ESB Additional Voluntary Contributions Scheme

Trustee Report and Financial Statements

Year Ended 31st December 2022

Pensions Authority Reference Number: PB 123692

ESB Additional Voluntary Contributions Scheme

CONTENTS **PAGE(S)**

TRUSTEE AND OTHER INFORMATION	3
TRUSTEE REPORT	4 - 8
STATEMENT OF TRUSTEE'S RESPONSIBILITIES	9
INDEPENDENT AUDITORS' REPORT	10 - 11
FUND ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2022	12
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31ST DECEMBER 2022	13
NOTES TO THE FINANCIAL STATEMENTS	14 - 20
APPENDICES	21

- REPORT ON THE VALUATION OF LIABILITIES
- INVESTMENT MANAGER'S REPORT (SEPARATE DOCUMENT)
- STATEMENT OF INVESTMENT POLICY PRINCIPLES (SEPARATE DOCUMENT)

ESB Additional Voluntary Contributions Scheme

TRUSTEE AND OTHER INFORMATION

Trustee ILP Pension Trustees DAC 4A Sandyford Business Centre Burtonhall Road Sandyford Dublin 18 **Directors:** • Desmond McGarry (resigned 24/02/2023) • Finian O'Driscoll • Frank Downey • Ciaran Martin • Hilary McCowen	**Registered Administrator** Zurich Life Assurance plc Zurich House Frascati Road Blackrock Co Dublin
Consultant Zurich Life Assurance plc Zurich House Frascati Road Blackrock Co Dublin	**Investment Manager** Zurich Life Assurance plc Zurich House Frascati Road Blackrock Co Dublin
Auditors BMOL Accountants Limited Suite 4 Edengate Centre Delgany Co Wicklow	**Solicitor** None
Principal Employer ESB Head Office Gateway 2 Eastwall Road Dublin 3	**Bank** None
Actuary None	**Custodian** None

ESB Additional Voluntary Contributions Scheme

TRUSTEE REPORT:

1. Introduction

The Trustee presents the annual report on the operation of the ESB Additional Voluntary Contributions Scheme (the "Scheme") for the year ended 31st December 2022. The content of this report conforms to the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, as amended, prescribed by the Minister for Employment Affairs and Social Protection under the Pensions Act, 1990. The report outlines the constitution and structure of the Scheme together with details of financial developments for the year, investment matters and membership movements.

An Internal Dispute Resolution Procedure is in place as required by legislation. This procedure has been adopted by the Trustee and communicated to the members, and includes the facility to appeal a dispute to the Financial Services and Pensions Ombudsman should it fail to be resolved by the determination of the Trustee. The internal dispute resolution procedures are set out in the member handbook.

2. The Scheme

The Scheme, which is a defined contribution scheme for the purposes of the Pensions Act 1990, was established to provide retirement benefits for its members and is a distinct legal entity, separate in every respect from the Principal Employer, the ESB. Membership is voluntary for all eligible employees of the Principal Employer.

The Scheme is governed by the Trust Deed & Rules which members are entitled to inspect or receive a copy of. Details of members' benefits are also provided in the member explanatory booklet which has been distributed to all members and individual details appear on each member's benefit statement. There have been no changes during the year to the Scheme information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, as amended.

The Scheme has been approved by the Revenue Commissioners as an "exempt approved Scheme" under Section 774 of the Taxes Consolidation Act, 1997 and as such its assets are generally allowed to accumulate free of income and capital gains taxes. Tax relief is given on member contributions to the Scheme and certain lump sum payments to members can be paid free of tax. The Scheme has also been registered with The Pensions Authority and its registration number is PB 123692.

The Scheme is financed by contributions from the employees. Details of contributions and other financial developments during the year are set out in the Trustee Annual Report. The Trustee has in place procedures to ensure that contributions are received in accordance with Section 58A of the Pensions Act, 1990 or within 30 days of the end of the Scheme year to which this report relates and are paid in accordance with the rules of the Scheme. There were no employer related investments at any time during the year.

