

Statement of Investment Principles

For the Chubb Insurance Company of Europe UK Pension and Life Assurance Plan

Effective from: November 2023



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by Chubb Pension Trustee Limited as the Trustee of the Chubb Insurance Company of Europe UK Pension and Life Assurance Plan.

It sets out our policies on various matters governing investment decisions for the Chubb Insurance Company of Europe UK Pension and Life Assurance Plan (“the Plan”), which is a Defined Benefit (“DB”) Scheme.

This SIP replaces the previous SIP dated December 2022.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Plan and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Plan’s investments, but which are not required by legislation to be included in the SIP.

2. Investment objectives

The primary objective for the Plan is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objective:

- the Plan’s funding position (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustee is aware that there are various measures of funding, and has given due weight to those considered most relevant to the Plan.

3. Investment strategy

With input from our investment adviser and in consultation with the employer, we reviewed the investment strategy in June 2023, taking into account the objectives described in Section 2.

As at 30 June 2023, the Plan’s strategic allocation was as follows.

Asset class	Strategic allocation
Equity portfolio	12.5%
Alternatives portfolio	20%
Bond portfolio	67.5%
Total	100%

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Plan’s circumstances. We believe that the strategy above meets this objective.

3.1. Equity portfolio

The table below sets out the benchmark allocation for the equity assets.

Fund	Benchmark allocation
UK equities	15%
Global low carbon equities (GBP hedged)	42%
Global low carbon equities	28%
Emerging market equities	15%
Total	100%

3.2. Alternatives portfolio

The Alternatives portfolio consists of an allocation to BlackRock's UK Strategic Alternative Income Fund SLP ("SAIF") and Permira's Credit Solutions IV fund ("PCS4") and V fund ("PCS5") as detailed in Part 3 of the SIP addendum.

The Plan has committed a total of £28.4m to SAIF, which represented around 10% of the Plan's total assets (as at the most recent commitment date), to be drawn from the Bond portfolio as and when BlackRock identifies investment opportunities.

The Plan has also committed £22.5m to PCS4, which represented around 10% of the Plan's total assets (as at the most recent commitment date), to be drawn as and when Permira identifies investment opportunities. As this is a closed ended fund with a finite life, the allocation will fall to zero over time.

The Plan has also committed £34.7m to PCS5 in order to top up the allocation to Permira as PCS4 starts to return capital. This will be drawn as and when Permira identifies investment opportunities. As this is a closed ended fund with a finite life, the allocation will fall to zero over time.

3.3. Bond portfolio

The Bond portfolio consists of a combination of UK index-linked gilts, UK fixed interest gilts, UK corporate bonds, short duration credit and cash.

There is currently no formal strategic allocation in place within the Bond portfolio. The Trustee will, from time to time, review the balance between the types of bonds held and transfer assets between the different types, or direct investments or disinvestments, as appropriate.

4. Considerations in setting the investment arrangements

When deciding how to invest the Plan's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments.

For the DB Section investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy, it is our policy to consider:

- the Plan's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the best interests of members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Plan's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the benefits including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded, such as interest rate, inflation and currency, should generally be avoided, hedged or diversified;
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Plan returns;
- costs have a significant impact on long-term performance; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers setting out the terms on which the portfolios are to be managed.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to

those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment adviser to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

We instruct, on the administrators' recommendation, the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Our preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation and also receive income from some of the portfolios where appropriate.

7. Financially material considerations and non-financial matters

We consider how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection,

retention, and realisation of investments, given the time horizon of the Plan and its members.

We influence the Plan's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

All the Plan's assets are invested in pooled funds. We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

Our ambition is to align our assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

In June 2022, the Trustee appointed BlackRock to manage a low carbon equity mandate for the Plan's overseas developed equities, to better mitigate the Plan's exposure to climate change risks.

We do not consider any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the

beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year, including in the annual implementation statement.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers periodically.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.

Our current priorities are climate change; diversity, equity and inclusion; and business ethics. We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, we believe it is in our members' best interests that our managers adopt strong practices in these areas. The Trustee produces an annual Implementation Statement (found in the annual report & accounts) which sets out how, and the extent to which, the Trustee has followed the voting and engagement policies.

SIP signed for and on behalf of the Chubb Insurance Company of Europe UK Pension and Life Assurance Plan:

Signed:

Addendum to the Statement of Investment Principles

For the Chubb Insurance Company of Europe UK Pension and Life Assurance Plan

Effective from: November 2023

This addendum to the Statement of Investment Principles (“SIP”) for the Chubb Insurance Company of Europe UK Pension and Life Assurance Plan (the “Plan”) has been produced by Chubb Pension Trustee Limited as the Trustee of the Plan. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Plan’s investment arrangements.



Part 1:

Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Plan. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Plan overall. Our investment powers are set out within the Plan's governing documentation.

1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- reviewing the investment policy as part of any review of the investment strategy;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on taking account of non-financial factors when making investment decisions and a policy on voting rights;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting

these arrangements in a suitable form;

- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations);
- Participating with the Trustee in reviews of this SIP.

4. Fee structures

The provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

We have agreed Terms of Business with the Plan's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Plan, and we keep the fee structures under review.

5. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively.

It is our policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the sponsoring employer

When reviewing matters regarding the Plan's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:

Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time;
- the agreed journey plan and employer contributions;
- the Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Plan's current investment strategy in 2023, the Plan's 1 year 95% Value at Risk was estimated to be around £11m. This means that there is estimated to be a 1 in 20 chance that the Plan's funding position will worsen by £11m or more, compared to the expected position, over a one year period. When deciding on the current investment strategy, we believed this level of risk to be appropriate given the Plan's objectives.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Strategic risk

This is the risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review and will be monitored by the Trustee on a regular basis.

