ANNUAL REPORT 2021

The ESB Defined Benefit Pension Scheme

ESB Pensions

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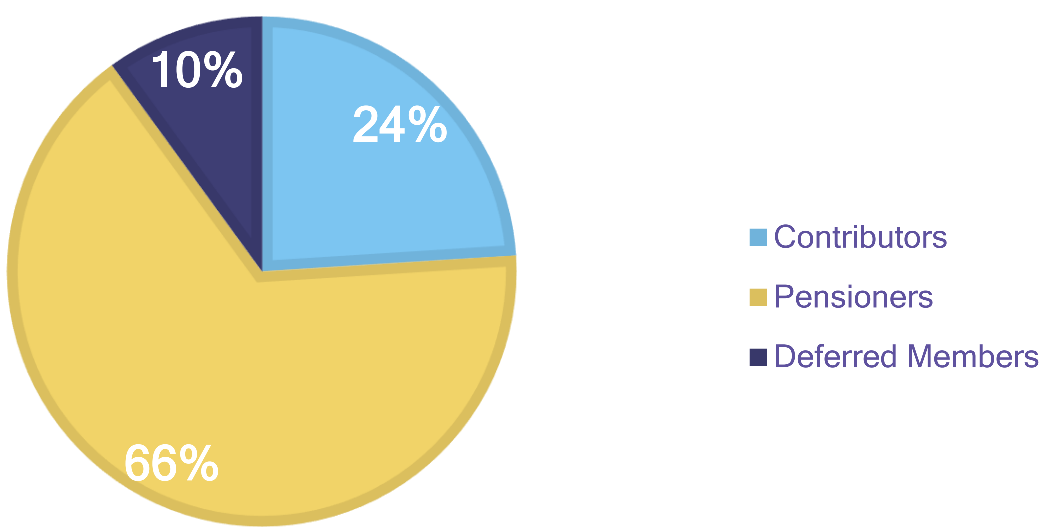
TRUSTEES, SUPERANNUATION COMMITTEE AND OFFICERS

A YEAR IN NUMBERS 2021

Fund Return (%)	11.0%
Fund Value at the end of 2021 (€million)	5,528
Net Return on Investments (€million)	554
Contributions and Transfers In (€million)	60
Benefits Paid (€million)	(257)
Overall Change in Value over 2021 (€million)	357
Number of members:	12,246

The Annual Report tells you what happened in the Scheme Year - January to December 2021



SCHEME FOREWORD BY TRUSTEE CHAIRPERSON

As Trustee Chairperson, I am pleased to present the 2021 Annual Report for the ESB Defined Benefit Pension Scheme. The Annual Report and its Summary are the primary methods used by the Trustees to communicate with members. We hope our members find them both informative and interesting in giving an insight into the scale and operation of the Scheme.

2021 was a year in which technology played such a massive part in all our lives. It was, for a lot of people, the only connection to the world which made it a very unusual and difficult year. Unlike 2020, which had a brief period of relative normality before Covid upended everything, the pandemic dominated our lives since day one in 2021. We've all had to adapt to a "new" normal, although what that looks like is different for every person. It was with a lot of joy and relief - and perhaps even trepidation - that we witnessed the removal of most Covid restrictions in early 2022 and we hope that Covid remains less of a threat going forward. Our joy was short lived however when we witnessed the outbreak of a needless war in Ukraine and the pointless and devastating loss of many lives. As Martin Luther King, Jr once said, "The past is prophetic in that it asserts loudly that wars are poor chisels for carving out peaceful tomorrows".

In 2021, economies around the globe slowly made great progress towards recovery and re-opening. However, much remains to be done as the recovery was uneven, incomplete and often interrupted by new virus outbreaks and scares. In fact, despite vaccines, significant natural immunity and various restrictive measures – the virus took a larger human toll last year than 2020. Despite all this, it was a good year for a lot of growth assets. As a balanced portfolio, the performance of the ESB Pension Fund is driven primarily by the return of a basket of assets as opposed to the performance of any one particular asset along with manager skill. The Fund recorded a return of 11.0% during the year. The return over the past 3 years was 7.2% p.a., while over the longer term, the Fund returned 5.4% p.a. and 8.2% p.a. over the past 5 and 10 years respectively. Lower asset yields and richer asset prices have brought forward future returns. The payback time for the recent decades' windfalls gains may be approaching.

As noted in previous years, the Scheme is an increasingly mature one where 66% of the members are pensioners. Benefits and payments to leavers totalled €257 million for the year while total contributions from employees and employer were €60 million. The trend of higher pension payments relative to contributions will only be strengthened over the coming years which has implications for investment strategy and maintaining liquidity to pay pensions.

The Scheme Actuary concluded, in the Interim Actuarial Valuation at the end of 2021, that on an ongoing basis, the Scheme's assets and liabilities could, based on the method and assumptions employed, be considered to be in balance. The ongoing position sets out the Scheme's funding level on the basis that it continues in operation into the future. The regulatory Minimum Funding Standard (MFS) shortfall, which assumes that the Scheme is wound up immediately, was €292 million while the size of the Risk Reserve was €720 million at the end of 2021. In calculating these numbers, the Actuary used a normal retirement age of 60 until such time as the Minister approved the deferred member rule change. This change would allow the Actuary to use a normal retirement date of 66 which would significantly reduce the valuation of the MFS liabilities. The rule change followed the member consultation period last year and ESB's subsequent approval of the rule change.

The Funding Proposal submitted last year expired at the end of 2021. As the Ministerial approval for the deferred member rule change was only received in April 2022, the Scheme did not meet the MFS at end of 2021. However, given the rule change approval in April 2022, the significant rise in bond yields and positive investment return up to April 2022, the Scheme met the MFS at that time which is a very noteworthy and positive development.

With the submission of the Funding Proposal to the Pensions Authority last year, the Solvency Test for previous years (2018 and 2019) was conducted in late 2021/early 2022. As Irish inflation was negative (-1.2%) in the 12 months to September 2020, there was no test applicable for 2020. The applicable rates of inflation in the 12 months to the end of September 2018 and September 2019 was 0.9% for each year. In his assessment at that time, the Actuary outlined that the Funding Proposal was on track to meet its objective by the end of 2021, if the terms of the Proposal were implemented in full. The Trustees and the Forum both endorsed the Actuary's recommendation that these two pension increases could be awarded and backdated. This was approved by the Superannuation Committee and was applied in late March 2022. This is a positive development for Scheme members. These two pension increases added c. €83 million to the MFS liability. Irish inflation for the 12 months to September 2021 was 3.7%. The Actuary recommended to the Trustees that the Solvency Test for 2021 should be conducted after a Funding Proposal, if required, is submitted to the Pensions Authority. As the Actuary confirmed in May 2022 that a Funding Proposal is not required in 2022 as the Scheme meets the MFS, the Solvency Test will be undertaken shortly.

As mentioned in my foreword last year, regulation is becoming more and more onerous for Trustees in Ireland. IORPII, an EU directive transposed into Irish law in 2021, significantly increases the compliance burden for schemes. We are currently working on this and hope to be fully compliant at the end of 2022 in line with Pensions Authority expectations. The Trustees approved the appointment of the two key function holders - James O'Loughlin for Internal Audit and Krystle Healy for Risk. Quarterly data on assets and annual data on liabilities is being submitted to the ECB. Furthermore, we have also initiated policies to comply with the EU Shareholder Rights Regulation 2020, the ESG requirements of IORPII and the EU Sustainable Finance Disclosures Regulations. The Trustees continuously keep under review the legislation and regulations underlying the Scheme.

Due to the pandemic, our member communication event last year was an online live event hosted in October 2021.This year's event will also be a live event on Microsoft Teams in October 2022. If you would like to join this event, please email onehr@esb.ie before 23rd September 2022.

Finally, I wish to note that this is my last Annual Report as Trustee Chairperson. I first served as a Trustee from 1998 to 2006 after which I served as Chairperson from May 2008 when I took over from the late Joe Maher. While I have thoroughly enjoyed serving all of you as Trustee Chairperson, I feel the time is now right for me to hand over and spend more time with my family now that the Scheme's solvency is on a solid footing on both an actuarial and regulatory basis. I was recently looking up some old files and noted how much change the Scheme has seen since 1998 – back then there were 7,831 active members compared to 2,900 today; 4,879 pensioners compared to 8,068 today; the Fund size was €1.6bn compared to €5.5bn today while the asset mix was less sophisticated with the assets mainly in equities (65%), bonds (15%), property (2%) and cash (18%). Returns have been strong since 1998 coming in at 6% per annum. I will really miss the interactions with my fellow Trustees who truly do a remarkable job in managing the Scheme for you and I thank them for their continued confidence in reappointing me as their Chairperson over the years. I will also miss my interactions with ESB and indeed ESB Pensions who work tirelessly on your behalf and provide a truly professional and wonderful service. I wish my successor and my fellow Trustees all the best in the future in managing the Scheme in a tough regulatory and investment environment.

"The past is a foreign country: they do things differently there".

L.P. Hartley

Tony Donnelly,
Trustee Chairperson
May 2022

SECTION 1 SCHEME OVERVIEW

Scheme Overview

The Annual Report and its Summary describe the operation of the ESB Defined Benefit Pension Scheme, its funding position and investment policies and performance. The report also contains the audited financial statements as at 31 December 2021. Each is available online on the intranet for all contributing members and upon request for pensioners and deferred members.

The Scheme is a funded defined benefit pension scheme as defined by the Pensions Act 1990. The Scheme was established under the Electricity Supply Board (Superannuation) Act 1942 and provides benefits based on pensionable earnings and service for members and their dependants on retirement, death or ill health.

Superannuation Committee and Trustees

The Trustees and the Superannuation Committee are responsible for overseeing all aspects of the Scheme with ESB being the Registered Administrator. The Trustees have overall responsibility for the investment of the Fund's assets. The Superannuation Committee oversees the payment of benefits to members and their dependants.

In total, 11 Trustee meetings were held during the year. Jeremiah Murphy and Anthony Walsh were both appointed as Trustees following the Trustee election last year. As mentioned in last year's Report, David Naughton passed away in early March 2021. There were 12 Committee meetings held during 2021. Arthur Hutchinson attended his final meeting on 3rd March 2021 and was replaced by Lorna Heron whose first meeting was the April meeting.

Table 1 Attendance at Trustee meetings in 2021

Trustee	Period	Attendance	Meetings*
Tony Donnelly	Jan - Dec 2021	11	11
Adrian Kelly	Jan - Dec 2021	10	11
Anne Marie Kean	Jan - Dec 2021	10	11
Jeremiah Murphy	Jul- Dec 2021	5	5
David Naughton RIP	Jan - Feb 2021	0	2
Pat Naughton	Jan - Dec 2021	11	11
Peter Van Dessel	Jan - Dec 2021	11	11
Anthony Walsh	Jan - Dec 2021	11	11

** Number of meetings individual was eligible to attend.*

Table 2 Attendance at Committee meetings in 2021

Member	Period	Attendance	Meetings*
Ann Carroll	Jan - Dec 2021	10	12
John Carton	Jan - Dec 2021	11	12
Adrian Fox	Jan - Dec 2021	10	12
Lorna Heron	Apr - Dec 2021	9	9
Arthur Hutchinson	Jan - Mar 2021	3	3
Sean Kelly	Jan - Dec 2021	10	12
Louise Murphy	Jan - Dec 2021	12	12
Margaret O'Connor	Jan - Dec 2021	12	12
John O'Sullivan	Jan - Dec 2021	9	12
Claire Quane	Jan - Dec 2021	9	12
David Sexton	Jan - Dec 2021	10	12

** Number of meetings individual was eligible to attend.*

Pensions Implementation Forum

The Pensions Implementation Forum was set up post the Pensions Agreement 2010 to ensure that the parties to the Scheme are fully conversant with and have a shared understanding in relation to the associated management of the Scheme risks. It is made up of representatives of the Trustees, the Committee, the ESB Group of Unions and ESB. It is chaired by Tom McMahon and Darina Gallagher is the Secretary. David Sexton replaced Arthur Hutchinson when he retired during the year. There were two Forum meetings in 2021.

Scheme Administration

ESB is the Registered Administrator and day to day administration for 2021 was provided by Capita until 30th June 2021 and AON Solutions Ireland Ltd from 1st July 2021. This followed a procurement process for the administration services contract undertaken in 2020. ESB Pensions support the work of the Trustees and Committee. James O'Loughlin fulfils the statutory role of Secretary to both.

Administrative expenses, with the exception of certain professional and investment fees, are borne directly by the ESB. Fees for investment managers are based on a percentage of assets under management, calculated on a quarterly basis while some also have a performance fee element should performance exceed certain targets

Scheme Amendments

As notified in last year's Annual Report, in March 2020, as part of the proposed Minimum Funding Standard (MFS) solution, the rules of the Scheme were changed to require retirements prior to the state pension age to be specifically approved by the Superannuation Committee. This rule change was submitted to and approved by the Minister in December 2020. This then allowed for the MFS Funding Proposal to be submitted to the Pensions Authority that aims to address the MFS shortfall by the end of 2021.