3. The Trustee

Stewardship of Scheme assets is in the hands of its Trustee. The right of members to select, or approve the selection of, trustees is set out in the Occupational Pension Schemes (Member Participation in the selection of Persons for Appointment as Trustees) (No. 3) Regulations, 1996. The Trustee and the Scheme Administrator have access at all times to the Trustee Handbook produced by The Pensions Authority and the Guidance Notes issued by The Pensions Authority from time to time in accordance with Section 10 of the Pensions Act, 1990. Section 59AA of the Pensions Act 1990, which requires trustees of pension schemes to undergo training, was brought into force on 1st February 2010, by virtue of the Social Welfare and Pensions Act 2008 (Section 28) Commencement Order 2009. The employer is thus required to arrange training for new directors of the Trustee within 6 months of their appointment, while directors appointed as at 1st February 2010 must receive training within 2 years of that date, and every 2 years thereafter. No costs or expenses were met out of the resources of the Scheme in respect of trustee training during the year.

The legislation requires that trustee training must cover (a) the Pensions Act, the regulations made under it and any other laws relevant to the operation of the Scheme, and (b) the duties and responsibilities of a trustee generally. The Trustee is required to keep records of the training undertaken. Directors of the Trustee who fail to undertake appropriate training may be subjected to a fine, and where an employer breaches their obligation to provide appropriate training they may be prosecuted. ILP Pension Trustees DAC is a corporate trustee and adheres to all training obligations.

ESB Additional Voluntary Contributions Scheme

TRUSTEE REPORT – Continued:

4. Financial, technical and other risks associated with the Scheme and the distribution of those risks

The Trustee is obliged by the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, as amended, to make a statement describing the condition of the Scheme, and in particular the financial, technical and other risks associated with the Scheme and the nature and distribution of those risks.

The Scheme operates on a defined contribution basis for the purposes of the Pensions Act, 1990. Defined contribution schemes are not guaranteed and ultimate benefits cannot be forecast with assurance.

While it is not possible to list all possible risks, or for that matter to guard against every eventuality, the primary risks, amongst others, associated with a defined contribution scheme, along with the steps taken by the Trustee to protect the members from their effects, are as follows:

Cessation of future contributions

The Employer may cease to trade, go into liquidation or for other reasons may decide to cease contributing to the Scheme. In this event no further contributions will be paid into the Scheme and the Trustee may decide to wind-up the Scheme. As this Scheme is a Defined Contribution (money purchase) for the purposes of the Pensions Act 1990, the assets equal the liabilities based on contributions remitted to the Trustee by the Employer. If at the date contributions cease being remitted to the Scheme the Trustee ascertains arrears are due to be paid to the Scheme, the Trustee will actively liaise with the Employer in relation to seeking a full final payment of arrears due to the Scheme. Any un-paid contributions will be communicated to members.

Investment loss and currency risk

The Scheme's activities expose it to a variety of financial and other risks. The Scheme's overall risk management programme focuses on the unpredictability of investment markets and seeks to minimise potential adverse effects on the Scheme's financial assets. All investments present a risk of loss of all or part of the capital and for investments in currencies other than the euro there is the added risk of losses due to adverse currency movements. The Trustee moderates this risk by appointing professional investment managers to manage the Scheme's investments, and investing in units in managed funds, each of which has a wide spread of carefully selected quoted investments. The Investment Manager in turn reduces the risk of currency loss to some extent by purchasing/selling foreign currency forward to hedge certain parts of the investment portfolio. The risk of loss when in the process of buying or selling an investment due to failure of the other party to meet their obligations is considered minimal as the Scheme holds no individual securities. There is also regular monitoring of how these investments are performing.

Administration risks

The Trustee is reliant on information from many sources in operating the Scheme, including the Employer, employees/members and the Investment Manager. It is possible because of the disparity of sources and the unavailability of any method of confirming the information from other sources that the Scheme is operating on the basis of incomplete, inaccurate or false information. The administration of the Scheme may therefore fail to meet acceptable standards. Alternatively, the Trustee and Employer may not act in accordance with their duties and responsibilities resulting in Revenue or Pensions Authority sanction, withdrawal of services by appointed service providers or ultimate closure of the Scheme. The Trustee has therefore appointed professional advisors and Registered administrators to assist with the proper running of the Scheme. The Registered Administrator is thus tasked with keeping the Scheme's membership, financial and other records. The Trustee also has access to appropriate training in relation to its duties and responsibilities as Trustee, and has access at all times to the Trustee Handbook produced by The Pensions Authority and the Guidance Notes issued by The Pensions Authority from time to time in accordance with Section 10 of the Pensions Act, 1990.

