

Interfloor Limited Final Salary Scheme

Appendix 3

Interfloor Limited Final Salary Scheme (“The Scheme”) - Investment Accounting Disclosures

Trustees’ Policies

This section sets out the policies in the Statement of Investment Principles (‘SIP’) in force at the Scheme year end relating to the following:

- Financially Material considerations
- Non-Financial considerations

Stewardship including the exercise of voting rights and engagement activities is set out in the ‘Voting and Engagement’ section.

The Trustees updated the SIP after the Scheme year end to include policies required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and will include those policies going forward.

Financially Material considerations

The Trustees have considered financially material factors such as environmental, social and governance issues as part of the investment process to determine a strategic asset allocation. They believe that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes they are investing in. However, the Trustees have not made an explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their fund managers to take account of financially material considerations.

The Trustees accept that the Scheme’s assets are subject to the investment manager’s own policy on socially responsible investment. The Trustees are satisfied that this corresponds with their responsibilities to the beneficiaries of the Scheme.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers.

Non-Financial considerations

The Trustees have not considered non-financial matters in the investment process.

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Voting and Engagement

The Trustees are required to disclose the voting and engagement activity over the Scheme year. The Trustees have used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This statement provides a summary of the key information and summarises Minerva's findings on behalf of the Scheme over the Scheme year.

Voting and Engagement Policy and Funds

The Trustees' policy on stewardship is as set out below in the SIP dated August 2019:

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interest of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should take account, where it believes appropriate, of social, environment and ethical factors in the exercise of such rights. The Trustees have reviewed the investment managers' voting policies and decided that they are appropriate. The Trustees will continue to monitor this regularly.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code. All the investment managers have published corporate governance policies. The policies comply with these principles.

The table below sets out the funds the Scheme invested in over the Scheme year and states the use of a proxy voter:

Fund / Product Manager	Investment Fund/Product	Made Via	Scheme / Inv Type	Requested Info Date Range	'Proxy Voter' Used?
BlackRock	BlackRock Life Corporate Bond Up to 5 Years Index Fund	Mobius	DB	09/04/20 - 31/07/20	N/A
Columbia Threadneedle	Threadneedle Pensions Property Fund	Mobius	DB	01/08/19 - 31/07/20	N/A
JP Morgan	JP Morgan Unconstrained Bond Fund	Mobius	DB	01/08/19 - 28/08/19	N/A
LGIM	LGIM Cash Fund	Mobius	DB	01/08/19 - 31/07/20	N/A
LGIM	LGIM Dynamic Diversified Fund	Mobius	DB	01/08/19 - 31/07/20	ISS
LGIM	LGIM LDI Matching Core Fund	Mobius	DB	01/08/19 - 31/07/20	N/A
LGIM	LGIM World Equity Index Fund	Mobius	DB	01/08/19 - 31/07/20	ISS
LGIM	LGIM World Equity Index Fund – GBP Currency Hedged	Mobius	DB	01/08/19 - 31/07/20	ISS
Payden & Rygel	Payden Absolute Return Bond Fund	Mobius	DB	01/08/19 - 31/07/20	N/A
Vontobel	TwentyFour Strategic Income Fund	Mobius	DB	01/08/19 - 31/07/20	N/A
Phoenix Life	Phoenix AVC Investments	Direct	DC - AVC	01/08/19 - 31/07/20	?
Utmost	The Equitable Life Assurance Society AVC Investments	Direct	DC - AVC	01/08/19 - 31/07/20	?

? Not confirmed by Manager N/A = not applicable

ISS is a proxy voting service.

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Exercise of voting rights

The voting activity was requested by Minerva from all of the Scheme's managers, where appropriate. Some information was obtained from LGIM but unfortunately no information was forthcoming from Phoenix Life and Utmost. It was determined that BlackRock, Columbia Threadneedle, JP Morgan and Payden & Rygel had no voting information to report. Please see section on 'Outstanding Information' for further details.

Based on data obtained from LGIM, Minerva has concluded that LGIM voting policies and disclosure broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices. However, they were unable to use the data to conclude if the LGIM had followed its own policies.

Manager Voting Behaviour

The Trustees believe that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour of each manager where disclosed by the manager.

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
Legal & General	LGIM Dynamic Diversified Fund	8,053	84,927	97.1%	82.2%	17.5%	0.3%
	LGIM World Equity Index Fund & GBP Currency Hedged variant	2,436	29,940	98.1%	82.8%	17.1%	0.1%
Vontobel	TwentyFour Strategic Income Fund	?	?	?	?	?	?

? Not confirmed by Manager

The most significant votes cast was requested by Minerva from all the Scheme's managers, where appropriate, but none of the managers were not able to provide the relevant information required for the analysis in time. Please see section on 'Outstanding Information' for further details.