In bringing that rule change through the approval process with the Department and NewERA, it was pointed out that by changing the rules as submitted, only active staff would be subject to the approval process by the Superannuation Committee and not deferred members. On further consideration it was felt that this anomaly needed to be addressed and at the October 2021 Board meeting, the ESB Board approved a rule change to make the approval by Superannuation Committee a requirement for deferred members also. This is seen as ensuring equality between serving and deferred members. It should be noted that this new rule change does not affect anyone who left under a Voluntary Severance (VS) arrangement.

As per the Scheme rules, there followed a consultation process with employees in November for a period of 21 days. This was submitted for approval to the Minister in Q1 2022 which was received in April 2022.

Funding Proposal 2021

A Funding Proposal to address the MFS shortfall by the end of 2021 was submitted in August 2021 to the Pensions Authority after it was signed by the Trustees, Actuary and ESB and approved by the Department. The main features of the Proposal included the rule change for Committee approval before the Scheme's normal retirement age (including the deferred rule change), a continuation of regular ESB and employee contributions, the final payment arising from the Pensions Agreement 2010 (€287 million), an annual fee contribution, an acceleration of deficit repair contributions if required, ESB to prepare a rule change to provide for the purposes of the Scheme, an increased normal retirement age to 67 and 68 over a period of time while the Trustees have reserved the right to implement the remaining part of the pensions levy deduction not already passed to members should it be necessary. This Funding Proposal did not meet the MFS at the end of 2021 mainly because the rule change had yet to be signed by the Minister. However, given the rule change was approved by the Minister in April 2022 and the significant rise in yields in 2022, the Scheme now meets the MFS.

Pension Increases

Under the terms of the Pensions Agreement 2010, pension increases are based on the level of annual price inflation (to end September in the previous year), subject to an annual Solvency Test, prior to any payment and subject to a cap of 4%. With the submission of the Funding Proposal to the Pensions Authority last year, the Solvency Test for previous years (2018 and 2019) was conducted. As Irish inflation was -1.2% in the 12 months to September 2020, there was no test applicable for 2020. The applicable rates of inflation in the 12 months to the end of September 2018 and September 2019 were 0.9% for each year. Following the positive outcome from the Solvency Test, the Committee approved these increases which were backdated. Irish inflation for the 12 months to September 2021 was 3.7%. As the Actuary confirmed in May 2022 that a Funding Proposal is not required in 2022, the Solvency Test will be undertaken shortly.

Solvency Position at the end of 2021

In the years between the formal Triennial Actuarial Valuations, the Actuary carries out a less formal Interim Valuation. The formal actuarial valuation is undertaken in accordance with Section 56 of the Pensions Act and is prepared in accordance with relevant actuarial standards and guidelines issued by the Society of Actuaries in Ireland. However, as the Interim Valuation is not a formal valuation, it does not comply with all of the detailed reporting and disclosure requirements of a full valuation. The last Triennial Actuarial Valuation was at the end of 2020. The ESB Gateway Trust, which contains €47 million, is included in the valuation of the Scheme's assets. This amount will be payable on call by the Superannuation Committee to fund the cost of any benefits granted on earlier retirement between ages 60 and 66 that the Committee cannot, on the basis of advice from the Scheme Actuary, be absorbed by the Scheme's resources.

At the end of 2021, the Scheme Actuary confirmed that the assets and liabilities remained broadly in balance on an ongoing basis with an overall funding level of 98.5%. This is based on a 3.7% discount rate which is marginally higher than last year due to higher bond yields.

The regulatory MFS shortfall was €292 million at the end of 2021 while the Risk Reserve requirement was €720 million so the Scheme did not meet the MFS at year end. Importantly, this was using a normal retirement age of 60 for all members. However, given the rule change approved by the Minister in April 2022, the positive Fund performance and significant increase in bond yields up to April 2022, the Scheme met the MFS that time and therefore no Funding Proposal is required.

Risk Statement

The Trustees are 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 benefit basis for the purposes of the Pensions Act, 1990. Defined benefit schemes are not guaranteed, as benefits are ultimately dependent on continuing contributions and Scheme solvency. Some of the risks identified are set out below:

1. Actual experience of salary growth, interest rates, mortality and the investment returns achieved by the Scheme's assets may vary to a significant extent from the assumptions made about the Scheme. As such, conditions may occur that could lead to a shortfall in the Scheme's assets i.e. the Scheme may not be solvent.
2. The administration of the Scheme may fail to meet acceptable standards.
3. There may be regulatory or legislative changes that will restrict the level or type of benefits members may receive and how they are taxed. This risk is outside the control of the Trustees.

The Trustees are also required by regulations made under the Pensions Act 1990 to include in the Annual Report a risk statement in the following form:

4. The Scheme is funded by contributions paid by the employer and members. Actuarial advice will have been obtained when setting those contributions. However, there is no guarantee that the Scheme will have sufficient funds to pay the benefits promised. It is therefore possible that the benefits payable under the Scheme may have to be reduced. If the Scheme is wound up and there is a deficit, the employer may not be under an obligation to fund the deficit or, even if the employer is under such an obligation, they may not be in a position to fund the deficit.

The Trustees are satisfied that they are taking all reasonable steps to protect the members from the effects of these risks, including:

5. Appointing professional investment managers to manage the Scheme's investments; the Scheme holds a range of diversified assets and there is regular monitoring of how these investments are performing.
6. Appointing a Fellow of the Society of Actuaries in Ireland who holds an appropriate certificate to act as a Scheme Actuary of an occupational pension scheme; furthermore, the Trustees commission an actuarial valuation of the Scheme which is carried out at least every three years. The valuation determines whether the Fund is likely to be adequate to meet the future liabilities of the Scheme. In undertaking the valuation, the actuary takes account of the future contributions at prevailing rates and makes assumptions regarding future experience covering the amount and timing of benefit payments and investment returns.
7. In addition, the actuary undertakes an annual review of the Scheme's ability to meet the statutory funding standard. If the Scheme does satisfy the funding standard a Funding Proposal designed to address the shortfall has to be put in place. The Actuary's review extends to considering whether the Proposal is on track to achieve its objective. If the actuary is not satisfied that the Proposal is on track, then the Trustees and the employer are required to submit a revised Proposal to the Authority that is designed to address the shortfall.

8. Appointing experienced professional advisers and administrators to assist with the proper running of the Scheme.
9. Having access to appropriate training in relation to their duties and responsibilities as Trustees and having access at all times to the Trustees' 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.

CARE Revaluation

Under the terms of the Pensions Agreement 2010, a Career Average Revalued Earnings (CARE) defined benefit structure was introduced for all active Scheme members from 1st January 2012. CARE revaluation is based on the annual inflation rate to end September each year plus 1%. The 12-month inflation rate until September 2021 was 3.7% according to the Central Statistics Office (CSO) which means a CARE revaluation of 4.7%.

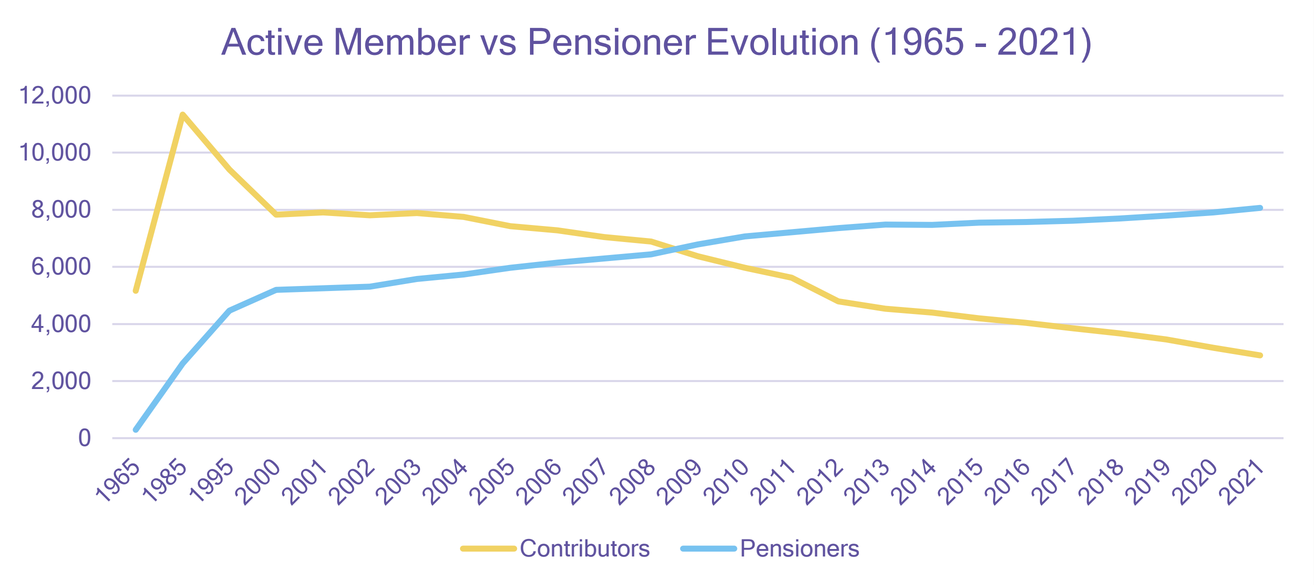
Table 3 Scheme Member Profile

Pensioners	2021	2020
Pensioners at the start of year	7,906	7,796
Add: New Pensioners (including spouses & children)	464	403
Less: Pensions ceased during the year	(302)	(293)
Pensioners at end of year	8,068	7,906

Contributors	2021	2020
Contributors at start of year	3,161	3,459
Add: New entrants (return from career breaks)	1	1
Less:		
Career break starters (to Preserved)	0	(3)
Retirements – Ordinary	(228)	(211)
Retirements – Ill health	(2)	(3)
Resignations	(5)	(5)
Death in Service	(1)	(6)
Post 2010 VSS Leavers	(25)	(69)
Transfer Out	(1)	(2)
Contributors at year end	2,900	3,161

Scheme Member Profile	2021	2020
Contributors	2,900	3,161
Pensioners	8,068	7,906
Deferred members	1,278	1,360
Total Members	12,246	12,427

Figure 1 Active Member vs Pensioner Evolution (1965 - 2021)



Fund Performance

The Fund returned 11.0% in 2021 which was above the 3.4% target with strong contributions (i.e. weight multiplied by return) coming from equities, liability driven and inflation linked bonds portfolio, credit, multi asset funds, hedge funds and the inflation sensitive portfolio (gold, forestry and inflation sensitive multi asset fund). The return over the past 3 years was 7.2% p.a., while over the longer term, the Fund returned 5.4% p.a. and 8.2% p.a. over the past 5 and 10 years respectively. Given the increase in yields, the long-term return target was increased to 3.7% in 2022 on an actuarial basis.

Table 4 Annualised Fund Returns to 31st December 2021

	1 Yr	3 Yr	5 Yr	10 Yr
Fund Return	11.0%	7.2%	5.4%	8.2%

Fund's Allocation

Following the investment strategy review in 2021, the Trustees made several changes to the strategic allocation. One change was the introduction of an inflation sensitive portfolio which grouped some existing assets together such as gold equities, forestry and an inflation sensitive multi asset fund. Other changes involved the underlying allocations within asset classes. The Fund's asset allocation changes over the year is shown in Table 5 Asset class Target and Actual Allocations. The underlying managers in the multi asset funds themselves invest in a range of bonds, equities and other asset classes. The Gateway Trust is included in "Cash & Other". The medium-term target allocation and allocation ranges represent where the Trustees are moving towards in terms of asset allocation which will take some time in some cases given the illiquidity of certain assets like property or infrastructure. “LDI” represents “liability driven investing” which is a portfolio of assets designed to hedge out liability risks, mainly interest rate and Inflation, through appropriate swaps.

Table 5 Asset class Target and Actual Allocations

Asset class Allocations	Medium Term Target	Target Allocation Range	At end 2020	At end 2021
Matching/Defensive Assets				
Cash	3%	0-10%	7%	3%
Euro Corporate Bonds	4%	0-10%	0%	4%
Government Bonds/LDI	12%	10-70%	12%	13%
Performance Assets				
Credit	18%	14-22%	16%	15%
Multi-Asset	7%	4-10%	14%	11%
Property	8%	5-11%	10%	11%
Equities	17%	12-22%	16%	17%
Inflation Sensitive Assets	9%	5-13%	10%	10%
Hedge Funds	9%	5-13%	10%	9%
Infrastructure	11%	8-14%	5%	6%
Private Equity	2%	0-4%	0%	1%

** Note some asset classes are currently outside their new long term allocation range as the Scheme transitions to its new medium-term target over the following months arising from the Strategy Review undertaken at the end of 2021.*

Scheme Financials

At 31 December 2020 the value of Fund assets was €5,171 million. During 2021 contributions from ESB and members and transfers in amounted to €60 million. Benefits and payments to leavers amounted to €257 million. Overall, the Fund gained €554 million arising from the increase in the valuation of investments and income less expenses. This resulted in net assets of €5,528 million at 31 December 2021. This net asset includes the Gateway Trust which is included in the overall Fund.

Table 6 Financial summary

	2021 €million	€million	2020 €million	€million
Value of Fund at start of year		5,171		5,010
Contributions and Transfers In				
ESB (including €287m*)	40		325	
Member Contributions and Transfers In	20	60	22	348
Benefits and payments to leavers		(257)		(253)
Net Return on Investment		554		67
Change in Fund value during year		357		162
Value of Fund at end of year		5,528		5,171

** Final payment from ESB arising from the 2010 Pensions Agreement paid in 2020.*

(Numbers are rounded to the nearest million.)