Nature of resources

The nature of the Scheme resources would make it vulnerable to the possibility of fraud or misappropriation of those resources. The Scheme has been registered with the Pensions Authority and is administered in accordance with all relevant legislative guidelines, thus mitigating this risk.

5. Financial Developments

The value of the Scheme's net assets was €37,837,382 at the start of the year. Pension contributions of €4,396,672 were paid into the Scheme during the Scheme year. Benefits and payments to leavers amounted

ESB Additional Voluntary Contributions Scheme

TRUSTEE REPORT – Continued:

to €5,783,049. The decrease in market value of the assets amounted to €4,881,624. Investment Management Expenses for the period amounted to €71,864.

This resulted in a decrease of €6,339,865 in the value of the Scheme's net assets to €31,497,517 at the end of the Scheme year. Contributions were paid in accordance with the rules of the Scheme and were received in full within 30 days of the year end.

The above details have been extracted from the financial statements of the Scheme which form part of this report.

6. Contributions

Contributions for the Scheme year amounted to €4,396,672. Contributions were paid in accordance with the rules of the Scheme and were received in full within 30 days of the Scheme year end.

The Trustee is satisfied that appropriate procedures have been put in place to ensure that contributions payable are received in accordance with the legislative requirements as set out under Section 58A of the Pensions Act 1990. This legislation sets out the following requirements:

- Member contributions must be received within 21 days from the end of the month in which they were deducted from payroll.
- The Trustee must invest the contributions within a further 10 days from the end of the 21 day period.

All contributions were received and invested in accordance with the legislative requirements.

Appropriate procedures are in place by the Registered Administrator to ensure that contributions payable are received in accordance with the legislative requirements.

These details have been extracted from the financial statements of the Scheme and also tie into the figures mentioned in the Financial Developments section above.

7. Material Changes

There have been no changes in the Rules of the Scheme during the year to which this report relates. If there are any changes we confirm that the members will be notified within 4 weeks of the date of any such change.

8. Material Transactions

There have been no material transactions between/with related parties during the Scheme year, other than as disclosed in note 18 to the financial statements below.

9. Benefit Increases

There are no pensions or pension increases being paid by or at the request of the Trustee for which the Scheme would not have a liability should it wind up. There were no increases made during the year under review to benefits payable following termination of a member's service in relevant employment.

Annuities are bought from insurance companies at the time pensions come into payment. The member can choose the type of annuity to purchase from an appropriate selection made available to them. As it is a defined contribution Scheme, retiring members have the option to secure whatever level of pension increases they require when purchasing an annuity on retirement with the realised value of their retirement account. The levels of increases are subject to the limits imposed by the Revenue Commissioners and the approval of the Trustee.

10. Benefit Statements

Benefit statements have been furnished to all members of the Scheme in relevant employment for the Scheme year to which the annual report relates.

ESB Additional Voluntary Contributions Scheme

TRUSTEE REPORT – Continued:

11. Membership Movements

Movements:	Active Members	Deferred Members
At 1st January 2022	606	11
Adjustment to opening balance*	(4)	4
Revised Opening at 1st January 2022	602	15
New members during the year	140	-
Death Claims	(2)	-
Retirements	(148)	(2)
At 31st December 2022	592	13

There were no risk only members in the Scheme during the year.
*4 members should have been noted as deferred as at closing 31/12/2021

12. Investment Management

The Scheme's assets are invested in an Exempt Approved Pension Policy issued by Zurich Life. There was no self-investment in excess of 5 per cent of the resources of the Scheme. Contributions to this Scheme are invested in Zurich Life's unit linked pension funds. Each fund has a different degree of risk and potential reward. Therefore the Trustee and, if applicable, each member can decide which fund's strategy suits their needs best. Alternatively, the investment can be divided between a number of funds to achieve their ideal spread of investment. A commentary by the Investment Manager on the performance achieved during the year is set out later in this report. More details on the investment policies pursued during the year and of any material changes of policy are set out in the Statement of Investment Policy Principles later in this report.

