

Chubb Safes Pension Plan

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by Chubb Safes Pension Trustees Limited (the “Trustee”) of the Chubb Safes Pension Plan (the “Plan”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Plan.

The Plan’s investment objectives and strategy were derived from the Trustee’s Investment Beliefs, set out in Appendix A. The beliefs have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Plan’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Investment objectives

The Trustee invests the assets of the Plan with the aim of ensuring that all members’ accrued benefits can be paid. The Plan’s funding target is specified in the Statement of Funding Principles. The Plan funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan’s circumstances.

The Plan’s present investment objective is to achieve a return of around 2.0% per annum above the return on UK Government bonds.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Plan’s investment strategy.

The Plan’s investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Plan’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Plan, and also the strength of the sponsoring company’s covenant. The Trustee has considered the merits of a range of asset classes, including various “alternative assets”.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Plan consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The investments are made through a platform provider. With advice, the Trustee will select underlying funds from the platform to implement the chosen strategy. The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly performance reports and asset valuations;
- Providing any initial asset transition plan for the investment consultant to review; and
- Asset rebalancing and meeting cashflow requirements, when required.

The Trustee has selected funds on the platform in which to invest the underlying assets of the Plan as listed in the IID. The investment managers and platform provider are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via the platform provider. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The platform provider's and investment managers' remuneration is based upon a percentage value of the assets under management.

As the Plan's assets are invested in pooled vehicles, the custody of the holdings is arranged by the underlying investment managers.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Plan's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> • The Trustee receives regular performance reports which detail information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. 	<ul style="list-style-type: none"> • There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> • The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from its investment advisers on the investment managers' approaches to engagement. • The Trustee will engage, via its investment adviser, with investment managers and/or other relevant persons about relevant matters. 	<ul style="list-style-type: none"> • The manager has not acted in accordance with their policies and frameworks.

Through the engagement described above, the Trustee will work with the platform provider to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Plan's total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and

reviewing any direct investments, the Trustee will obtain appropriate written advice from its investment advisers.

Governance

The Trustee of the Plan makes all major strategic decisions including, but not limited to, the Plan's asset allocation and the appointment and termination of investment managers and platform providers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee believes that its investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee has consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

**This statement was agreed by the Trustee of the Chubb Safes Pension Plan on 24th
October 2023**

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long-term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There is more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost, and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Plan's investments around our required objectives.

True diversification: We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objectives.

4 A long-term mind-set can be used to enhance returns

As a long-term investor we pursue incremental growth that rewards adherence to our strategic plan, rather than pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Plan.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsible investing and Stewardship

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make.

Appendix B – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	<ul style="list-style-type: none"> When developing the Plan's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.

The Plan is exposed to a number of underlying risks, financially material considerations and non-financial matters relating to the Plan's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge the majority of the Plan's interest rate and inflation risks in the Technical Provisions liabilities, whilst considering the liquidity profile of the Plan's assets.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.

Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	ESG is taken into account as part of Isio's standard due diligence and ongoing research, and as such, is a consideration in the selection of the Plan's platform provider. To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI signatory The Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	To invest in funds that hedge the majority of currency risk as far as practically possible, except where the manager actively seeks to express currency views.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C – Manager Remuneration

The Trustee has the following policies in relation to the investment management arrangements for the Plan:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • As the Plan is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee’s policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee reviews the investment managers’ performance relative to medium and long-term objectives of the funds as documented in the investment management agreements. • The Trustee monitors the investment managers’ engagement and voting activity on an annual basis as part of its ESG monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews the performance of all of the Plan’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers’ performance objectives.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Plan’s arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The duration of the arrangements is considered in the context of the type of fund the Plan invests in. • For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held. • For funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with the Trustee’s objectives and Plan’s liquidity requirements.

<p>Voting Policy - How the Trustee expects investment managers to vote on its behalf.</p>	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the voting policies that are implemented by the Plan’s investment managers on its behalf.
<p>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about ‘relevant matters’.</p>	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Plan’s investment managers on its behalf. • The Trustee, via its investment advisers, will engage with managers about ‘relevant matters’ at least annually.

Appendix D – Collateral management policy

At the time of writing, the Trustee is targeting a level of collateral over and above that within the Plan’s LDI funds that is sufficient to withstand at least one collateral call from each of the Plan’s LDI funds.

The Trustee will review the collateral management policy periodically, or as soon as possible in the event of significant market movements.

The Trustee also has a framework for topping up the collateral.

Trigger	Action	Responsibility
Pooled LDI fund issues capital call	Assets sold from below collateral waterfall to meet capital call	LDI manager and Platform Provider.
Assets within the automatic collateral waterfall are insufficient to meet the next estimated capital call were a recapitalisation process for the pooled LDI mandate to be triggered.	Consider, following advice from the investment advisers, using other assets invested on the investment platform to top up the collateral waterfall funds or meet collateral calls, taking into account liquidity constraints.	LDI Manager responsible for monitoring estimate of next capital call and the Trustee is responsible for monitoring and implementation.
Pooled LDI mandate issues capital call but assets within the automatic collateral waterfall are insufficient and no further liquid assets on the investment platform available.	Reduce the liability hedge according to the shortfall in the capital call.	N/A.

The latest collateral waterfall is set out below.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
Non-LDI manager	Asset-Backed Securities	Daily	T-1	T+2
Non-LDI manager	Diversified Credit	Daily	T-1	T+2
Non-LDI manager	Multi-Asset Credit	Daily	T-1	T+3