Compliance Details

Pensions legislation requires that we confirm the following details:

1. The Scheme is a funded defined benefit pension scheme as defined by the Pensions Act 1990. ESB Group is the principal employer.

2. The Scheme has been approved as a retirement benefits scheme for the purposes of Chapter II, Part I, Capital Finance Act 1972, with effect from 6 April 1972.

3. The Scheme is registered with the Pensions Authority, registration number PB1699.

4. The Trustees, the Superannuation Committee and the staff of ESB Pensions have access to the Trustees' Handbook and Guidance notes as issued by the Pensions Authority from time to time.

5. The right of members to select or approve the selection of Trustees to the Scheme is set out in Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees (No.3)) Regulations, 1996, (S.I. No. 376 of 1996).

6. No pension increases were paid during the year for which the scheme would not have a liability in the event of a wind-up.

7. In the event of judicial separation, divorce or dissolution of a civil partnership, a Court application may be made for a Pension Adjustment Order in respect of the retirement or contingent benefits payable to or in respect of a married or civil partner member. Further information on this topic may be obtained from the Pensions Authority, Verschoyle House, Lower Mount Street, Dublin 2.

8. The Financial Services and Pensions Ombudsman Act 2017 requires that all pension schemes have an internal disputes resolution (IDR) procedure. The purpose of the procedure is to give actual or potential beneficiaries a formal basis for raising disputes. If a complainant is not satisfied with the outcome of the IDR process they can bring forward their complaint or dispute to the Financial Services and Pensions Ombudsman who may decide to investigate the matter. A copy of the IDR procedure is available on the Scheme's intranet site at https://thehub.esb.ie/ or https://www.esbstaffservices.com/ or by email to pensions@esb.ie.

9. There are no members of the Scheme included for Death in Service Benefits only.

10. The Trustees and Superannuation Committee confirm that ESB and members have paid and continue to pay contributions in accordance with the rate determined by the Scheme regulations.

11. The Trustees and Superannuation Committee have appropriate procedures in place to ensure that contributions payable during the scheme year have been received by the Trustees and Superannuation Committee in accordance with Section 58A of the Pensions Act where applicable to the contributions and otherwise within 30 days of the end of the scheme year. These monies are invested in accordance with legislative requirements.

12. The Trustees and Superannuation Committee have access to appropriate training on their duties and responsibilities and are compliant with all legislative trustee training requirements. No trustee training costs were borne by the Scheme in 2021. The Trustees have access to the Pensions Authority's Trustee Handbook and Guidance Notes.

13. Queries in relation to Scheme benefits or related matters should be addressed to the contact details on the back page of this Annual Report.

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

15. On 24 February 2022, Russia began a military invasion of Ukraine. In addition to causing intense human suffering, the conflict in Ukraine continues to be a key driver of global markets with commodity markets remaining volatile. The Trustees will continue to monitor the position in conjunction with their investment advisors. There have been no other significant subsequent events post year end which would impact on the financial statements for the year to 31 December 2021 as at the date of approval of the Annual Report.

16. IORPII was transposed into Irish law in 2021. The Trustees and Committee have a plan in place to be compliant by the end of 2022 as per the requirements set out by the Pensions Authority. To date, both have approved the Remuneration and Expenses Policy and signed off on the Annual Compliance Statement. Other templates are being worked on with our advisors. IORPII also stipulates the introduction of key function holders. The Trustees and Committee recently appointed Krystle Healy as Risk Key Function Holder and James O'Loughlin as Internal Audit Key Function Holder in December 2021.

SECTION 2 FUNDING

Funding

The Scheme Regulations require that the funding position is measured at least every three years through a formal Actuarial Valuation which assesses whether the Scheme has adequate assets to pay benefits now and in the future. Furthermore, the Scheme is also assessed under the Minimum Funding Standard (MFS) which is an annual statutory test required by the Pensions Act. These two measures of a pension scheme's financial position are different in a number of ways but primarily in their treatment of the ongoing nature of the pension scheme.

The Actuarial Valuation assesses whether the Scheme has an adequate level of assets, including future contributions, to pay benefits now and into the future. In this valuation, the Actuary compares the capitalised value of the pensions being paid now and in the future and the benefits to be paid to current employees in the future with the total value of the existing assets and future contributions from ESB and members.

The MFS assesses whether the Scheme could meet certain prescribed liabilities in the unlikely event of the Scheme being wound up on the valuation date. Typically, the wind-up mechanism would involve buying annuities from a life insurance company to provide pensions in the future. Where an MFS Funding Proposal is in place with the Pensions Authority, the Actuary also assesses whether the Proposal is still on track to resolve the deficit by the end of its term.

Actuarial Position

In the years between the formal Triennial Actuarial Valuations, the Actuary carries out a less formal Interim Valuation. The formal actuarial valuation is undertaken in accordance with Section 56 of the Pensions Act and is prepared in accordance with relevant actuarial standards and guidelines issued by the Society of Actuaries in Ireland. However, as the Interim Valuation is not a formal valuation, it does not comply with all of the detailed reporting and disclosure requirements of a full valuation. The Scheme Actuary carried out the interim Actuarial Valuation at the end of 2021.

On the basis of the method and assumptions employed, the Scheme Actuary reported a projected shortfall of €86 million which he considered to be broadly in balance given the size of the Scheme. The position at the end of 2021 represented a funding level (ratio of assets to liabilities) of 98.5%.

The main assumptions used in the (Triennial and Interim) Actuarial Valuations are the anticipated rate of return on the Scheme's investments, the rate of benefit inflation, future mortality rates and average age at retirement of employees. The long term expected rate of investment return was increased from 3.4% at the end of 2020 to 3.7% at the end of 2021 mainly due to the increase in core government bond yields (interest rates) over this period. The rate of long term expected inflation was also increased significantly from the end of 2020 to 2.1% from 1.35% in line with inflation expectations priced into long term bonds.

Minimum Funding Standard (MFS)

A pension scheme satisfies the MFS if the accumulated fund is adequate to meet the prescribed liabilities. The liabilities as specified by the Pensions Act, which form the basis of the Minimum Funding Standard test, are divided into the following priorities:

1. The estimated expenses of administering a wind up of the Scheme
2. For pensioners and those eligible for pension, the priority is for 100% for the first €12,000, 90% for €12,000 - €60,000 (min €12,000) and 80% of over €60,000 (min €54,000) based on the cost of providing for pensions in payment and survivors' pensions at the rates in force on the effective date

3. For actives under 60 and deferreds, 50% of statutory minimum entitlement based on the rates in force at the effective date
4. For pensioners and those eligible for pension, any amounts excluded under 2.
5. For actives under 60 and deferreds, any amounts excluded under 3.

As part of the Interim Actuarial Valuation, the Scheme Actuary also measures the solvency of the Scheme under the MFS. At the end of 2021, the MFS shortfall was €292 million. In calculating this, the Actuary used a normal retirement age of 60 until such time as the Minister approved the deferred member rule change in April 2022 which allows the Actuary to use a normal retirement date of 66. This significantly reduces the valuation of the MFS liabilities. The cost of annuities remains very expensive given the extremely low levels of core government bond yields although they have become cheaper more recently in 2022 due to higher interest rates. The MFS funding level was 95% at the end of 2021.

This shortfall does not include the Risk Reserve requirement which was introduced in 2012 by the Pensions Authority to ensure that Irish pension schemes hold a reserve to allow for adverse future experience relating to the Scheme's assets and/or liabilities. The size of the Risk Reserve was €720 million at the end of 2021.

A Funding Proposal to address the MFS shortfall by the end of 2021 was approved by the Department of the Environment, Climate and Communications and the Department of Public Expenditure and Reform in August 2021. Details are contained in Section 1 of this Report. This was then signed by both the Trustees and ESB and submitted to the Pensions Authority. The Scheme did not meet the MFS by the end of 2021 on account of the rule change not having ministerial approval. However, as the rule change was approved by the Minister in April 2022 and given the significant rise in bond yields and positive Fund return to the end of April 2022, the Scheme met the MFS at that time. This means that no Funding Proposal is now required.

A copy of the Actuarial Funding Certificate at end 2021, Funding Standard Reserve Certificate at end 2021, Actuary's Statement at end 2021 and the Report on Actuarial Liabilities at end 2020 are on pages 20 to 25 of this report.

Solvency Test

With the submission of the Funding Proposal to the Pensions Authority in 2021, the Solvency Test for previous years (2018 and 2019) was conducted. As Irish inflation was -1.2% in the 12 months to September 2020, there was no test applicable for 2020. The applicable rates of inflation in the 12 months to the end of September 2018 and September 2019 was 0.9% for each year. In his assessment at that time, the Actuary outlined that the Funding Proposal was on track to meet its objective by the end of 2021 if the terms of the Proposal were implemented in full. The Trustees and the Forum both endorsed the Actuary's recommendation that these two pension increases could be awarded and backdated. This was approved by the Superannuation Committee in January 2022 and was applicable from late March 2022. These two pension increases added c. €83 million to the MFS liability.

Irish inflation for the 12 months to September 2021 was 3.7%. The Actuary recently recommended to the Trustees that the Solvency Test for 2021 should be conducted after a Funding Proposal, if required, is submitted to the Pensions Authority. As the Actuary confirmed in May 2022 that a Funding Proposal is not required in 2022, the Solvency Test will be undertaken shortly.

Main financial drivers for the funding position

One of the key drivers in determining the financial health of a pension scheme is the value of its assets and the expected long-term return from those assets. In determining the strategic mix of assets in which to invest to achieve the Fund's target return, the Trustees seek to manage the inherent volatility in asset values through a diversified portfolio. Nevertheless, in order to achieve the required long-term return, the Trustees must invest in appropriate return generating assets. In the Triennial Actuarial Valuation at the end of 2020, the Trustees targeted a long-term return of 3.4%. This was increased to 3.7% in the Interim Valuation at the end of 2021 due solely to the increase in core bond yields over 2021. This is still a challenging target to achieve given the low level of interest rates. The Trustees also have to overlay this with a need to move to less volatile assets such as bonds and credit given the maturity of the Scheme.

Since the Global Financial Crisis, asset class returns have been strong mainly due to the unprecedented action of central banks globally which has pushed yields on most assets to very low levels. Due to Covid, governments around the world, to varying degrees, are also embarking on significant fiscal policies in order to help their countries emerge from the impact of the pandemic. The main difference between monetary and fiscal policy is that fiscal policy gets money into the real economy much more efficiently than monetary policy. Monetary policy reduced interest rates to very low levels which resulted in a lot of money going into assets, but much less into the real economy. Fiscal policy flows directly to people through spending on infrastructure (e.g. wages) or cheques to people (e.g. in the US). As economies open up, a lot of this money will find its way into the real economy. The effect of this on asset classes remains to be seen as a lot of it depends how people spend and how central banks will act, especially in the event of higher inflation, which we are now seeing due to the reopening of economies, continued issues in global supply chains, the demand-supply commodity imbalance and now the Russian Ukraine war.

Another key driver is the level of interest rates and inflation levels. Lower interest rates result in lower discount rates which increases the present value of liabilities. Interest rates since the early 1980's have declined significantly driven by falling growth, inflation and productivity levels and action by central banks globally. All these factors are assessed in the Actuarial Valuation. Lower inflation results in lower liabilities. Despite all the stimulus measures introduced by central banks globally, inflation remained below central bank targets for a number of years. However, this started to change in 2021 and more so in 2022. The Triennial Actuarial Valuation used the market implied level of inflation at the end of 2020 priced at 1.35% which was increased to 2.1% at the end of 2021 in line with bond breakeven (expectation) rates.

Life expectancy is another important input into the Actuarial Valuation. Future mortality assumptions were reduced by a few months in the Valuation at the end of 2020 as we outlined in last year's Annual Report, in light of studies from the Continuous Mortality Investigation (CMI) and Mercer best practice. Future life expectancy for a member currently aged 65 is now assumed at 22.3 years for a male and 24.1 for a female. While this is a disappointing outcome for members and society generally, the reduction in mortality assumptions lowers pension liabilities.

Actuarial Funding Certificate

An tÚdarás Pinsean
The Pensions Authority

SCHEDULE BD

Article 4

ACTUARIAL FUNDING CERTIFICATE

THIS CERTIFICATE HAS BEEN PREPARED UNDER THE PROVISIONS OF SECTION 42(1) OF THE PENSIONS ACT 1990 (the ACT) FOR SUBMISSION TO THE PENSIONS AUTHORITY BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: ESB Defined Benefit Pension Scheme

SCHEME COMMENCEMENT DATE: 01/04/1943

SCHEME REFERENCE NO.: PB1699

EFFECTIVE DATE: 01/05/2022

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY): 31/12/2021

On the basis of information supplied to me, having complied with any guidance prescribed under section 42(4)(b) of the Act and, subject thereto, having regard to such financial and other assumptions as I consider to be appropriate, I am of the opinion that at the effective date of this certificate:-

(1) the resources of the scheme, which are calculated for the purposes of section 44(1) of the Act to be €5,567,000,000.00, would have been sufficient if the scheme had been wound up at that date to provide for the liabilities of the scheme determined in accordance with section 44(1) of the Act which, including the estimated expenses of administering the winding up of the scheme, amount to €4,628,000,000.00, and

(2) €0.00 of the resources of the scheme referred to in paragraph (1) comprise contingent assets, in accordance with and within the meaning of the guidance issued by the Authority and prescribed under section 47 of the Act.