Zurich Life is remunerated on a fee basis for investment management services. This fee is levied directly and reflected in the change in market value and is borne by the Scheme.

13. Investment Strategy and Principles

The Trustee is responsible for determining the Scheme's investment strategy.

The Trustee has agreed a Statement of Investment Policy Principles ("SIPP"). This was last revised for the Scheme year ending 31st December 2020. A copy of the SIPP can be found attached to this document.

Note that the "SIPP" for the Scheme must be amended where there is a change to the Investment Strategy. If there are no changes to the Investment Strategy, the "SIPP" must be reviewed by the Trustee and signed every three years.

14. Employer Related Investments

There were no employer related investments at any time during the year.

15. Subsequent Events

There have been no other significant subsequent events post period-end which would impact on the financial statements of 31st December 2022 as at the date of approval of the Annual Report.

16. COVID-19

On the 11th March 2020, the World Health Organisation officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. The Trustee is closely monitoring the evolution of this pandemic, Including how it may affect the Scheme, the Sponsor, financial markets, the economy and the Scheme's members.

The extent of the impact of COVID-19 outbreak on the financial performance of the Scheme's investments will depend on future developments, including the duration and spread of the outbreak and related advisories, and restrictions and the Impact of COVID-19 on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. Markets experienced significant negative performance and extreme market volatility in March 2020 which has had a direct impact on the performance of the Scheme in the current year. The Trustee will continue to closely monitor any impacts of this pandemic on the Scheme.

ESB Additional Voluntary Contributions Scheme

TRUSTEE REPORT – Continued:

The Trustee Directors are closely monitoring developments relating to the spread of COVID-19, which is fluid and rapidly changing. The Trustee Directors will continue to monitor the situation closely and liaise regularly with their investment and other advisors to consider any necessary actions for the Investment strategy and other operational matters.

17. Enquiries

Any enquiries regarding this report or any other aspect of the Scheme should be directed to the Trustee or the Administrator of the Scheme. The contact name and address for the Administrator is:

Mr Ronan Price
Zurich Life Assurance plc
Zurich House
Frascati Road
Blackrock
Co Dublin
Telephone: 1850 733 766
Email: esb-avc@zurich.com

Conclusion

We trust that members find this report informative and we are pleased to acknowledge the assistance received from the Principal Employer.

On behalf of the Trustee:

Director **ILP Pension Trustees DAC**	29.09.2023 **Date**
Director **ILP Pension Trustees DAC**	29.09.2023 **Date**

ESB Additional Voluntary Contributions Scheme

STATEMENT OF TRUSTEE'S RESPONSIBILITIES:

The financial statements are the responsibility of the Trustee. Irish pension legislation requires the Trustee to make available for each Scheme year the annual report of the Scheme, including audited financial statements and the report of the auditor. The financial statements are required to show a true and fair view, in accordance with Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102"), of the financial transactions for the Scheme and the assets and liabilities (other than liabilities to pay benefits in the future) at the end of the Scheme year and include a statement whether the financial statements have been prepared in accordance with Statement of Recommended Practice – Financial Reports of Pension Schemes (revised June 2018) ("SORP"), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the Trustee must ensure that it has supervised the preparation of the Scheme financial statements and ensured that:

- suitable accounting policies are selected and then applied consistently;
- reasonable and prudent judgements and estimates are made;
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up; and
- the Statement of Recommended Practice (SORP) is followed, or particulars of any material departures have been disclosed and explained.

The Trustee is required by law to have appropriate procedures in place throughout the year under review, to ensure that:

- contributions payable during the Scheme year are receivable by the Trustee in accordance with the timetable set out in Section 58A of the Pensions Act, 1990 where applicable to the contributions and otherwise within 30 days of the Scheme year; and
- contributions payable are paid in accordance with the rules of the Scheme.

The Trustee is responsible for making available certain other information about the Scheme in the form of an annual report. The Trustee is also responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an annual report to be prepared for the Scheme containing the information specified in Regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended), including Financial statements which show a true and fair view of the financial transactions of the Scheme in the year under review and of the assets and liabilities at the year end, other than liabilities for pensions and other benefits payable after the year end. The Trustee is also responsible for safeguarding the assets of the pension Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.

