

# CHUBB PENSION PLAN

## STATEMENT OF INVESTMENT PRINCIPLES

---

### **INTRODUCTION**

1. This Statement has been prepared by the Trustees of the Chubb Pension Plan (the Plan) to comply with:
  - the Pensions Act 1995, as amended by the Pensions Act 2004;
  - the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018;
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
2. The Statement reflects the changes made by the Trustees in order to purchase a bulk annuity policy that covers all the Plan's liabilities in June 2023. The Trustees are advised on investment matters by Barnett Waddingham LLP, who have reviewed this Statement. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority. The Trustees consider them to be suitably qualified and experienced for this role.
3. The investment powers of the Trustees are set out in Clause 6.1 of the Definitive Trust Deed & Rules, dated 15 December 2010. This statement is consistent with those powers.
4. In producing this Statement, the Trustees have considered the findings of the Myners Review published in 2001 (including subsequent updates).

## **STRATEGIC MANAGEMENT OF ASSETS**

### **Bulk Annuity Policy**

5. The Trustees' principal investment objective is to aim to ensure that the assets are sufficient to meet the liabilities over the long term. Having identified that the Plan had sufficient assets to secure a bulk annuity policy that would cover all of the accrued member benefits, the Trustees have proceeded to purchase such a policy from Standard Life. This effectively transfers the investment risks in respect of these liabilities to Standard Life and therefore limits the risk to the Plan.

### **Residual Assets**

6. In respect of the residual assets (outside of the bulk annuity policy), the Trustees' aim is to ensure that these assets are able to meet the remaining liabilities and other expenses expected to be incurred. The Trustees will invest the residual assets with this aim in mind, with a focus on minimising risk and maximising liquidity in order to limit the risk to the Plan. The Trustees will consider the extent to which additional returns will be sought and the extent to which the investments are diversified between available investment categories (as required) and between geographic areas in order to limit the risk to the Plan. The Trustees recognise that risk is inherent in any investment activity. The Trustees take advice from the Plan's investment consultants and the Plan's Actuary to ensure that the asset approach remains suitable for the Plan.
7. The residual assets are currently invested in either gilts, cash or a money market fund. The allocation will be reviewed as required by the Trustees depending on the requirements for the assets to meet expenses or remaining liabilities.
8. The asset allocation position will be monitored quarterly by the Trustees of the Plan.
9. The Trustees delegate their investment duties to appointed specialist investment managers.
10. Whilst the residual Plan assets are invested in line with paragraph 7 above, uninvested cash required for the day to day benefit payments of the Plan is held in the Plan's current bank account and is placed on call overnight.
11. The Trustees believe that the investment strategy adopted is currently sufficient to address any reasonable risks that the long-term funding of the Plan will prove inadequate.

## **CHUBB COMMON INVESTMENT FUND**

12. The Trustees previously participated in the Chubb Common Investment Fund, which has pursued both a specialist and indexed investment strategy with a positive decision regarding asset allocation. Based on the advice of their investment advisers and having regard to the suitability and diversification of

the investments, were diverging from that of the other participant in the Chubb Common Investment Fund, the Trustees restructured their investments over 2022 to be held directly in the name of the Trustees of the Chubb Pension Plan (subject to some small residual investments that are being reconciled).

13. The trustee body of the Chubb Common Investment Fund largely consists of Trustee Directors of the Chubb Security Pension Fund and Trustees of the Chubb Pension Plan. Under the terms of the Trust Deed of the Chubb Common Investment Fund, resolutions are passed on a simple majority of those voting. With assets now held largely in the name of the Plan, the Chubb Common Investment Fund residual assets are being addressed and, once complete, the Chubb Common Investment Fund will be wound up.
14. Prior to the separation of the assets, the Trustees of the Chubb Common Investment Fund provided quarterly performance and investment details to the Trustees of the Plan together with copies of all Trustee Minutes and decisions. Responsibility for performance monitoring and all investment decision making has reverted to the Trustee of the Plan following the withdrawal of the assets from the Chubb Common Investment Fund, to be held directly by the Plan.

## **RISK MANAGEMENT**

15. The following measures have been implemented to reduce the risks associated with making investments:

### **Risk versus the liabilities**

The Plan has purchased a bulk annuity policy that covers the accrued benefits for all members. This minimises the risk relative to the liabilities.

### **Custody**

The Trustees ensure the separation of custody of the Fund's assets from its investment managers and its officials by the employment of its independent global custodian, BNY Mellon. The Trustees have signed a global custody agreement with the custodian.

### **Manager restrictions**

The Trustees' agreement on the way the portfolio is managed with each fund manager contains a series of restrictions, which may be amended from time to time. The purpose of the restrictions is to limit the risks from each individual investment and prevent unsuitable investment activity. Each fund manager or comply with these restrictions.

### **Manager controls**

Powers of investment delegated to the fund managers must be exercised with a view to giving effect to the principles contained in this statement so far as is reasonably practicable.

## **ADDITIONAL VOLUNTARY CONTRIBUTIONS**

16. Aegon, the brand name for Scottish Equitable plc, act as provider for investment of funds held in respect of Additional Voluntary Contributions (AVCs). Members are permitted to invest across a range of unit linked funds offered by Aegon, including guest funds.

## **DIVERSIFICATION AND SUITABILITY OF INVESTMENTS AND THE DAY TO DAY MANAGEMENT OF THE ASSETS**

17. The following principal restrictions apply to all investment managers unless held as part of a pooled investment vehicle.
- 17.1 No investment in APi Group Corporation, other than through an indexed fund.
- 17.2 No investment in Companies, other than CCIF Venture Limited, where the Trustees of the Chubb Common Investment Fund or the Trustees or Trustee directors of a participating scheme have a material interest or are a Director, other than through an indexed fund.