I, therefore, certify that as at the effective date of this certificate the scheme satisfies the funding standard provided for in section 44(1) of the Act.

I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:	Liam Quigley	**Date:**	08/06/2022
Name:	Mr Liam Quigley	**Qualification:**	FSAI
Name of Actuary's: Employer/Firm	Mercer (Ireland) Limited	**Scheme Actuary Certificate No.**	P044

Submission Details

Submission Number:	SR2918464	**Submitted Electronically on:**	08/06/2022
Submitted by:	Liam Quigley		

Funding Standard Reserve Certificate

An tÚdarás Pinsean
The Pensions Authority

SCHEDULE BE

Article 4

FUNDING STANDARD RESERVE CERTIFICATE

THIS CERTIFICATE HAS BEEN PREPARED PURSUANT TO SECTION 42(1A) OF THE PENSIONS ACT 1990 (the ACT) FOR SUBMISSION TO THE PENSIONS AUTHORITY BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: ESB Defined Benefit Pension Scheme

SCHEME COMMENCEMENT DATE: 01/04/1943

SCHEME REFERENCE NO.: PB1699

EFFECTIVE DATE: 01/05/2022

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY): 31/12/2021

On the basis of information supplied to me, having complied with any guidance prescribed under section 42(4)(b) of the Act and, subject thereto, having regard to such financial and other assumptions as I consider to be appropriate, I am of the opinion that at the effective date of this certificate:-

(1) the funding standard liabilities (as defined in the Act) of the scheme amount to €4,628,000,000.00,

(2) the resources of the scheme (other than resources which relate to contributions or a transfer of rights to the extent that the benefits provided are directly related to the value of those contributions or amount transferred (DC resources)), calculated for the purposes of section 44(1) of the Act amount to €5,567,000,000.00,

(3) €1,285,000,000.00 , of the amount referred to in paragraph (2) (subject to a maximum of an amount equal to the funding standard liabilities) is invested in securities issued under section 54(1) of the Finance Act 1970 (and known as bonds), securities issued under the laws of a Member State (other than the State) that correspond to securities issued under section 54(1) of the Finance Act 1970, cash deposits with one or more credit institutions and such other assets (if any) as are prescribed under section 44(2)(a)(iv) of the Act,

(4) the amount provided for in section 44(2)(a) of the Act (Applicable Percentage x ((1) minus (3)) is €334,000,000.00,

(5) the amount provided for in section 44(2)(b) of the Act, being the amount by which the funding standard liabilities of the scheme would increase if the interest rate or interest rates assumed for the purposes of determining the funding standard liabilities were one half of one per cent less than the interest rate or interest rates (as appropriate) assumed for the purposes of determining the funding standard liabilities less the amount by which the resources of the scheme (other than DC resources) would increase as a result of the same change in interest rate or interest rates is €122,000,000.00,

(6) the aggregate of (4) and (5) above amounts to €456,000,000.00, and

(7) the additional resources (as defined in the Act) of the scheme amount to €939,000,000.00, of which, in accordance with and within the meaning of the guidance issued by the Authority and prescribed under section 47 of the Act, €0.00 comprises contingent assets and €0.00 of such contingent assets comprise an unsecured undertaking.

I therefore certify that as at the effective date of the funding standard reserve certificate, the scheme does hold sufficient additional resources to satisfy the funding standard reserve as provided in section 44(2) of the Act.

I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:	Liam Quigley	**Date:**	08/06/2022
Name:	Mr Liam Quigley	**Qualification:**	FSAI
Name of Actuary's: Employer/Firm	Mercer (Ireland) Limited	**Scheme Actuary Certificate No.**	P044

Submission Details

Submission Number:	SR2918465	**Submitted Electronically on:**	08/06/2022
Submitted by:	Liam Quigley		

Report on Actuarial Liabilities

Mercer

The ESB Defined Benefit Pension Scheme ("the Scheme")

REPORT ON ACTUARIAL LIABILITIES

Under Section 56 of the Pensions Act, 1990 and associated regulations, the trustees of defined benefit pension schemes are required to have a valuation of the scheme prepared by the Scheme Actuary at least once every three years. I completed the most recent formal actuarial valuation as at 31 December 2020.

The primary purpose of the valuation is to set out the funding level at the valuation date on the basis that the Scheme continues to operate indefinitely and, on the basis of this analysis, confirm whether the finances of the Scheme are in surplus, in deficit or in balance. This is considered by comparing the value of the Scheme's accumulated assets plus the present value of future anticipated contributions with the value of its liabilities. Liabilities for this purpose include past service (benefits already accrued) and future service (benefits yet to be accrued). The funding level emerging from the 31 December 2020 valuation was as follows:

	€ millions
Scheme Resources	
Accumulated Fund at 31/12/2020	5,171
Value of Future Anticipated Contributions	577
Total Value of Scheme Resources	5,748
Scheme Liabilities	
Past Service Liabilities	5,168
Future Service Liabilities	613
Total Service Liabilities	5,781
Scheme Funding Level	
Excess of Liabilities over Scheme Resources	33
Funding Level	99.4%

On the basis of this outcome, it was considered that the Scheme's assets and liabilities were broadly in balance at the valuation date.

Valuation Method & Assumptions

The value of the liabilities and future contributions were calculated by firstly projecting the benefits and contributions payable in the future, making assumptions in relation to unknown future outcomes such as inflation and mortality rates. The resultant projected cashflows were then discounted to the valuation date to arrive at a single capitalised value.

The valuation assumptions were determined by the Scheme Actuary following consultation with the Trustees. A summary of the significant actuarial assumptions used to determine the liabilities are as follows (full details are provided in the Scheme's triennial actuarial report):

Principal assumptions used in 31 Dec 2020 valuation	
Financial assumptions	***% pa***
Discount rate	3.40%
CARE revaluation	2.35%
Pension Increases	1.35%
Salary Increases	2.85%
Demographic assumptions	
Mortality in retirement	Mercer best practice basis
Average Assumed Retirement Age	64.1

It should be borne in mind that a valuation is only a snapshot of a scheme's estimated financial condition at a particular point in time; it does not provide any guarantee of future financial soundness of a scheme. Over time, a scheme's total cost will depend on a number of factors, including the amount of benefits paid, contributions paid in and the amount earned on any assets invested to pay benefits.

The next valuation is expected to be completed with an effective date of 31 December 2023.

Liam Quigley
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Liam Quigley
Fellow of the Society of Actuaries in Ireland
Scheme Actuary Certificate No. P044

6 August 2021

Actuary's Statement

Mercer welcome to brighter

The ESB Defined Benefit Pension Scheme (Pensions Authority Reference Number 1699)

Actuary's Statement for the year ended 31 December 2021

The most recent Actuarial Funding Certificate completed in respect of The ESB Defined Benefit Pension Scheme (the "Scheme") had an effective date of 1 May 2022. That certificate confirmed that the Scheme satisfied the Funding Standard set out in Section 44(1) of the Pensions Act, 1990.

The most recent Funding Standard Reserve Certificate for the Scheme was also completed with an effective date of 1 May 2022. That certificate confirmed that the Scheme satisfied the Funding Standard Reserve laid down in Section 44(2) of the Pensions Act, 1990.

These certificates now replace certificates prepared as at 31 December 2021, in accordance with Pensions Act requirements and which confirmed that the Scheme did not satisfy either requirement at that date.

Prior to 31 December 2021, the Scheme had been operating under a funding proposal covering the period from 31 December 2018 to 31 December 2021. That funding proposal concluded on 31 December 2021. The funding proposal contained a range of measures which, once implemented, were expected to put the Scheme in a position to satisfy both the Funding Standard and Funding Standard Reserve. These measures included revisions to the Scheme's regulations which, although well advanced by 31 December 2021, had not received formal administrative approval by that date and therefore could not be reflected in the 31 December 2021 certificates.

The Scheme has, since 31 December 2021, received formal administrative approval to give effect to changes to its regulations that put it in a position to satisfy the Funding Standard and Funding Standard Reserve as at 1 May 2022 and the positive certificates completed as at that date reflect this position.

Liam Quigley

Liam Quigley, FSAI
Practicing Certificate Number P044
Date: 9 June 2022

SECTION 3 INVESTMENTS

Overview

Coming into 2021, markets were discounting sustained easy fiscal and monetary policy: nominal interest rates were at zero and priced to remain below pre-pandemic levels for a decade, with real yields at historical lows. That extreme 'easiness' was in turn discounted to yield only modest results: equities were expecting only moderate earnings growth in the developed world, bond yields were flat across the curve, and 10-year inflation expectations were expected to remain below policy-maker targets for years to come. But as the year went on, we saw just how powerful the combination of fiscal and monetary easiness could be.

Household and corporate balance sheets were transformed, while demand surged which became increasingly inflationary as it met broad-based supply constraints. Accordingly, assets biased to rising growth and inflation, including stocks, commodities, and inflation linked bonds, outperformed while nominal bonds underperformed as inflation expectations rose. Real interest rates stayed low due to the abundant liquidity circulating through the system.

Along the way, fears surrounding new variants of Covid-19 influenced asset returns, with the Delta variant and, more later in 2021, the Omicron variant leading to a sell-off in risk markets. Each subsequent wave has had less impact as economies and markets have adapted to the pandemic. More recently, several central banks have started to move towards withdrawing some stimulation, largely motivated by the need to bring high and rising inflation towards central bank targets. In early 2022, markets were currently discounting that only a very modest tightening would be sufficient to cool activity and bring inflation back under control. This is particularly true of the US Federal Reserve, which is facing the highest rates of inflation seen in decades. The Russian invasion of Ukraine has added a supply shock on top of a demand shock which will have a lot of implications for Europe in the short and medium term.

Fund Return

In this environment, the Fund achieved a return of 11.0% overperforming its long-term target of 3.4% in 2021. Equities, Credit, Multi asset funds, hedge funds, real assets (such as property and infrastructure) and inflation linked bonds were positive contributors to the return while nominal bonds, hedging, tail risk fund and cash detracted from performance. Over the past three and five years, the Fund returned 7.2% p.a. and 5.4% p.a. respectively. Over the past ten years, the Fund returned 8.2% p.a. The net asset value of the Fund at the end of 2021 was €5,528 million.

Table 7 Fund Returns to end 2021

	2021	3 Years p.a.	5 Years p.a.	10 Years p.a.
Fund Return	11.0%	7.2%	5.4%	8.2%

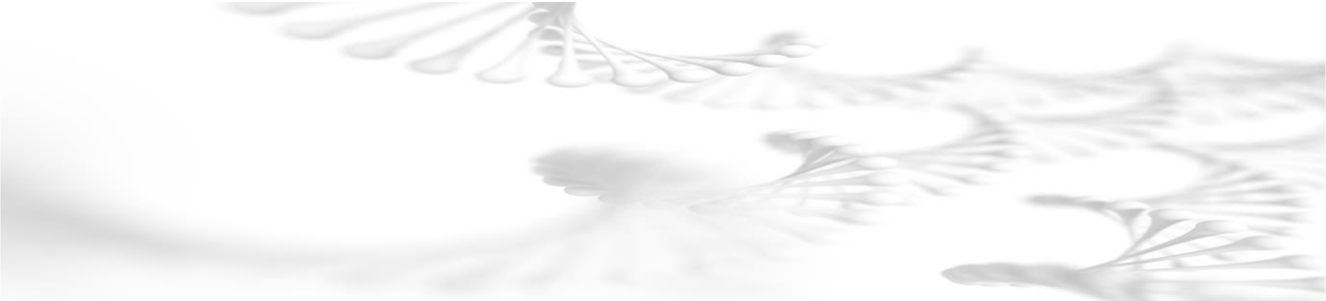

Table 8 Index Returns to end 2021

Returns to End 2021	2021	3 Years p.a.	5 Years p.a.	10 Years p.a.
Equities				
FTSE World	30.1%	21.8%	13.5%	14.3%
FTSE World (hedged)	21.4%	20.8%	14.5%	13.5%
Bonds				
EU Sovereign AAA (15+ Yr)	-5.8%	4.4%	3.3%	5.9%
EU Broad Sovereign (10+ Yr)	-7.0%	6.1%	4.0%	7.4%
EU Sovereign Inflation Linked	2.3%	4.3%	1.9%	3.8%
EU Corporates (5+ Yr)	-2.0%	4.1%	2.7%	5.2%
Other				
Commodities	40.4%	8.0%	2.8%	-5.5%
Fund of Hedge Funds	6.2%	7.3%	5.1%	4.7%
€/$	-6.9%	-0.3%	1.6%	-1.3%
€/£	-5.9%	-2.2%	-0.3%	0.1%

The main developments in the major asset classes included the following:

1. Global Equities

Equities rallied over the course of 2021. Most of this rally occurred in the first half of the year as policy makers pushed out stimulation through massive Covid relief and infrastructure packages while keeping monetary policy accommodative, at the same time as vaccine rollouts across much of the world allowed for economic reopening and substantial resumption of economic activity. Strong spending growth supported corporate cash flows and contributed to positive global equity returns. To a lesser degree, risk premium compression (i.e. the return in excess of risk free rate required by investor to compensate being subjected to an increased level of risk) and expectations for future earnings growth were also supports over the period.