On behalf of the Trustee:

Director **ILP Pension Trustees DAC**	29.09.2023 **Date**
Director **ILP Pension Trustees DAC**	29.09.2023 **Date**

Report of the Independent Auditors to the Trustees of ESB Additional Voluntary Contributions Scheme

Opinion

We have audited the financial statements of above pension scheme for the year ended 31 December 2022, which comprise the Fund Account, the Statement of Net Assets and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Irish pension law, the Statement of Recommended Practice – Financial Reports of Pension Schemes (SORP)(revised 2018) and the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 – 2021.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the year end;
- contain the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 In our opinion:
- the contributions have been paid in accordance with the Scheme rules and the recommendation of the actuary.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing & Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Respective responsibilities

Responsibilities of Trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- contain the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations 2006.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to wind up the scheme or to cease operations, or has no realistic alternative but to do so. The Trustees are also responsible for ensuring that

- the contributions payable to the Scheme during the period have been received by the Trustees within thirty days of the end of the scheme year end, and
- the contributions have been paid in accordance with the Scheme rules and the recommendation of the actuary.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Trustees and members of the pension scheme as a body. Our audit work has been undertaken so that we might state to the pension scheme's Trustees and members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Pension Scheme and the Trustees and members of the pension scheme, as a body, for our audit work, for this report, or for the opinions we have formed.

Angus Donohoe
BMOL Accountants Limited
Registered Auditors
Suite 4 Eden Gate Centre
Delgany, Co Wicklow
Date: 29 September 2023

ESB Additional Voluntary Contributions Scheme

FUND ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2022

These accounts are presented in euro (EUR) unless otherwise stated.

	Notes	2022 €	2021 €
Contributions and Benefits			
Employee Contributions		4,396,672	4,577,359
Total Contributions	5	4,396,672	4,577,359
Total Contributions		**4,396,672**	**4,577,359**
Benefits	6	(5,783,009)	(8,276,587)
Payments to & on Account of Leavers	7	(40)	(220)
Transfer Out	7	0	(148,370)
Total Benefits		(5,783,049)	(8,425,177)
Net Withdrawals from Dealings with Members		**(1,386,377)**	**(3,847,818)**
Returns on Investments			
Change in Market Value of Investments	8	(4,881,624)	4,531,780
Investment Management Expenses	10	(71,864)	(79,347)
Net Gain / (Loss) on Investment		**(4,953,488)**	**4,452,433**
Net (Decrease)/Increase in Fund Value		(6,339,865)	604,615
Opening Net Assets		37,837,382	37,232,767
Closing Net Assets		**31,497,517**	**37,837,382**

The notes on pages 14 to 20 form part of the financial statements.

On behalf of the Trustee:

Director
ILP Pension Trustees DAC

29.09.2023

Date

Director
ILP Pension Trustees DAC

29.09.2023

Date

ESB Additional Voluntary Contributions Scheme

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31ST DECEMBER 2022

These accounts are presented in euro (EUR) unless otherwise stated.

	Notes	2022 €	2021 €
Investment Assets			
Pooled Investment Vehicles	9	31,420,011	37,769,771
Total Net Investments		**31,420,011**	**37,769,771**
Current Assets	16	77,506	68,061
Current Liabilities	17	0	(450)
Net Assets Available for Benefits		**31,497,517**	**37,837,682**

All of the above assets were allocated to the members of the Scheme at 31st December 2022.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the year under review.

The notes on pages 14 to 20 form part of the financial statements.

On behalf of the Trustee:

Director
ILP Pension Trustees DAC

29.09.2023
Date

Director
ILP Pension Trustees DAC

29.09.2023
Date

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Compliance

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, as amended, ("the Regulations"), the guidelines set out in the Statement of Recommended Practice – Financial Reports of Pension Schemes (Revised June 2018) ("the revised SORP"), published by the Pensions Research Accountants Group and Financial Reporting Standard 102 ("FRS 102") – the financial reporting standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The financial statements deal with income, expenditure and net assets of the Scheme but do not take account of long term liabilities for pensions and other benefits expected to arise in the future.

