Chubb Safes Pension Plan ("the Plan")

September 2021

isio.

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require schemes to detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation statement.

Statement of Investment Principles (SIP)

In response to the DWP regulation, the Plan updated its SIP to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments
- policies in relation to investment management arrangements

The SIP can be found online at the web address,

https://www.chubbsafes.com/-/media/Sites/chubbsafes2/chubbsafes2-com/Files/Statement-of-investment-principles-Sept-2020

Further detail on the changes made to the SIP can be found on page 6.

Implementation Statement

This implementation statement is to provide evidence that the Plan continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement covering engagement actions with the Plan's fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the reporting year up to 5 April 2021 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Plan’s reporting year

- Over the reported period the Plan did not undergo a strategy review and the current strategy has been maintained.

Implementation Statement

This report demonstrates that Chubb Safes Pension Plan has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions

The Trustees have included a non-exhaustive list of risks and financially material considerations it has considered whilst implementing the Plan's investment strategy.

On this page we will look at the risks outlined in the Plan's SIP, the Trustees' policy and any actions in the accounting year taken to address those risks.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	Selecting an investment objective that is achievable and consistent with the Plan's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.	No action over the period.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage fund risk over time.	No action over the period.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	When developing the Plan's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Plan is exposed to is an appropriate level for the covenant to support.	No action over the period.
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 c.70% of these risks on the Technical Provisions basis through the LDI portfolio.	No action over the period.

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.	No action over the period.
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.	No action over the period.
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.	No action over the period.
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.	Details on how the Plan's current investment managers have implemented ESG factors on the Plan's behalf can be found in the engagement and voting sections of this report.
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.	No action over the period.
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.	No action over the period.

Changes to the SIP

The Trustees updated the Plan's SIP on 18 September 2020 to include the following:

- The Trustees' policies in relation to investment management arrangements
- The Trustees' policies to investment manager monitoring and engagement
- The Trustees' policies for managing ESG risks

Policies added to the SIP	
Date updated: 18 September 2020	
How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	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 Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
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.	The Trustees review the investment managers' performance relative to medium and long-term objectives of the funds. The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.	The Trustees review 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 Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the Plan's arrangements with the investment managers	The duration is flexible and, from time-to-time, the Trustees will consider the appropriateness of the investments and whether they should continue to be held.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a financially material risk. This page details how the Plan's ESG policy is implemented, and the rest of this statement provides an evaluation of the stewardship activity.

The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Plan's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the current ESG policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights	The Trustees receive information from their investment advisers on the investment managers' approaches to engagement.	The manager has not acted in accordance with their policies and frameworks.

ESG summary and actions with the investment managers

Isio, as the Plan's investment consultant, engages with all of the Plan's investment managers on an ongoing basis. ESG and Engagement are specifically covered in both the initial due diligence and ongoing monitoring of funds that Isio actively monitor.

Engagement

As the Plan invests via pooled funds, the Trustees delegate all engagement responsibilities to the investment managers. The managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 5 April 2021.

Fund name	Engagement summary	Commentary
LGIM – Leveraged Gilt and Index-Linked Gilt Funds	We requested this data from the manager, however the manager is currently unable to produce this level of reporting. Isio will work with the manager to try ensure that this data is available in the future.	For LDI funds, Legal and General ("LGIM") typically communicate strategic aspects of long-term engagement via thought pieces, presentations and meetings. LGIM provide an annual update setting out the firm's approach to stewardship and activities during the year. LGIM's Investment Stewardship team manage the voting and engagement across all funds, leveraging all possible capital to maximise effectiveness. Engagement activity is recorded in a dedicated data management system. This system is also used to oversee progress and quantify engagement effectiveness. On a quarterly basis, LGIM provide a standalone Active Ownership ESG Impact Report detailing case studies of voting and engagement activities undertaken and/or concluded.
M&G – Total Return Credit Investment Fund	Total engagements: 10 Environmental: 2 Governance: 6 Social: 2	M&G's activities are consistent with their ESG policies and they have a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements. Examples of significant engagements include: **Heathrow Airport** – M&G engaged with Heathrow Airport to discuss the impact from COVID-19 to the business/industry. As part of discussions, M&G proposed covenant waivers, amendments to agreement and requested for shareholders to provide fresh equity to cover the temporary short-term liquidity constraints. Although, not successful in their request for shareholders to inject fresh liquidity, M&G were able to ensure bondholders were fairly treated