17.3 No use of derivatives except where agreed with the Trustees from time to time.

17.4 No stock lending.

The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

18. No investment manager may invest in property either directly or via property unit trusts, other than the multi-asset pooled unitised vehicles.
19. The Trustees recognise that regular rebalancing of the Plan to its long term asset allocation can be expensive in terms of both transaction and opportunity costs. The Trustees therefore permit the asset allocation to drift from the long term target. The Trustees have considered a more formal rebalancing policy, but concluded from their analysis that regular rebalancing neither improves returns nor reduces risk. The Trustees will however seek to review and, if necessary, rebalance the asset allocation on occasions where there is a significant inflow or outflow of payments in to or out of the Plan.
20. The Trustees can, after consulting with the Company and taking professional advice, take tactical positions which may deliberately lead to temporary deviations from the asset allocation set out in this Statement of Investment Principles. The Trustees will formally review the long term asset allocation annually.

#### **ENVIRONMENT, SOCIAL AND GOVERNANCE FACTORS, ETHICAL INVESTING, ENGAGEMENT AND VOTING RIGHTS**

21. The Trustees believe that environmental, social and governance (ESG) factors, including management of climate-related risks, are potentially financially material and therefore have a policy to take these into account, alongside other factors, in the selection, retention and realisation of investments. However, these factors do not take precedence over other financial and non-financial factors, including but not limited to historical performance or fees. The Trustees may consider both financial and non-financial factors when selecting or reviewing the Plan's investments.
22. The Trustees do not apply any specific ethical criteria to their investments.
23. As the Plan's investments are typically held in pooled funds, ESG considerations are set by each of the investment managers. The Plan's investment managers will ultimately act in the best interests of the Plan's assets to maximise returns for a given level of risk. The Trustees do not currently impose any specific ESG-related restrictions or requirements on the segregated mandate with Insight, so ESG considerations are determined at their discretion. The Trustees are aware of the approach that each of their investment managers take in relation to ESG considerations.
24. The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustees

delegate the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers. All of the Plan's managers are signatories to the UN Principles of Responsible Investment and the UK Stewardship Code.

25. In selecting, monitoring and reviewing their investment managers, where appropriate, the Trustees will consider the managers' policies on engagement and how these policies have been implemented.
26. The Trustees have not considered it appropriate to take into account individual members' views when establishing the policy on environmental, social and governance factors, engagement and voting rights.

### **INCENTIVISATION OF INVESTMENT MANAGERS**

27. The investment managers are remunerated by fees based on the market value of the assets under management.
28. The investment managers are selected so that, in aggregate, the portfolio's returns are expected to allow the Trustees' objectives to be met.
29. The investment managers are not directly incentivised to align the approach they adopt with any non-financial policies or objectives set by the Trustees.
30. The Trustees do not directly incentivise the investment managers to engage with issuers of equity or debt to improve their financial or non-financial performance. The Trustees expect engagement to be undertaken as appropriate and necessary to meet the objectives of the mandates given to investment managers.

### **CAPITAL STRUCTURE OF INVESTEE COMPANIES**

31. Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the investment managers. The Trustees expect the extent to which the investment managers monitor these capital structures to be appropriate to the nature of the mandate.

### **PERFORMANCE MEASUREMENT AND INVESTMENT MONITORING**

32. The overall investment performance of the Plan and each of the investment managers is measured at least quarterly by using Barnett Waddingham's reporting (as required). Barnett Waddingham provide the Trustees with quarterly updates on each of the investment managers and will advise the Trustees on strategic investment issues at least once each year.
33. The Trustees also receive written quarterly reports from each investment manager and the Trustees or Secretary aims to meet with each manager as appropriate to discuss their performance, activity and any wider issues.
34. The performance of the Plan's investment managers and mandates is assessed over a mixture of shorter and longer term time horizons. Ultimately, the Trustees assess manager performance over a period appropriate to the

specific aims of the relevant mandate, and in the context of its intended role within the Trustees' wider strategy.

### **DURATION OF MANAGER APPOINTMENTS**

35. The Trustees do not apply any predetermined duration of appointment with the Scheme's current investment managers.
36. Each of the existing mandates is open-ended in nature and therefore does not have a specified maturity.
37. The continued suitability of the managers used by the Plan is reviewed by the Trustees on an ongoing basis and also as part of broader strategic reviews undertaken by the Trustees of the Plan.

### **PORTFOLIO TURNOVER COSTS**

38. The Trustees acknowledge that portfolio turnover costs can impact on the performance of the investments. The Trustees expect the investment managers to change underlying holdings to an extent necessary to meet the objectives of their mandates. The reasonableness of such turnover will vary by each mandate and will change according to market conditions.
39. The Trustees have not set a specific portfolio turnover target for their overall strategy. Neither have the Trustees prescribed a target for the underlying mandates.
40. The investment managers will provide information on portfolio turnover and associated costs to the Trustees, so that this can be monitored, as appropriate.

### **CONFLICTS OF INTEREST**

41. The Trustees maintain a separate conflicts of interest policy and register. Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the investment managers, while also setting out a process for their management.

### **REVIEW OF THIS STATEMENT**

42. The Trustees will review this Statement in response to any material developments and, in any event, at least annually. Any such review will again be based on expert investment advice.

**June 2023**

Signed on behalf of the Trustees of the Chubb Pension Plan

.....