Through the second half of the year, equity markets were weaker. Strong nominal growth continued to be a support for corporate cash flows, and strong nominal demand allowed corporates to pass along price increases to consumers and protect margins and earnings, even in the face of rising cost pressures related to supply chain issues and labour shortages in some economies. But these supports were offset modestly by rising risk premiums and some weakening in the growth expectations–with the emergence of the Delta variant, regulatory tightening in China, and, then towards the very end of the year, by the emergence of the Omicron variant and expectations for slightly faster tightening by central banks (although still relatively easy in absolute terms).

Across developed economies, the divergence between the US and other markets gives a sense of some of the pressures at play. The US outperformed thanks to stronger policy supports, a faster economic reopening, and a corporate sector that was healthier and significantly more active in financial markets than its foreign peers. Emerging Market equities in aggregate underperformed developed market equities last year. Chinese equity markets were particularly hard hit due to less accommodative policy and a ramping up in regulation that pushed up risk premiums. In other Emerging Markets, vaccine access and rollouts progressed more slowly, leading to more persistent Covid restrictions that impacted their economic recoveries.

2. Bonds

Bond yields rose modestly over the course of 2021, driven by an increase in discounted inflation as the recovery gained steam. This increase was off a low base, and breakeven inflation (i.e. expectations) was discounted to be roughly around central bank targets at the end of 2021 (with Japan being a notable exception, with inflation discounted to remain below). In contrast, real yields (after stripping out inflation) fell over the course of the year as central bank purchases kept yields from moving up, even with rises in discounted inflation. Real yields are now at all-time lows across economies despite the meaningful improvement in economic conditions. At year end, bond markets were discounting continuing easy policy with muted inflation pressures like the pre-Covid, post financial crisis experience and more divorced from current economic conditions.

3. Credit (including Emerging Market bonds)

Corporate credit spreads were stable and remained near secular lows over the course of 2021, supported by abundant liquidity from central banks. By year end, markets were pricing in extremely low default risk, with corporates showing strong cash positions backed by strong nominal growth.

In terms of sovereign credit, Emerging Market spreads rose over the course of 2021. Turkish spreads were among the most affected, as concerns over central bank independence, high inflation, and a weakening balance of payments position eroded investor confidence and led to rising risk premiums. Latin American spreads also rose, as a sluggish economic recovery from Covid and a reliance on deficit spending has been increasing indebtedness, and markets are pricing in rising credit risk. European spreads were closer to flat as abundant liquidity from the ECB kept the discounted probability of default low.

4. Commodities

Commodities rallied over the course of 2021. Aggressive reflationary policies and vaccine-driven re-openings contributed to rapid demand growth, while supply remained generally constrained, leading to a broad-based rally early in the year. Over the second half of last year, performance was more mixed. While reflationary supports remained, individual commodity returns diverged due to more idiosyncratic supply/demand factors.

Oil rallied throughout the year to above pre-Covid levels as demand normalised and continued supplier restraint led to OECD inventories drawing to below five-year averages. Towards the end of the year, fears of a demand impact from the Omicron variant contributed to a sell-off.

International natural gas was among the best-performing commodities in 2021. Past underinvestment, supply disruptions due to geopolitical tensions between the EU and Russia, and coal/renewables disruptions led to low inventory levels heading into winter, and markets priced in the risk of inventory depletion. In the US, gas prices rallied but to a lesser degree. (Since gas is not easily transportable, US and other markets can trade differently.) The US rally has been largely supply-driven as oil rigs declined and associated gas production was lost.

Gold, a contra-currency and alternate store of wealth, declined in price in 2021. Gold has experienced less of the direct effects of accommodate monetary and fiscal policy than more cyclical assets, and investors are pricing that a relatively modest tightening cycle will bring inflation back toward central bank targets. An environment of strong growth led to plenty of capital flowing into other speculative assets and kept gold prices stable despite the rise in inflation. The strength of cryptocurrencies also attracted capital flows that, in the past, may have gone toward gold.

5. Property

The logistics market remains the stellar performer across all sectors of the commercial property market. Strong occupier demand is driving rental growth while investor demand is contributing to further yield compression. Office leasing activity has borne the brunt of the work-from-home protocol and investors are waiting to see how companies and workers will manage a return to the office. However, since the re-opening of the economy in late spring 2021, take-up in the office sector increased every quarter and is expected to continue in 2022. Investment managers are still seeing good demand for the available office space in their portfolios; in particular given appetite among occupiers for prime offices with market-leading sustainability credentials.

6. Currencies

The US dollar rallied modestly in 2021 versus a basket of developed world currencies. The dollar benefited from strong foreign purchases of US equities, which were more than enough to offset the increase in US foreign financing need driven by stronger import demand. The euro and yen were among the weaker performers in the developed world, reflective of much weaker underlying economic conditions and the need to maintain easier policy compared to the US. The Australian dollar also declined over the year, as Covid lockdowns and the associated monetary response, along with falling iron ore prices, led to decreased capital inflows.

Fund's Strategic Asset Allocation

Following the investment strategy review in 2021, the Trustees made a number of small changes to the strategic allocation. One change was the introduction of an inflation sensitive portfolio which grouped some existing assets together such as gold equities, forestry and an inflation sensitive multi asset fund. The Fund's asset allocation changes over the year is shown in the following table. The underlying managers in the multi asset funds themselves invest in a range of bonds, equities and other asset classes. Some of the equity exposure is through unit linked funds. The Gateway Trust is included in "Cash & Other".

The medium-term target allocation and allocation ranges were agreed as part of the investment strategy review in late 2021 and represents where the Trustees are moving towards in terms of asset allocation which will take some time given the illiquidity of certain assets like property and infrastructure. "LDI" represents "liability driven investing" which is a portfolio of assets designed to hedge out some liability risk mainly comprised of interest rate and inflation swaps.

The main changes in the actual asset allocations in 2021 included a 4% allocation to investment grade corporate bonds, a 4% reduction in cash while multi asset funds were reduced by 3%. Within these asset classes, there were more changes such as the switching of some nominal bonds to inflation linked bonds, adding Emerging Markets equities with a value style, reinstating the currency hedge of 50% with a 25% range around it, adding an interest rate hedge to the LDI portfolio (to lock in an improvement in solvency levels) in addition to inflation hedging, redeeming certain monies from Wellington, Cantillon, Bridgewater Optimal and Ruffer during the year and also committed monies to a property income fund and a senior loans portfolio through Dunport.

Table 9 Asset Allocation vs Target Allocation

Asset class	Weight At End 2020	Weight At End 2021	Medium Term Target
Matching/Defensive Assets			
Cash	7%	3%	3%
Euro Corporate Bonds	0%	4%	4%
Government Bonds & LDI	12%	13%	12%
Performance Assets			
Credit	16%	15%	18%
Multi-Asset	14%	11%	7%
Property	10%	11%	8%
Equities	16%	17%	17%
Inflation Sensitive Assets	10%	10%	9%
Hedge Funds	10%	9%	9%
Infrastructure	5%	6%	11%
Private Equity	0%	1%	2%

** Note some asset classes are currently outside their new long term allocation range as the Scheme transitions to its new medium term target over the following months arising from the Strategy Review undertaken at the end of 2021.*

2021 Fund performance relative to Target Return

The Fund returned 11.0% in 2021 compared to its target return of 3.4%. The main positive contributors (multiplying the asset class return by its average weight over the year) to the 2021 performance were equities, bonds including LDI, credit, multi asset funds, hedge funds and the inflation sensitive assets. Assets which detracted from performance included cash and corporate bonds. More detail on performance is provided below.

Table 10 Asset class return

Asset class	2021 Return
Matching/Defensive Assets	
Cash	-0.3%
Euro Corporate Bonds	-0.8%
Government Bonds &LDI	19.4%
Performance Assets	
Credit	7.6%
Multi-Asset	8.8%
Property	8.2%
Equities	22.8%
Inflation Sensitive Assets	10.7%
Hedge Funds	11.8%
Infrastructure	11.1%
Private Equity	-1.0%

Investment Managers

As outlined in the Statement of Investment Policy Principles (Section 4), the Trustees appoint investment managers with a mix of approaches and investment styles in order to to optimise the required return for an acceptable level of risk. The Fund employs professional managers with both active and passive mandates. Passive management, where the investment manager is expected to replicate the return for the agreed index or benchmark, is a cost-effective way of achieving market returns and approximately 29% of the Fund's assets (including passively held equity exposures, some bonds (Irish, Emerging Market and corporate) and the Bridgewater All Weather Fund) are managed in this way. Active managers are expected to outperform their agreed benchmark over an appropriate period and to add value after costs over the agreed benchmark or index return. The Trustees monitor the investment managers continually with the help of their advisors.

Manager Performance 2021

Cash

As cash deposit rates in Europe are negative, the Fund's return on cash was negative (-0.3%). However, some holdings in other currencies added slightly to the overall return. Cash is maintained to pay pensions, as a source of liquidity and to fund commitments made and to cover any cashflows on the various hedging programmes. The allocation to cash at year end was 3%.

Investment Grade Corporate Bonds

An allocation was made to European Investment Grade Corporate Bonds during in the second half of 2021 after certain derisking triggers (based on interest rates or inflation rates) were hit. The overall return for the partial year was -0.8%. These bonds tend to move in line with annuity prices which are one of the main inputs into the MFS valuation of the pensioner liabilities. The allocation to investment grade corporate bonds at year end was 4%.

Government Bonds & Liability Driven Investing Portfolio

The government bonds portfolio had a weight of 8.6% at year end and was largely made up of Irish inflation linked bonds which performed strongly over the year as inflation pricing rose. The LDI portfolio performed strongly given the increase in inflation over the year. This portfolio is made up of inflation swaps linked to European inflation but was expanded towards the end of 2021 to include interest rate swaps. The total size of this portfolio at year end was 13%.

Table 11 Government Bonds & Liability Driven Investing Portfolio

Manager	Mandate	2021 Return
Government Bonds	Irish Government Bonds (including inflation linked)	**4.7%**
LDI Portfolio	Liability hedging portfolio	**57.1%**
Total Bonds/LDI		**19.4%**

Credit

Credit is comprised of a large number of mandates including bank bonds, mezzanine loans, senior loans, asset back securities and Emerging Market Debt. The size of this portfolio at year end was 15%.

Table 12 Credit Portfolio

Manager	Mandate	2021 Return
Directly Held	Irish bank bonds	**10.1%**
Cardinal Fund 1	Mezzanine Irish loans	**7.3%**
Cardinal Fund 2	Mezzanine Irish loans	**6.3%**
Dunport Fund 1	Irish senior loans	**5.6%**
Tetrarch	Irish senior loan backed by property exposure	**2.5%**
Alcentra	European senior loans	**4.7%**
ILIM	Emerging Market Debt	**-2.2%**
Libremax	Structured credit	**18.5%***
Total Credit		**7.6%**

**Libremax's return was boosted over the year by the strengthening US Dollar.*

Multi Asset Fund Managers

These funds invest across many different asset classes and use manager skill (alpha) to help lower their overall risk through diversification. They typically have lower levels of volatility and leverage than hedge funds. By year end, the Fund's allocation to diversified multi asset funds was 11%. They returned 8.8% in 2021. Note: as part of the investment strategy review, the Wellington Diversified Inflation Hedges Fund was moved notionally to the Inflation Sensitive Assets Portfolio.

Table 13 Multi Asset Fund Portfolio

Manager	Mandate	2021 Return
Ruffer	Absolute return fund	**9.6%**
Bridgewater All Weather	Passive, balanced beta	**10.2%**
Bridgewater Optimal Portfolio	Passive, balanced beta with alpha overlay	**7.0%**
Total Multi Asset		**8.8%**

Property Managers

At the end of 2021, the Fund's investment in property amounted to 11%. The return for this portfolio which includes exposures in Ireland, UK, Eurozone, US and Asia was 8.2%. The return below for CBRE includes the effect of the US Dollar which rose over the year.

Table 14 Property Portfolio

Manager	Mandate	2021 Return
Ardstone	Irish Residential Property	**4.6%**
Tetrarch	Irish Commercial Property	**6.4%**
IPUT	Irish Commercial Property	**5.3%**
Tetrarch	Irish Aparthotel Fund (set up costs etc)	**3.6%**
CBRE	Global Property	**19.3%**
Total Property		**8.2%**

Equity Managers

At the end of 2021, 17% of the Fund was invested in equities or equity funds which returned 22.8% during the year. The Fund's equity investments are managed by external specialist equity managers.

Table 15 Equity Portfolio

Manager	Mandate	2021 Return
Cantillon	Active, global equities, growth style	**32.2%**
Mercer	Passive, Emerging Markets equities	**5.7%**
Capula	Passive, Europe (including a tail risk fund)	**18.5%**
Epoch	Active, global equities, high yield	**27.4%**
Magellan	Active, listed infrastructure	**22.3%**
ILIM	Passive Emerging Markets with value tilt (part year)	**8.7%**
Total Equity		**22.8%**

Inflation Sensitive Assets Managers

This is a new notional portfolio arising from the investment strategy review undertaken in 2021. It includes exposures to forestry, gold mining equities and an inflation sensitive multi asset fund. The Fund's weight at year end was 10% and it returned 10.7% over 2021.

