks to ensure that the fund managers are incentivised to operate in a manner that generates the best long-term results for the Fund and its beneficiaries.

The Trustee monitors the Fund's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustee's policies. This includes monitoring the extent to which fund managers:

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

The Trustee is supported in this monitoring activity by its investment adviser. The Trustee receives regular reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Investment Executive and the investment adviser meet periodically with each of the Fund's key investment managers to review fund strategy, positioning and management, short and long-term performance, market developments and also the investment managers' broader businesses. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the fund objectives and assesses the fund managers over the long-term. The Trustee also receives annual stewardship information on the monitoring and engagement activities carried out by its fund managers, which supports the Trustee in determining the extent to which the Fund's engagement policy has been followed throughout the year. The Trustee recognises that this monitoring activity is important to encourage fund managers to take appropriate steps to enhance the long-term value of assets through engagement activity.

Before appointment of a new fund manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the fund managers by other means (where necessary), and regular monitoring of fund managers' performance and investment strategy, is in most cases sufficient to incentivise the fund managers to make decisions that align with the Trustee policies and are based on assessments of medium- and long-term financial and non-financial performance. Where fund managers are considered to make decisions that are not in line with the Trustee policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment for all fund managers will be reviewed periodically, and at least every three years. For any closed ended vehicles, the duration may be defined by the nature of the underlying investments.

## 16. Cost Monitoring

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Fund's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the asset managers that can increase the overall cost incurred by the investments.

Given the residual and illiquid nature of the remaining investments, the Trustee no longer collects detailed manager cost data on an annual basis.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. This is not actively monitored by the Trustee or Investment Executive, for the residual investments of the Fund.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends.

The Trustee evaluates the performance of its asset managers relative to their respective objectives on a regular basis via investment monitoring reports and updates from the asset managers.

The Trustee prefers to appoint its Managers on a performance fee basis where possible, rather than on an annual management charge.

17. Investments may be realised from time to time from the investment portfolios as required to provide funds to make payment of benefits and costs under the Fund. Each Manager has discretion to realise investments within its portfolio for the purpose of making new investments.
18. The Trustee has considered and aims to adhere to the best practices underlying the revised Myners Principles (October 2008).

The Trustee of the .....  
IMI 2014 Deferred Fund

Dated 1<sup>st</sup> October 2025

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<sup>1</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018