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Manager Engagement Information

The Trustees believe that an important part of responsible oversight is for the Scheme’s investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme’s managers to engage with investee companies where they have identified any such issues.

The table below summarises the engagement activity of the managers that provided information.

		Summary of Company Engagement Activity										Outcomes	
		Corporate Governance							Sustainability				
Manager	Fund	No.	Strategy	Audit & Report.	Board	Capital	Corp. Action	Remun	Shrhdr Rights	Envir.	Social	Resolved	Open
JP Morgan	JP Morgan Unconstrained Bond Fund	?	?	?	?	?	?	?	?	?	?	?	?
Legal & General	Firm-level data only	739	13%	2%	19%	3%	3%	28%	2%	34%	37%	?	?
Vontobel	TwentyFour Strategic Income Fund	9	22%	0%	11%	11%	0%	11%	22%	22%	44%	67%	33%

? Not confirmed by Manager

JP Morgan and Vontobel have provided a few high-level examples of the engagements in the tables below:

JP Morgan

Fund	Company.	Rationale
JP Morgan Unconstrained Bond Fund	Russian bank	Lack of gender diversity on the board
	US insurance	Company has flagged as a laggard to their research analyst
	German automaker	Topics covered: (1) Culture of company, (2) Board structure, and (3) Disclosure.
	US utility	Topics covered: (1) California regulation, (2) Green bonds, and (3) Compliance with Paris Climate Agreement.
	Multi-national oil & gas	Expect the company’s more balanced approach to investments and acquisitions directed toward participating in the energy transition
	Wireless telecom	Chairman compelled the manager to completely exit their position in the company. Specifically, he issued two bonds and paid himself 100% of the proceeds. In addition, he made uneconomic investments using company cash into other entities that he owned.
	US manufacturing	Bottom-up fundamental research process
	Edison Electric Institute	Positively influence the overall industry in ways other than proxy voting
	European Leveraged Finance Association	Positively influence industry standards within the European Leverage Finance industry.

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Vontobel

Companies	Details of the Engagements
Turkish Corporates	Vontobel decided to exit positions in Turkish corporates due to Governance issues at a country level
Petróleos Mexicanos	Vontobel wrote to the company to get further details on articles in the press regarding deaths from pipeline explosions and concerns over pay and labour rights. We are yet to receive a response and as such note the lack of engagement from the management and IR and adjust our ESG score for the company accordingly.
Just Group	Vontobel had a general company update meeting with them where they discussed diversity the issues. Vontobel is happy with management's response as they were already aware of the problem and were actively trying to recruit for the board with that in mind.

Outstanding Information

This section sets out the status of outstanding information Minerva have requested.

Fund / Product Manager	Investment Fund/Product	Information Request Acknowledged	Voting Info Available?	Engagement Info Available	Info Rec'd by Minerva Deadline
BlackRock	BlackRock Life Corporate Bond Up to 5 Years Index Fund	✔*	✔	✔	✔
Columbia Threadneedle	Threadneedle Pensions Property Fund	✔*	✔	✔	✔
JP Morgan	JP Morgan Unconstrained Bond Fund	✔*	✔	✔	✘
LGIM	LGIM Cash Fund	✔*	✔	✔	✔
LGIM	LGIM Dynamic Diversified Fund	✔*	✔	✔	✘
LGIM	LGIM LDI Matching Core Fund	✔*	✔	✔	✔
LGIM	LGIM World Equity Index Fund	✔*	✔	✔	✘
LGIM	LGIM World Equity Index Fund – GBP Currency Hedged	✔*	✔	✔	✘
Payden & Rygel	Payden Absolute Return Bond Fund	✔*	✔	✔	✔
Vontobel	TwentyFour Strategic Income Fund	✔*	✘	✔	✔
Phoenix Life	Phoenix AVC Investments	?	?	?	✘
Utmost	The Equitable Life Assurance Society AVC Investments	?	?	?	✘

✔ Positive response ✔* Partial response* ✘ Negative response ? Not confirmed by Manager ✔ No VEI information to report

*Partial response in the context of investments made via the Mobius Life platform means that whilst Mobius themselves acknowledged our VEI requests and passed them on to the relevant managers, the managers did not in turn provide the requested information directly to Minerva.

Minerva is continuing to engage with the relevant managers on the identification and provision of any missing VEI information and will provide the Scheme with an update as soon as all of the managers have formally reported back, and any information provided has then been analysed.

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Conclusion

This statement has shown there is only partial information available from many of the managers. The Trustees will seek any outstanding information and will agree a way forward on any actions identified by Minerva once this information is available.

With the help of their investment consultant the Trustees will also engage with managers for asset classes such as property, bonds and LDI to see if any engagement information can be provided going forward.