Table 16 Inflation Sensitive Assets Portfolio

Manager	Mandate	2021 Return
Wellington	Inflation sensitive fund	**23.6%**
VanEck	Gold mining stocks	**-3.0%**
IFORUT	Irish forestry	**10.8%**
Total Inflation Sensitive Assets		**10.7%**

Hedge Fund Managers

Hedge funds invest in a global spread of investments and actively switch between investments depending on their macro view or signal from their systems. Investments include equities, fixed interest, rates, currencies and commodities typically using derivative exposures. Total exposure to hedge funds at year end was 9%. These funds have a very low equity beta and so perform differently to other assets in the Fund which benefits the portfolio through diversification. CTA stands for Commodity Trading Advisor which is a specialist hedge fund strategy aiming to benefit from trends in markets. The hedge fund portfolio returned 11.8% in 2021.

Table 17 Hedge Fund Portfolio

Manager	Mandate	2021 Return
Abbey	Fund of Funds CTA	**11.5%**
Aksia	Fund of Funds - Emerging Markets bias mandates	**10.2%**
Aksia	Fund of Funds - Global bias mandates	**12.3%**
Man	AHL CTA & Numeric Quality Long/Short & AHL Macro	**16.7%**
Bridgewater	Global Macro	**9.7%**
Total Hedge Funds		**11.8%**

Infrastructure Managers

The Fund's infrastructure investments are made through a number of limited partnership structures which comprised 6% of the Fund at year end. The Fund's infrastructure investments returned 11.1% in 2021. The return below for JP Morgan includes the effect of the US Dollar which appreciated in the year.

Table 18 Infrastructure Portfolio

Manager	Mandate	2021 Return
Arcus Fund 1	European Infrastructure	**0.0%**
Macquarie Fund 6	European Infrastructure	**12.8%**
Blackrock	European Renewable Infrastructure	**4.5%**
JP Morgan	Global Infrastructure	**15.8%**
Arcus Fund 2	European Infrastructure	**15.2%**
Macquarie Fund 2	European Infrastructure (in wind down)	**-8.7%**
Macquarie Supercore	OECD Infrastructure (partial year)	**7.9%**

Total Infrastructure		11.1%

Private Equity

The Trustees committed 2% of the Fund to private equity via the Cardinal Private Equity 2 Fund. These type of funds (e.g. private equity, venture capital) typically incur a "J" curve return profile due to material upfront costs of set up. At year end, 1% was invested in private equity which was down 1% in the year.

Currency Hedging Manager

The Trustees hedge foreign exposures over €50 million with reference to a 50% benchmark while the manager (PE Investments) can deviate 50% either side of this strategic benchmark. PE outperformed their benchmark by 1.4% over the year relative to their 50% benchmark largely from under-hedging an appreciating US Dollar (relative to the benchmark).

ESG (Environmental, Social and Governance)

ESG investing is gaining a lot of popularity over recent years. It is an approach to managing assets where investors explicitly acknowledge the relevance of environment, social and governance factors in their investment decisions as well as their own role as owners and creditors, with the long-term return of the investment portfolio in mind. There is no standard across the industry to breakdown environmental, social and governance issues. The Trustees worked with their consultants last year to determine their approach to ESG which is now contained in their Statement of Investment Principles and Policies (see Section 4). Under the EU Sustainable Finance Disclosures Regulation (SFDR), the Trustees must make the following disclosures:

1. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities and
2. The Trustees continue to review the Plan's approach to sustainability risk considerations and their current approach is documented in the Statement of Investment Policy Principles.

While ESG is an evolving area and not all managers report on it currently, we do work with our investment managers to aggregate certain ESG statistics which we monitor periodically. We hope by next year to be able to show details on carbon intensity and carbon footprint and we are working with our investment managers on same.

SECTION 4 STATEMENT OF INVESTMENT POLICY PRINCIPLES

Introduction

The Trustees are responsible for deciding on the investment objectives and strategy for the ESB Pension Fund (the 'Fund'). This statement sets out the main elements of their investment policy and how this is implemented. Publication of this policy is required under the Occupational Pension Schemes (Disclosure of Information) Regulations 2006.

In preparing this statement, the Trustees have consulted with ESB and professional investment advisors and considered the Pensions Authority's *Guidelines for setting investment strategy for defined benefit schemes*.

The responsibility for setting investment policy lies solely with the Trustees. The Trustees will review the statement from time to time and modify it as appropriate, with a formal review at least every three years. In addition, the Trustees will monitor compliance with this statement on an ongoing basis. The last Investment Strategy Review was finalised in 2021.

Investment objectives

The investment objectives of the Trustees can be summarised as follows:

1. To seek sustained long-term growth, sufficient to meet the liabilities of the Fund over a prolonged period having due regard to the nature and timing of those liabilities,
2. Ensure that the level of risk taken in pursuit of this growth is acceptable in the context of failing to meet the Fund's liabilities over the long term and that exposure to unrewarded risk is minimised,
3. Ensure that the investments are structured and managed in a manner that provides for the cashflow requirements of the Fund to be met as they arise.

The ability of the Fund's resources, assets and future contributions, to achieve these objectives and its obligations under the Pensions Act is measured at least every three years through a formal valuation by the Scheme Actuary along with annual interim updates. The valuation also quantifies the return required from the asset portfolio over the period of the liabilities and provides the Trustees with its return benchmark. The rate of return implicit in the Actuarial Valuation at the end of 2020 was 3.4% p.a. (2.05% pa over expected inflation).

Strategic Asset Allocation Framework

The Trustees together with the Scheme Actuary and their investment advisors have devised and adopted a framework to guide them in deciding on the most appropriate asset allocation to manage the Scheme's investments.

The plan specifically considers:

1. the required level of return and resultant appropriateness of the related level of risk,
2. the requirement to satisfy the Minimum Funding Standard (MFS) and associated risk reserve requirements,

3. a de-risking objective of reducing the Fund's target return over time as the funding level (defined as assets divided by liabilities as measured by the economic value of the liabilities) increases. Specifically, this means a portfolio containing an increased allocation to lower risk (matching) assets over time. The general intention is not to increase investment risk as the funding level decreases.

The framework is reviewed regularly, and the most recent review determined the following Strategic Asset Allocation as being consistent with the Trustees' objectives.

Table 19 Medium-term Strategic Asset Allocation

Asset class	Medium Term Target Allocation	Allocation Range	Target De-risked Allocation
Matching/Defensive Assets			70%
Cash	3%	0-10%	
Euro Corporate Bonds	4%	0-10%	
Bonds/LDI	12%	10-70%	
Performance Assets			30%
Credit	18%	14-22%	
Multi-Asset	7%	4-10%	
Property	8%	5-11%	
Equities	17%	12-22%	
Inflation sensitive assets	9%	5-13%	
Hedge Funds	9%	5-13%	
Infrastructure	11%	8-14%	
Private Equity	2%	0-4%	

Table 19 Medium-term shows the current medium-term strategic allocation and the ranges within which the Trustees believe that the immediate return objectives can be achieved. The table also shows the desired long-term allocation which the Trustees will move to as the Fund's finances and market conditions permit. The assets of the Fund will be dynamically managed to help achieve this allocation as opportunities arise. The Trustees consider matching assets as those which broadly move in line with the Scheme's liabilities. The Scheme invests in defensive assets which are held in the portfolio to protect in times of market stress or volatility.

The Trustees introduced liability driven investing (LDI) which aims to increase the hedging of certain key risks through physical and derivative investments. LDI will be increased on a phased basis based on certain indicators such as funding level, interest rates and inflation levels.

Environmental, Social and Governance/Sustainability Policy

The Trustees believe that environmental factors, social factors and corporate governance behaviour (referred to together as 'ESG issues') are potentially financially material for the value of the Scheme's investments. The Trustees invest in a range of investment vehicles. The Trustees are satisfied that the Scheme's current funds are managed in accordance with their views on financially material factors, as set out below:

Financially Material Considerations

The Trustees understand that the method of incorporating ESG in the investment strategy and process will differ between asset classes and should be considered alongside other implementation factors. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustees delegate the consideration of all financially material factors in relation to determining the underlying holdings within each of the funds, including ESG factors, to the Scheme's investment managers as part of their day-to-day management of scheme assets.

Exercise of Voting Rights and Shareholder Engagement Activity

The Trustees currently adopt a policy of delegating the exercising of the rights (including voting rights) to the investment managers. The Trustees also delegate undertaking engagement activities to the investment managers.

Policy Assessment and Monitoring

The Trustees will consider ESG, voting and engagement issues when appointing and reviewing their Scheme provider and/or investment manager (and reviewing the investment strategy) to ensure that they are appropriately taken into account given the asset class involved. The Trustees will also review aspects such as, but not limited to, longer term performance and manager incentivisation in order to ensure alignment with the Scheme's investment policy.

The Trustees meet regularly with their investment managers and consider how ESG issues are taken into account.

Investment Risk Management

The Trustees ensure that they understand the performance, risk and other characteristics of all asset classes and funds that the Scheme invests in. Investment guidelines and targets are agreed with external managers to take advantage of their particular strengths and to provide a complementary approach to the management of the overall Fund. These are incorporated into Investment Management Agreements (IMAs) with the managers where applicable to ensure that the assets:

1. Are invested in a manner designed to ensure the security, quality and liquidity of the assets as a whole is appropriate having regard to the nature and duration of the expected liabilities of the Fund;
2. Are predominantly invested in regulated markets;
3. Are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole;
4. Include use of derivative instruments only in so far as they contribute to a reduction in investment risks or facilitate efficient portfolio management.

Performance is reviewed by the Trustees at each meeting based on reports independently collected and calculated by the Custodian. The Fund's performance is also reviewed by the Trustees relative to the long-term required return and benchmark return. The Trustees also receive an independent assessment of performance, together with an analysis of the factors affecting performance, relative to the Fund's benchmark.

Risk controls

The Trustees use a number of measures to control and reduce the risks associated with making investments including the following:

Diversification

The Trustees aim to invest in a range of asset classes in order to achieve the required real long-term return while limiting the volatility of returns. Where practical, investments are spread geographically, across industry sectors and individual stocks.

Number of managers

The assets are divided between a number of specialist investment managers. This allows for the benefits from different areas of expertise and diversifies the specific investment risk taken by the active managers. This is monitored by the Trustees, who have engaged with due diligence experts to assess individual investment manager risk.

Manager restrictions

The Trustees have an Investment Management Agreement (IMA) in place with external segregated investment managers. Each IMA contains restrictions which limit the risk from each individual stock or security held and which prohibit unsuitable investment activity. Compliance with the IMA is monitored. For pooled funds, the Trustees ensure that they understand the performance, risk and other characteristics of these funds before investment.

Risk versus the liabilities

The Trustees have adopted an investment strategy that they believe is capable of achieving the long-term actuarial target while being mindful of the MFS requirements. However, future returns are uncertain, and the long-term risk is that the value of the assets may not increase sufficiently over time to allow the Trustees to provide all of the intended benefits. The Trustees review this risk by monitoring the performance of the assets and the liabilities in the Triennial Actuarial Valuations, funding updates and Interim Valuations from time to time. The Trustees have adopted LDI investment strategies to increase the level of interest rate and inflation hedging relative to the Fund’s liabilities. Foreign currencies over €50m are hedged in line with the active currency hedging policy range of 25% to 75%.

Custody

The Trustees ensure the separation of responsibility for the safe-keeping or custody of the Fund’s financial assets from its investment managers and the protection of the financial rights attaching to those assets by the employment of an independent global custodian. Custody services for pooled investment funds are provided by the appointed custodians for those funds. The global custodian is also responsible for transaction settlements, income collection, overseas tax reclamation and other administrative actions in relation to the investments.

Risk measurement

The Trustees understand that there is no single definitive risk measure. Therefore, they use a number of risk measures to quantify the overall level of risk.

The Trustees specifically consider the Value at Risk (VaR) measure. This measures the likelihood of the Fund losing more than a particular amount in a year assuming normal market conditions. An asset only VaR and Scheme level VaR measures are considered. The Trustees consider both the absolute level of the VaR and the movement over time when assessing the level of risk inherent in the Scheme.

At manager level the following are used;

1. *Tracking error,* i.e. variability of return, for each manager, relative to their benchmark return (where relevant), is calculated and reviewed on a quarterly basis.

2. *Information Ratio,* being the ratio of the excess return relative to the risk taken, is calculated and monitored quarterly for each manager.

The Trustees understand that the determination of risk measures (such as VaR) are based on investment models and assumptions. The model and the underlying assumptions have been explained to the Trustees and the Trustees understand the limitations of the model and the metrics which they output.

The VaR (95%) underlying the assets of the Fund based on asset allocation as at 31 December 2021 was calculated at €820 million, meaning that there is a 5% chance that the solvency might decrease by more than this amount over a 1 year period.

The Trustees monitor the movement of all risk metrics over time and consider their level in terms of market conditions. The absolute levels of these metrics and their general trends are included in performance reports produced for the Trustees who then discuss them with professional advisors and are considered against the risk tolerance of the Scheme.