2 Accounting Policies

The significant accounting policies adopted by the Trustee which have been applied consistently in dealing with items which are considered material in relation to the Scheme's financial statements are set out below:

(a) **Investments**: Investments are included at Fair Value. The Fair Value of pooled investment vehicles (including unitised funds) is taken at bid price (or single unit price where bid and offer prices are not published), as provided by the Investment Manager, as at the date of the Statement of Net Assets (Available for Benefits).

(b) **Investment Income/Change in Market Value:** Investment income and interest on bank deposits is accounted for on an accruals basis. Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest. The change in Fair Value of investments during the year comprises all increases and decreases in the Fair Value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in Fair Value. In the case of pooled investment vehicles which are accumulation funds, change in Fair Value also includes income, net of withholding tax, which is reinvested in the fund.

(c) **Investment Management Fees:** Investment Management fees are calculated as a percentage of the assets under management and these fees are borne by the Scheme. Fees relating to unitised funds are not levied directly but are reflected in unit prices and also borne by the Scheme.

(d) **Contributions:** Contributions from the members are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

(e) **Payments to and on account of leavers:** Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or if there is no member choice, on the date of retirement or leaving service.

(f) **Transfers to and from other Schemes:** Transfer values represent the capital sums either receivable in respect of members from other pension Schemes of previous employers or payable to the pension Scheme of the new employers for members who have left the Scheme. They are accounted for on a cash basis or where the Trustee has agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of agreement.

(g) **Expenses:** Expenses are accounted for on an accruals basis.

(h) **Transaction costs:** Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect transaction costs are incurred through the bid-offer spread, on investments in unitised funds. The amount of indirect transactions costs are not separately provided to the Scheme.

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS – Continued:

3 Constitution of the Scheme and Taxation

The Scheme was established with effect from 1st January 2001 and is governed by a definitive trust deed dated 9th October 2013.

The Scheme has been approved as an "exempt approved scheme" for the purposes of Section 774 of the Taxes Consolidation Act 1997 and thus Scheme income and gains are generally exempt from taxation.

4 Pension Benefits

Pension benefits under the Scheme are provided on a defined contribution (money purchase) basis. Up-to-date accumulated values are furnished annually on an individual basis to each member.

5 Contributions

	2022	2021
	€	€
Members		
Additional Voluntary Contributions	4,396,672	4,577,359
	4,396,672	4,577,359

6 Benefits

	2022	2021
	€	€
Retirements	5,723,995	8,255,800
Death Benefits	59,014	20,787
	5,783,009	8,276,587

7 Payments to & on Account of Leavers

	2022	2021
	€	€
Payment out of Uninvested Contributions	40	220
Transfer Out	-	148,370
	40	148,590

8 Reconciliation of Net Investments

Investment Assets	Opening Value	Purchases	Sales	Change in Market Value	Closing Value
	€	€	€	€	€
Pooled Investment Vehicles	37,769,771	5,274,950	(6,743,084)	(4,881,624)	31,420,011
	37,769,771	5,274,950	(6,743,084)	(4,881,624)	31,420,011

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS – Continued:

9 Pooled Investment Vehicles by type

	2022	2021
	€	€
Alternatives	340,337	140,640
Bonds	7,062,341	5,125,328
Cash	8,833,789	10,958,147
Equity	15,106,943	21,442,669
Property	76,601	102,987
	31,420,011	37,769,711

10 Investment Management Charges

	2022	2021
	€	€
Fund Management Charges	71,864	79,347
	71,864	79,347

The Investment Management of the Scheme is provided by Zurich Life Assurance plc. The Scheme bears all costs.

11 Details of Investment

Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The Investment Manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members.

The change in Fair Value of investments during the year comprises all increases and decreases in the Fair Value of investments held at the year-end, and profits and losses realised on the sale of investments held during the year. Where the investments are held in unitised funds, the change in Fair Value also includes expenses both implicit and explicit for the year and any reinvested income, where the income is not distributed.

The Investment Manager is remunerated on a fee basis calculated as a percentage of the assets under management and these fees are reflected in unit prices and borne by the Scheme. All the above funds are managed funds. All the funds are registered in the Republic of Ireland. The Investment Manager operating the managed funds is registered in the Republic of Ireland.