The Trustee will review the Plan's investment strategy at least every three years in light of the various risks faced by the Plan.

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (e.g. equities), could materially adversely affect the Plan's assets. We believe that the Plan's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Plan's investment arrangements.

Equity risk

We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Plan's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled corporate bond funds that have a diversified exposure to different credit issuers, and only invests in bonds that are classified as “investment grade”.

Currency risk

Whilst the majority of the currency exposure of the Plan’s assets is to Sterling, the Plan is subject to currency risk because some of the Plan’s investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy, and believe that it diversifies the strategy and is appropriate.

Furthermore, we manage the amount of currency risk by investing in pooled funds that hedge currency exposure or implement separate currency hedging arrangements. Within the equity portfolio, we currently hedge around 50% of the Plan’s exposure to foreign currency back to Sterling.

Interest rate and inflation risk

The Plan’s assets are subject to interest rate and inflation risk because some of the Plan’s assets are held in bond funds. However, the interest rate and inflation exposure of the Plan’s assets provides protection (hedges) for part of the corresponding risks associated with the Plan’s liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (e.g. extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and from time to time review how this risk is being managed in practice. We encourage our managers (where practical) to set credible net zero targets for the funds in which we invest and to align our investments with net zero greenhouse gas emissions by 2050 to help drive real world emissions reduction and reduce systemic risks relating to climate change. We monitor and engage with our managers on their progress towards net zero alignment.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately, and from time to time review how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due, or that the Plan will become a forced seller of assets in order to meet benefit payments. We are aware of the Plan’s cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Plan’s investments.

Valuation risk

Some of the Plan’s assets (such as listed equities) can be valued regularly based upon observable market prices. For other assets (such as those in the alternatives portfolio), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – e.g. mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as property.

We consider exposure to valuation risk in the context of the Plan’s overall investment strategy and believe that the level of exposure to this risk is appropriate.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Plan. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan’s funding position falls below

what is considered an appropriate level. The Trustee regularly reviews progress towards the Plan's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level. By understanding and considering the key risks

that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

Part 3:

Investment manager arrangements

Details of the investment managers, their objectives, and investment guidelines are set out below.

1. Equity portfolio

The Trustee has selected BlackRock Investment Management (UK) Limited ("BlackRock") as the investment manager for the Plan's Equity portfolio.

The table below shows the current structure of the equity portfolio.

BlackRock Fund	Benchmark allocation (%)	Control range (%)	Benchmark index	Performance target (% p.a.)
Aquila Life UK Equity Index Fund	15	+/- 1.50	FTSE All-Share	Passive
ACS World Low Carbon Equity Tracker Fund (GBP Hedged)	42	+/- 1.50	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	Passive
ACS World Low Carbon Equity Tracker Fund	28	+/- 1.50		Passive
BlackRock Emerging Markets Fund	15	+/- 1.50	MSCI Emerging Markets	To maximise long-term total returns
Total	100			

BlackRock reviews the Plan's equity assets on a daily basis and will rebalance on the next available dealing day if the value of the Plan's equities falls outside the ranges set out in the table above.

2. Alternatives portfolio

The Alternatives portfolio is split between BlackRock's UK Strategic Alternative Income Fund SLP ("SAIF"), Permira's Credit Solutions IV fund ("PCS4") and Permira's Credit Solutions IV fund ("PCS5").

The SAIF is structured as a Luxembourg special limited partnership with each investor participating through a Limited Partnership Agreement. The SAIF aims to generate income on its investments and preserve capital over the long term. Informally, SAIF also has a target cash income yield of 5% p.a. and a target return of 2-3% p.a. over 10 year gilt returns.

Permira's PCS4 and PCS5 are held within an "umbrella" Luxembourg limited partnership, with each investor participating through a Limited Partnership Agreement. PCS4's objective is to generate attractive risk-adjusted returns by lending to mid-market European businesses, typically in a sole or lead lender position. PCS4 targets a net portfolio return of 6% - 8% p.a..

PCS5's objective is to generate attractive risk-adjusted returns by lending to mid-market European businesses, typically in a sole or lead lender position. PCS5 targets a net portfolio return of 6% - 7% p.a.

3. Bond portfolio

The Bond portfolio consists of a combination of UK index-linked gilts, UK fixed interest gilts, UK corporate bonds, short duration credit and cash.

The table below shows the details of BlackRock's underlying funds.

BlackRock Fund	Benchmark index	Performance target
Aquila Life Over 25 Year Gilt	FTSE Actuaries UK Conventional Gilts over 25 years	Passive
Aquila Life Over 25 Year Index-linked Gilt	FTSE Actuaries UK Index-linked Gilts over 25 years	Passive
Ascent UK All Stocks Corporate Bond	iBoxx Sterling Non-Gilts	1% p.a., over a rolling 3 year period.
Ascent UK Long Corporate Bond	iBoxx Sterling Non-Gilts 15+ years	1% p.a., over a rolling 3 year period.
Sustainable Sterling Short Duration Credit	SONIA	Benchmark + 1.5% p.a.
Sterling Liquidity Fund	SONIA	Benchmark

No automatic rebalancing between the funds takes place.

4. Additional Voluntary Contributions

The Trustee has selected AEGON as the Plan's AVC provider for Unit-linked policies and Phoenix Life as the Plan's AVC provider for With-profits policies.