Shareholders Rights Directive Policies

Engagement Policy

The Trustees engage investment managers through which they invest Fund assets.

The Fund's investment managers exercise shareholder voting rights on behalf of investors in accordance with their own voting policies. When the Trustees engage a new manager, part of the procurement and assessment process involves enquiring how they exercise voting rights and stewardship obligations attached to the investments and considering the response in accordance with their own corporate governance policies.

The Fund's investment managers monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance on behalf of the Trustees. The investment managers report on at least an annual basis to the Trustees on such matters. Due to the collective nature of the investments undertaken by the Trustees, the Trustees do not:

1. enter into direct dialogue with investee companies or their relevant stakeholders;
2. exercise voting or other rights attached to shares; or
3. engage with other shareholders.

Due to the nature of a pension scheme, shareholder engagement is integrated into the Trustees' investment strategy indirectly through the engagement with investment managers. The Trustees manage any actual or potential conflicts of interest in relation to its engagement responsibilities with its own and the relevant asset manager's conflict of interest policies.

Annual update on engagement policy

In line with its engagement policy and this SIPP the Trustees do not directly exercise any voting rights during the year. The investment manager engaged by the Trustees exercises those votes in accordance with their own voting policies through proxy systems (and advisors where applicable) rather than directly on behalf of the Trustees. Such information as is publicly available in relation to how the investment manager casts votes can be found at the investment manager's website.

Investment strategy and arrangements with investment managers

The overall investment objective of the Trustees is to seek sustained long-term growth, sufficient to meet the liabilities of the Fund over a prolonged period having due regard to the nature and timing of those liabilities and optimise the level of investment return appropriate to the Fund's long-term objectives achieved by the Fund's assets subject to taking an acceptable level of risk, through adopting a prudent, carefully planned and well-executed investment policy. It is on this basis that the Trustees appoint investment managers. In turn, the Trustees expect the appointed investment manager to make investment decisions with the objective of preserving and enhancing long-term shareholder value.

In general, the Trustees' contractual relations with investment managers are open ended (subject to termination provisions which are negotiated as part of the appointment terms) in order to build long term partnerships with investment managers. The investment manager's report is usually considered by the Trustees on a quarterly basis. Through this assessment and as a result of the terms of the contractual arrangement with the investment manager, the investment manager is incentivised to make investment decisions based on the medium to long-term financial and non-financial performance of their investee companies and engage with them, where appropriate, to improve their performance in the medium to long term. Any such engagement is subject to the investment manager's own internal corporate governance policies and best practice. The evaluation of the asset manager and in general, the remuneration for investment management services is in line with the long-term nature of pension scheme investments and takes into account the long-term performance of the investment manager.

The Trustees engage separate investment advisers to review the performance of the manager against benchmark expectations, including where available the extent of portfolio turnover, as part of its regular investment management monitoring and the impact on the overall performance of the assets under management during the reporting period. When selecting a new fund manager or new fund option, the Trustees enquire as to the expected turnover for any given fund. Where relevant, for a particular fund option, as part of the regular manager review process, the Trustees monitor levels of turnover to ensure they remain in line with expectations for that particular mandate.

Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) related disclosures

Investment managers are required to publish information on how they consider the principal adverse impacts of investment decisions on sustainability factors. To the extent that information is publicly available, such information as to how the investment manager considers sustainability risks when making investment decisions is available on their website.

A review of remuneration policies (for example the long-term nature of them and how they incentivise key investment management personnel) is included in the appointed investment adviser's independent research and review of appointed investment managers.

Oversight and review

It is the intention of the Trustees to review this document at least every three years or sooner following any change in investment policy which is inconsistent with this statement.

This SIPP was agreed at the January 2022 Trustee meeting.

SECTION 5 AUDITED FINANCIAL STATEMENTS

2021 Audited financial statements

Contents

Trustees, officers and other information

Trustees	T. Donnelly (Chairperson) A. Kean A. Kelly D. Naughton (RIP) March 2021 J. Murphy (appointed July 2021) P. Naughton P. Van Dessel A. Walsh
Registered Administrator	Electricity Supply Board, 27 Lower Fitzwilliam Street Dublin 2
Secretary to Trustees	J. O'Loughlin Electricity Supply Board 27 Lower Fitzwilliam Street Dublin 2
Principal bankers	Allied Irish Banks plc 7/12 Dame Street Dublin 2
	Danske Bank International House 3 Harbourmaster Place IFSC Dublin 1
Consultant Actuary	Liam Quigley Mercer (Ireland) Limited Charlotte House Charlemont Street Dublin 2
Independent Auditor	Pricewaterhouse Coopers Chartered Accountants & Statutory Audit firm One Spencer Dock North Wall Quay Dublin 1
Custodian	BNY Mellon Trust Company (Ireland) Limited, Guild House Guild Street IFSC Dublin 1
Solicitors	LK Shields 40 Upper Mount Street

Dublin 2

Trustees, officers and other information *(continued)*

Solicitors *(continued)*	Matheson 70 Sir John Rogerson's Quay Dublin 2 McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2
ESB Gateway Trustees	T. Donnelly (Chairperson) A. Kean A. Kelly D. Naughton RIP (March 2021) J. Murphy (appointed July 2021) P. Naughton P. Van Dessel A. Walsh
Superannuation Committee	J. Carton (Chairperson) A. Carroll A. Fox S. Kelly L. Murphy M. O'Connor J. O'Sullivan C. Quane D. Sexton A. Hutchinson (until March 2021) L. Heron (appointed April 2021)
Secretary to Superannuation Committee	J. O'Loughlin Electricity Supply Board 27 Lower Fitzwilliam Street Dublin 2

Trustees, officers and other information *(continued)*

Investment managers

Abbey Capital Ltd
1-2 Cavendish Row
Dublin 1

Aberdeen Standard Investments Luxembourg S.A.
35a, avenue John F. Kennedy
L-1855 Luxembourg
Grand-Duchy of Luxembourg

ACT Venture Capital Limited,
6 Richview Office Park, Clonskeagh,
Dublin 14

Aksia LLC
599 Lexington Avenue
46th Floor
New York, NY 10022, USA

Alcentra Ltd
160 Queen Victoria St
London EC4V 4LA, United Kingdom

Arcus Infrastructure Partners LLP
6 Andrew Street, London, United Kingdom

Ardstone Capital
48 Fitzwilliam Square
Dublin 2

Blackrock Asset Management Ireland Ltd
JP Morgan House
IFSC
Dublin 1

Bridgewater Associates, LP
1 Glendinning Place
Westport
CT 06880, USA

Cantillon Capital Management LLC
103-105 Jermyn Street
London SW1Y 6EE, United Kingdom

Capula Investment Management LLP
8 Lancelot Place,
London,
SW7 1DR, United Kingdom

Trustees, officers and other information (continued)

Investment managers (continued)

Cardinal Capital Group Unlimited Company
Simmonscourt House
Simmonscourt Road
Ballsbridge
Dublin 4, Ireland

CBRE Global Investment Partners
64 North Row
London WIK 7DA, United Kingdom

Delta Partners,
Fujitsu Building, South County Business Park,
Leopardstown, Dublin 18

Dunport Capital Management DAC
31 Leeson Street,
Dublin 2

Epoch Investment Partners, Inc.
640 Fifth Avenue, 19th Floor
New York, NY 10019, USA

Insight Investment,
160 Queen Victoria Street, London EC4V 4LA
United Kingdom

IPUT plc,
2 Hume Street,
Dublin 2

Irish Forestry Unit Trust Forestry Management Ltd,
Unit 5, Woodford Court, Woodford Business Park, Santry,
Dublin 17

Irish Life Investment Managers
Beresford Court, Beresford Place,
Dublin 1

JP Morgan (IIF UK 1 LP)
277 Park Avenue 35th Floor New York,
NY 10172, USA

Libremax Capital LLC
600 Lexington Ave
19th Floor (at 52nd Street)
NY 10022, USA

Trustees, officers and other information (continued)

Investment managers (continued)

Macquarie Infrastructure (Europe) Limited
28 Ropemaker Street,
London EC2Y 9HD, United Kingdom

Magellan Asset Management
MLC Centre, Level 36, 19 Martin Place, Sydney NSW 2000, Australia

MAN Group
Riverbank House
2 Swan Lane
London, EC4R 3AD, United Kingdom

Mercer Global Investments Management Ltd
70 Sir John Rogerson's Quay
Dublin 2

P/E Global LLC
75 State Street, 31st Floor
Boston, MA 02109, USA

Ruffer LLP

80 Victoria Street
London
SW1E 5JL, United Kingdom

Seroba Kernal Life Sciences,
15 Molesworth Street,
Dublin 2

Tetrarch

Heritage House,

23 St. Stephens Green,

Dublin 2

Wellington Management International Limited
Cardinal Place
80 Victoria Street
London SWIE 5JL, United Kingdom

Statement of Trustees' responsibilities

The financial statements are the responsibility of the Trustees. Pension legislation requires the Trustees to prepare financial statements for each year which show a true and fair view, in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), of the financial transactions of the Scheme during the year and of the disposition, at the end of the year, of the Scheme's assets and liabilities. For this purpose, liabilities do not include liabilities to pay pensions and other benefits after the end of the Scheme year. Pension regulations require the Trustees to make available to the Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year.

In preparing the financial statements, the Trustees are required to:

1. select suitable accounting policies and apply them consistently;

2. make judgements and estimates that are reasonable and prudent;

3. ensure the financial statements contain the information specified in the Occupational Pension Schemes (Disclosure of Information) Regulations (as amended), including a statement as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice: Financial Reports of Pension Schemes (Revised July 2018), subject to any material departures disclosed and explained in the financial statements; and

4. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Trustees are required to act in accordance with the Electricity Supply Board (Superannuation) Act 1942 and subsequent acts, and the Scheme rules, within the framework of pension and trust law. The Trustees are responsible for ensuring that proper membership and financial records are kept. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls. Under pensions legislation the Trustees are also responsible for, and have appropriate procedures in place to ensure that, insofar as is reasonable, the contributions payable by the employer and members of the Scheme are received in line with section 58A of the Pensions Act 1990 where applicable, and otherwise within 30 days of the end of the Scheme year and also that contributions have been paid in accordance with the rules of the Scheme and the recommendations of the actuary.

On behalf of the Trustees

DocuSigned by:	DocuSigned by:
CA00CF5D544541B...	22AC0DC981B04B4...
T. Donnelly	A. Kelly
Chairperson	*Trustee*
01 September 2022 | 16:46 BST	01 September 2022 | 15:02 BST

1st September 2022

Independent auditor's report

pwc

Independent auditors' report to the trustees of The ESB Defined Benefit Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, The ESB Defined Benefit Pension Scheme's financial statements:

- give a true and fair view of the financial transactions of the scheme during the year ended 31 December 2021 and of the amount and disposition of the assets and liabilities (other than liabilities to pay pensions and other benefits in the future) at that date; and
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law).

We have audited the financial statements, included within the Annual Report, which comprise:

- the statement of net assets available for benefits as at 31 December 2021;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the scheme's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the scheme's ability to continue as a going concern.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the statement of trustees' responsibilities set out on page 47, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The trustees are also responsible for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The trustees are also responsible for ensuring that contributions are made to the scheme in accordance with the scheme's rules and the recommendation of the actuary.

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 the trustees either intend to wind up the scheme or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the trustees as a body in accordance with section 56 of the Pensions Act 1990, as amended and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Occupational Pension Schemes (Disclosure of Information) Regulations, 2006

In our opinion:

- The financial statements include the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 which is applicable and material to the scheme;
- the contributions payable to the scheme during the year ended 31 December 2021 have been received by the trustees within thirty days of the end of the scheme year; and
- such contributions have been paid in accordance with the rules of the scheme and the recommendations of the actuary.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

2 September 2022

Fund Account

for the year ended 31 December 2021	*Note*	2021	2020
		€'000	€'000
Contributions and Benefits			
Contributions receivable			
Employer	*3*	40,035	325,445
Employee	*3*	19,952	21,966
Transfers in		147	168
		60,134	347,579
Benefits and payments to leavers			
Benefits paid or payable	*4*	(254,452)	(246,331)
Payments to and on account of leavers	*5*	(2,582)	(6,335)
		(257,034)	(252,666)
Net (Withdrawals) / Additions from dealings with members		(196,900)	94,913
Return on investments			
Investment income	*6*	104,086	79,413
Change in market value of investments	*11*	456,112	(8,098)
Investment management expenses	*7*	(6,265)	(4,394)
Net returns on investments		553,933	66,921
Net increase in fund during the year		357,033	161,834
Net assets of the fund at beginning of year		5,171,395	5,009,561
Net assets of the fund at end of year		5,528,428	5,171,395

The notes on pages 52 to 69 form part of the Financial Statements.