Transaction costs are included in the costs of purchases and sales proceeds. Transaction costs include costs directly and indirectly charged to the Scheme such as fees, commissions, stamp duty and other fees. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs are not separately provided to the Scheme.

12 Additional Voluntary Contribution (AVC) Investments

Members are allowed to pay contributions at a higher rate than stated in the Scheme rules. These contributions are invested with all other assets and are not separately distinguishable. The amount any Employee can pay over the contribution rates stated in the Scheme rules is dependant on their age. The Revenue Commissioner has prescribed maximum contribution rates based on an individual's age.

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS – Continued:

13 Fair Value of Investments

In line with the guidelines set out in the Statement of Recommended Practice (SORP) (Revised June 2018) and FRS 102, the market value of investments has been determined using the following hierarchy:

- *Level 1:* The unadjusted quoted price in an active market for identical assets or liabilities that the entity can assess at the measurement date.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- *Level 3:* Inputs are unobservable (i.e. for which market data is unobservable) for the asset or liability.

Pooled investment vehicles which are traded regularly are generally included under *Level 2*. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for market value applies, valuation techniques are adopted and the vehicles are included under Level 3.

The Scheme's investment assets have been included at fair value within the following level:

Investment Assets	Level 1	Level 2	Level 3	2022 Total
Pooled Investment Vehicles	-	31,420,011	-	31,420,011

Investment Assets	Level 1	Level 2	Level 3	2021 Total
Pooled Investment Vehicles	-	37,769,771	-	37,769,771

14 Investment Risk

Types of Risk relating to Investments

FRS 102 requires the disclosure of information in relation to certain investment risks.

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.

Market Risk: This is composed of currency risk, interest rate risk and other price risk.

- **Currency Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest Rate Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other Price Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes in the investment strategies chosen. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolio.

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS – Continued:

The following Table outlines the extent to which the various classes of investments are affected by financial risks:

Investment Assets	Credit Risk	Market Risk			Value	
		Currency	Interest Rate	Other Price	2022 €	2021 €
Alternatives	Slight Risk	Partial Risk	Slight Risk	Significant Risk	340,337	140,640
Bonds	Significant Risk	Partial Risk	Significant Risk	Slight Risk	7,062,341	5,125,328
Cash	Significant Risk	Partial Risk	Slight Risk	Slight Risk	8,833,789	10,958,147
Equity	Slight Risk	Partial Risk	Slight Risk	Significant Risk	15,106,943	21,442,669
Property	Partial Risk	Partial Risk	Slight Risk	Significant Risk	76,601	102,987

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Investment strategy
The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product). The SIPP outlines the investment objectives and strategy.

The investment funds offered to members are provided by Zurich Life Assurance plc.

The Trustee has an investment management agreement in place with Zurich Life Assurance plc that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the funds is the responsibility of Zurich Life Assurance plc, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by seeking regular investment updates from the Investment Manager.

The risks disclosed here relate to the Scheme's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the Scheme as a whole.

Credit risk
The Scheme is subject to direct credit risk in relation to Zurich Life Assurance plc through its holding in unit linked insurance funds provided by Zurich Life Assurance plc. Zurich Life Assurance plc is regulated by the Central Bank of Ireland and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Zurich Life Assurance plc by reviewing published credit ratings. Zurich Life Assurance plc invests all the Scheme's funds in its own investment unit linked funds and it does not use other investment funds or reinsurance arrangements.

The Scheme is also subject to indirect credit and market risk arising from the underlying investments held in the investment funds. Member level risk exposures will be dependent on the funds invested in by members. At the year-end the funds were exposed to underlying credit risk.

Market risk
The Scheme is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Zurich Life Assurance plc.

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS – Continued:

15 Concentration of Investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	2022		2021	
Pooled Investment Vehicles	%	€	%	€
Balanced Pension & Investment *	33.31	10,466,541	34.79	13,161,993
Cash *	25.14	7,898,908	22.12	8,369,580
International Equity *	12.12	3,807,908	13.75	5,203,256
New Ireland Passive Multi-Asset *	6.99	2,195,782	7.07	2,674,006
SuperCAPP *	6.32	1,986,417	5.95	2,250,075
5 Star 5*	5.91	1,856,351	6.37	2,410,953

* These investments are pooled investment vehicles which have multiple underlying assets none of which exceed 5% of the net assets of the Scheme.