		throughout the process and when capital injections were needed.
Ninety One - Global Multi-Asset Sustainable Growth Fund (formerly Ninety One Diversified Growth Fund and Investec Diversified Growth Fund)	Total Engagements: 20 Environmental: 8 Social: 1 Governance: 7 Environmental, Social and Governance: 2 Other: 2	Ninety One's activities are consistent with their ESG policies. They have a systematic approach around engagements in which objectives are outlined in advance and measured based on the outcomes. Ninety One report on how their engagement policy is implemented and the outcomes of their engagements in their Annual Stewardship Report. They monitor the success of engagements by assessing whether they have met their objectives. Examples of significant engagements include: **Moncler**- Over 2020 Ninety One engaged with the company to remove a proposal for the CEO to obtain further voting rights without supplying additional capital. Ninety One felt this vote could have potentially disadvantaged minority shareholders. While the March 2020 meeting was cancelled as a result of the COVID-19 pandemic, the proposed amendment did not feature in the June meeting agenda. Ninety One suggest that the collective shareholder resistance has been effective so far, but they will continue to monitor the situation for future amendments or a resurfacing of this proposal from the board.
Invesco – Global Targeted Returns Fund	Total Engagements: 17 Climate: 7 Environmental: 2 Other: 8	Invesco work on the basis of engagement or dialogue rather than exclusion. They try to influence the strategy of a company via active engagement with management and at a board level. Examples of significant engagements include: **Bank of Ireland** – In September 2019, Invesco engaged with Bank of Ireland regarding their green bond framework. Specifically, Invesco's ESG team joined the meeting with a fixed income analyst to discuss the key points of the framework and its alignment with the International Capital Market Association's green bond principles, including the use of proceeds from green bond issuances and the qualifying criteria for green mortgages issued by the bank.

Voting

As the Plan invests via fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 5 April 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Ninety One - Global Multi-Asset Sustainable Growth Fund (formerly Ninety One Diversified Growth Fund and Investec Diversified Growth Fund)	Meetings eligible to vote at: 147 Resolutions eligible to vote for: 1,865 Resolutions voted on: 92% Resolutions voted with management: 93% Resolutions voted against management: 4% Resolutions abstained from: 2%	**Johnson & Johnson** - In April 2020 Ninety One voted for, and with management, to report on Governance Measures implemented related to Opioids. Ninety One believes that shareholders would benefit from more specific information about proactive steps that the board is taking to mitigate risks related to the manufacture and marketing of opioid-related products, and that incentives are aligned with the health of the communities it serves. The vote was passed by shareholders. **Unilever Plc** - In October 2020 Ninety One voted for, and with management, to approve the Cross-Border Merger between Unilever PLC and Unilever N.V. The proposal to unify the Company's structure through a cross-border merger into Unilever plc had a strong strategic rationale, including simplifying Unilever's complex dual-headed structure and the increased optionality it would give the Company in terms of M&A and other business transactions; the Company had stated there will be no change to the operations, locations, activities or staffing levels in either the UK or The Netherlands as a result of the proposed unification. The vote was passed by the Shareholders.	Ninety One use an external proxy research and vote execution service provided by Institutional Shareholder Services (ISS). ISS provide Ninety One with a service through which they deliver both their benchmark research and Ninety One's custom policy research. They then take these into consideration and discuss internally to make a decision in the best interest of the shareholders (which may differ from ISS recommendations).

Invesco – Global Targeted Returns Fund	Meetings eligible to vote at: 359 Resolutions eligible to vote for: 5,170 Resolutions voted on: 98% Resolutions voted with management: 94% Resolutions voted against management: 6% Resolutions abstained from: 0%	**easyJet Plc** – In July 2020 Invesco voted in favour of a resolution to approve capital raising. The resolution passed. The capital raise will strengthen the Company's balance sheet as part of the Company's response to the impact of COVID-19, helping the Company in its recovery and long-term growth. **International Consolidated Airlines Group SA –** In September 2020 Invesco voted for approval of a share capital increase, which they were supportive of following engagement with the company. The resolution passed.	Whilst this is not directly relevant for the GTR, there is an active voting and engagement approach in the underlying Equity sleeves that the fund invests in. Proxy voting decisions for the underlying sleeves is delegated to the fund managers of those sleeves. In order to assist the fund managers, the Henley Investment Centre will look to supplement their own research with that of external providers. The firm also publishes its annual Stewardship & Proxy Voting Report online.

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