16 Current Assets

	2022 €	2021 €
Designated to Members		
Gross Contribution Due		
Additional Voluntary Contribution	77,506	67,611
Cash	-	450
	77,506	68,061

17 Current Liabilities

	2022 €	2021 €
Designated to Members		
Benefits Payable	-	450
	-	450

18 Related Parties

(a) **The Trustee:** The Trustee of the Scheme is outlined on page 3 of this report. The directors of the Trustee Company are listed on page 3 of this report. None of the directors during the year were members of the Scheme.

(b) **Remuneration of the Trustee:** The Trustee did not receive and was not due any remuneration from the Scheme in connection with the management of the Scheme.

(c) **Employer Company:** The ESB is the Principal Employer.

(d) **The Registered Administrator:** Zurich Life Assurance plc, as Registered Administrator, is remunerated on a fee basis and these fees are borne entirely by the Scheme. These fees are reflected in the change in Fair Value and are borne by the Scheme. The fees borne by the Scheme for the Scheme year ending 31st of December 2022 were €71,864 (2021: €79,347). All fees and expenses other than Administration,

ESB Additional Voluntary Contributions Scheme

NOTES TO THE FINANCIAL STATEMENTS – Continued:

Investment Manager and Consultancy fees are borne by Zurich Life Assurance plc. The cash held by the Administrator at the year end on behalf of the Scheme was €0 (2021: €0).

(e) **The Investment Manager:** Zurich Life Assurance plc was appointed by the Trustee to manage the Scheme's assets. The Investment Manager is remunerated on a fee basis calculated as a percentage of the assets under management. This is reflected in unit prices and borne by the Scheme.

(f) **The Consultant:** Zurich Life Assurance plc was appointed by the Trustee as the financial advisor. The Consultant received commission calculated as a percentage of the annual contributions.

19 Contingencies and Commitments

As stated on page 14 (note 1) of these financial statements, liabilities to pay pensions and other benefits in the future have not been taken into account. On that basis, in the opinion of the Trustee, the Scheme had no contingent liabilities at the year end.

20 Subsequent Events

There have been no other significant subsequent events post period-end which would impact on the financial statements of 31st December 2022 as at the date of approval of the Annual Report.

21 COVID-19

On the 11th March 2020, the World Health Organisation officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. The Trustee is closely monitoring the evolution of this pandemic, Including how it may affect the Scheme, the Sponsor, financial markets, the economy and the Scheme's members.

The extent of the impact of COViD-19 outbreak on the financial performance of the Scheme's investments will depend on future developments, including the duration and spread of the outbreak and related advisories, and restrictions and the Impact of COVID-19 on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. Markets experienced significant negative performance and extreme market volatility in March 2020 which has had a direct impact on the performance of the Scheme in the current year. The Trustee will continue to closely monitor any impacts of this pandemic on the Scheme.

The Trustee Directors are closely monitoring developments relating to the spread of COVID-19, which is fluid and rapidly changing. The Trustee Directors will continue to monitor the situation closely and liaise regularly with their investment and other advisors to consider any necessary actions for the Investment strategy and other operational matters.

22 Approval of Financial Statements

The financial statements were approved by the Trustee on 29.09.2023

ESB Additional Voluntary Contributions Scheme

APPENDICES

REPORT ON THE VALUATION OF LIABILITIES

As a defined contribution Scheme, all assets are held in respect of the liabilities for members' benefits expected to arise in the future with the exception of those assets that are not designated to members which are ultimately due back to the employer.

The liabilities have been valued using the applicable Fair Value of the corresponding assets at the year end date. The current and future liabilities of the Scheme as at 31st December 2022 can be summarised as follows:

	Designated To Members €	Not Designated To Members €	Total €
Current Liabilities	-	-	-
Future Liabilities	31,497,517	-	31,497,517

Note 1: Current Liabilities are liabilities that have been identified as payable at the year end date.

Note 2: Future Liabilities are all liabilities that become payable after the year end date and represent the value of the net assets of the Scheme at the year end.

On behalf of the Trustee:

Director
ILP Pension Trustees DAC

29.09.2023
Date

Director
ILP Pension Trustees DAC

29.09.2023
Date