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T. Donnelly
Chairperson

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Adrian Kelly
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A. Kelly
Trustee

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James O'Loughlin
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J. O'Loughlin
Secretary

Statement of Net Assets (available for benefits)

Statement of Net Assets (available for benefits) *at 31 December 2021*	*Note*	2021 €'000	2020 €'000
Investment Assets:			
Equities	*11*	910,151	810,786
Bonds	*11*	605,816	614,433
Pooled investment vehicles	*9 & 11*	3,966,546	3,576,802
Derivatives	*10 & 11*	3,423	8,232
Cash	*11*	7,625	49,630
Other investment balances	*11*	8,907	7,586
		5,502,468	5,067,469
Investment Liabilities:			
Derivatives	*10 & 11*	(4,945)	(9,155)
Other investment balances	*11*	(21,557)	
Total net investments		5,475,966	5,058,314
Current assets	*16*	63,672	123,932
Current liabilities	*16*	(11,210)	(10,851)
Net current assets		52,462	113,081
Net assets of the Fund at end of year		5,528,428	5,171,395

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report, the Report on Actuarial Liabilities, the Actuarial Certificates included in the Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 52 to 69 form part of the Financial Statements.

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Notes

forming part of the financial statements

1 Basis of preparation and constitution of the Scheme

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised July 2018), published by the Pensions Research Accountants Group.

The financial statements have been prepared in accordance with the Electricity Supply Board (Superannuation) Act, 1942 and subsequent amendments and statutory instruments 1943 - 2014.

The Fund is constituted under the regulations and shall be called the "The ESB Pension Fund". The fund consists of members and ESB contributions, transfers in and any other income. All benefits shall be paid from the Fund. The Trustees are responsible for the management of the Fund which holds all of the assets on behalf of the Scheme members.

The financial statements comply with the Occupational Pension Schemes (Disclosure of Information) Regulations, (as amended).

The financial statements summarise the transactions and net assets of the Scheme. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme, which takes account of such liabilities, is dealt with in the Report on Actuarial Liabilities and the Actuarial Certificates, included in the Annual Report and these financial statements should be read in conjunction with them. The Scheme is no longer open to new members.

2 Accounting Policies

The significant accounting policies of the Scheme are as follows:

a) **Investments**

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Trustees adopt valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.

The methods of determining fair value for the principal classes of investments are:

i. Equities, bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
ii. Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.

2 Accounting Policies (*continued*)

iii. Fixed interest securities are stated at their clean prices where they are available, i.e. excluding accrued income. Accrued income is accounted for within investment income.

iv. The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustees. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.

v. Derivatives are stated at fair value.

- Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year-end date.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
- Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

Critical accounting judgements and estimation uncertainty
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that impact current estimates.

- Key accounting estimates and assumptions

The Trustees make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (i) and (v) above and within notes 14 and 15.

b) Investment income

Dividends from quoted securities are accounted for on an accruals basis when the security is declared ex-div.

Interest is accrued on a daily basis, on fixed interest securities and cash balances.

Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

2 Accounting Policies *(continued)*

Tax charges where applicable are accrued on the same basis as the investment income to which they relate.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and are shown separately within investment returns.

c) Foreign currencies

The functional and presentational currency of the Scheme is the Euro. Balances denominated in foreign currencies are translated into Euro at the rate ruling at the year-end date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

d) Contributions

Employee normal contributions are accounted for on an accruals basis when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due. Employer other contributions are accounted for in accordance with the agreement under which they are being paid. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Funding Proposal under which they are being paid, including amendments to the due dates for payment as agreed between the trustees and employer, where these amendments are in accordance with the scheme rules / statutory instruments and the recommendations of the actuary.

e) Payments to members

Pensions in payment are accounted for in the period in which they fall due for payment. Where there is a choice for members to take their benefits as a full pension or as a lump sum with reduced pension these retirement benefits are accounted for in the period in which the member notifies the Trustees of his/her decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

f) Expenses

Investment managers' fees are calculated as a percentage of the assets under management and are paid over by the Scheme. They are accounted for on an accruals basis. The Scheme does not bear the costs of administration of the Scheme.

g) Transfers to and from other plans

Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged. All of the values are based on methods and assumptions determined by the actuary.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

3 Contributions receivable

	2021	2020
	€'000	€'000
Employer:		
Normal	35,630	38,537
Deficit Funding	-	286,908
Other*	4,405	-
	40,035	325,445
Employee:		
Normal	19,688	21,120
Other	264	846
	19,952	21,966

*Other Employer Contributions €4.4m relate to Voluntary Severance Scheme in 2021

4 Benefits payable

	2021	2020
	€'000	€'000
Pensions	220,910	214,425
Commutations and lump sum retirement benefits	32,711	29,567
Lump sum death benefits	831	2,339
	254,452	246,331

5 Payments to and on account of leavers

	2021	2020
	€'000	€'000
Refunds of contributions	490	332
Transfer to other schemes - individuals	2,092	6,003
	2,582	6,335

6 Investment income

	2021 €'000	2020 €'000
Income from equities	**20,268**	13,984
Income from bonds	**19,335**	21,320
Income from pooled investment vehicles: - Income from property unit funds - Income from Infrastructure - Other Income from credit and fee rebates	**31,812** **13,708** **18,492**	19,107 6,140 17,775
Income from Cash Instruments	**471**	1,087
	104,086	79,413

7 Investment Management expenses

	2021 €'000	2020 €'000
Investment and custody expenses (including irrecoverable Dividend Withholding Tax)	**6,265**	4,394
	6,265	4,394

8 Tax

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 allowed to accumulate free of income and capital gains taxes.

9 Pooled Investment Vehicles (PIVs)

The holdings of PIVs are analysed below:

Fund Type	2021 €'000	2020 €'000
Credit Credit (loan note)	**1,049,322** **108,119**	890,470 **86,367**
Forestry	**104,814**	98,754
Hedge Funds	**476,598**	499,400
Infrastructure	**311,117**	238,392
Multi Asset	**622,630**	650,497
Equity	**445,250**	418,268
Property Venture Capital	**559,147** **1,169**	503,129 1,401
Cash and liquidity	**72,714**	190,124
Bond	**215,666**	
	3,966,546	3,576,802

10 Derivatives

The Trustees use derivatives as part of their investment strategy. Summarised details of the direct exposure to derivatives held at the year-end are set out below. The derivatives are used by fund managers to:

(1) Hedge large currency exposure, or
(2) Seek out a return in currency markets

The currency hedging strategy was continued in 2021 in which some US Dollar, Sterling and Japanese Yen currency exposures were hedged or managed in a portfolio of derivatives, managed by P/E Global LLC and Ruffer LLP.

Forward foreign currency

Type	Expires within	Nominal value	Asset €'000	Liability €'000
Sell USD for EUR (4 Contracts)	3 Months	275,860,000	1,628	
Sell GBP for EUR (3 Contracts)	3 Months	238,770,218		(4,362)
Sell AUD for EUR (2 Contracts)	3 Months	79,800,000		(583)
Sell CAD for EUR (2 Contracts)	3 Months	99,450,000	485	
Sell USD for GBP (3 Contracts)	3 Months	65,999,300	1,156	
Sell EUR for GBP (2 Contracts)	3 Months	12,833,286	154	
			3,423	**(4,945)**

11 Investment reconciliation

Reconciliation of investments held at the beginning and the end of the year:

	Value at 1 January 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2021
	€'000	€'000	€'000	€'000	€'000
Equities	810,786	165,538	(222,904)	156,731	910,151
Bonds	614,433	213,028	(238,555)	16,910	605,816
Pooled investment vehicles	3,576,802	2,150,094	(2,088,305)	327,955	3,966,546
Derivatives (net)	(923)	95,729	(42,643)	(53,686)	(1,523)
Cash (incl Spot FX)	49,630	55,000	(105,120)	8,115	7,625
Net investment assets	**5,050,728**	**2,679,389**	**(2,697,527)**	**456,025**	**5,488,615**
Other Investment Balances	-	-	(21,557)	-	(21,557)
Accrued Income	7,586	1,234	-	87	8,907
	5,058,314	**2,680,623**	**(2,719,084)**	**456,112**	**5,475,965**

11 Investments *(continued)*

During 2016, The ESB Pension Fund acquired a controlling interest (97.75% of the equity and 100% of the debt) in Tetrarch, an Irish Collective Asset-Management Vehicle (ICAV). During 2019, a controlling interest (97.75% of the equity and 100% of the debt) was acquired in the Tetrarch Aparthotel ICAV. Also, during 2019, the ESB Pension Fund became the sole investor in the Insight LDI Active 38 Fund. The ESB Pension fund avails of the exemption from the requirement to prepare consolidated financial statements in accordance with FRS 102 Section 9.3 and 9.9 (b) for these investments. No new controlling interests were acquired during 2021. This is further detailed in Note 15.

12 Concentration of investments

There was no single investment greater than 5% of net assets.

13 Transaction costs

Included within the investments purchases and sales are direct transaction costs of €.4m (2020: €.4m) comprising fees, commissions and stamp duty. These costs are attributable to the key asset classes as follows:

				2021	2020
	Fees	**Commission**	**Stamp Duty**	**Total**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Equities	302	133	-	435	429
Total	**302**	**133**	**-**	**435**	**429**

Transaction costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

14 Investment Fair Value Hierarchy

For financial instruments held at fair value the financial statements shall disclose for each class of financial instrument, an analysis of the level in the following fair value hierarchy into which the fair value measurements have been categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Classification	Measurement input
Level 1	An unadjusted quoted price in an active market for identical assets or liabilities that the entity can access 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	Level 3 is used predominantly for the Scheme's Credit, Forestry, Hedge Funds, Infrastructure, Multi Asset Funds, Property and Venture Capital investments. All of these are in investment funds which are mainly valued on a monthly or yearly basis by the investment manager. Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

14 Investment Fair Value Hierarchy (*continued*)

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
At 31 December 2021				
Bonds	84,333	521,483	-	**605,816**
Cash	7,625	-	-	**7,625**
Derivative	-	(1,523)	-	**(1,523)**
Equities (including exchange traded funds)	910,151	-	-	**910,151**
Pooled investment vehicles:				
Cash fund	-	72,714	-	**72,714**
Credit	-	219,258	830,064	**1,049,322**
Credit (loan note)	-		108,119	**108,119**
Forestry	-	-	104,814	**104,814**
Hedge fund*	-	46,652	429,946	**476,598**
Infrastructure	-	-	311,117	**311,117**
Multi-asset fund	-	230,793	391,837	**622,630**
Pooled Equities	-	378,384	66,866	**445,250**
Property	-	-	559,147	**559,147**
Venture Capital	-	-	1,169	**1,169**
Bonds	-	215,666	-	**215,666**
	1,002,109	**1,683,427**	**2,803,079**	**5,488,615**

*Aksia (Hedge fund portfolio) have shareholder gates of 10%-50% attaching to sub-funds valued at €59.4m at 31 December 2021.

14 Investment Fair Value Hierarchy (*continued*)

	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
At 31 December 2020				
Bonds	106,210	508,223	-	**614,433**
Cash	49,630	-	-	**49,630**
Derivative	-	(923)	-	**(923)**
Equities (including exchange traded funds)	810,786	-	-	**810,786**
Pooled investment vehicles:				
Cash fund	-	190,124	-	**190,124**
Credit	-	223,054	667,416	**890,470**
Credit (loan note)	-	-	86,367	**86,367**
Forestry	-	-	98,754	**98,754**
Hedge fund	-	56,214	443,186	**499,400**
Infrastructure	-	-	238,392	**238,392**
Multi-asset fund	-	204,241	446,256	**650,497**
Pooled Equities	-	395,424	22,844	**418,268**
Property	-	-	503,129	**503,129**
Venture Capital	-	-	1,401	**1,401**
	966,626	**1,576,357**	**2,507,745**	**5,050,728**

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Scheme uses the "market approach" valuation technique to value its investments. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" may require significant judgement but can generally be considered as that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the risk of that instrument.

Where quoted or other unit prices are not available, the Trustees rely upon fair value valuations provided by the Investment managers. The Investment managers provide the Trustee with comprehensive detail regarding Level 3 valuations. This detail generally includes valuation policies and procedures, valuation techniques, use of independent experts / senior management review, internal and external controls including investment manager review of valuations audited as part of Investment Financial Statements audit.

Investments typically classified within level 1 include active listed equities, cash and certain Government bonds. Investments typically classified within level 2 include investments in Government bonds and over the counter derivatives. Investment cash funds and pooled equity funds are also considered level 2 investments where there is evidence that redemptions occurred during the year and there were no restrictions preventing redemptions at the year end. Investments typically classified within level 3 include investment funds that have single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions or redemption rights. Within level 3, the use of the market approach generally consists of using inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

15 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- 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 comprises 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 or liability 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 or liability 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 or liability 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.

As described in the Statement of Investment Policy Principles (unaudited) in Section 2 of the Trustees' Report, the overall investment objective of the Trustees is to seek sustained long-term growth sufficient to meet the liabilities of the Scheme over a prolonged period and taking account of the nature and timing of those liabilities, while limiting the Scheme's exposure to undue risk. The Trustees also want to ensure that the investments are structured and managed in a way that provides for the cash flow requirements of the scheme to be met as they arise. In order to achieve this objective, the Trustees invest in a range of asset classes which by their very nature, have various risks associated with them. The Trustees aim to manage these risks by using diversification and using professional investment managers. This is monitored by the Trustees by regular review of the Fund and of the investment managers.

Further information on the Trustees' approach to risk management and the Scheme's exposures to credit and market risks are set out below.

(i) Credit risk

The Scheme is directly subject to credit risk due to its exposure in bonds, loan notes, credit funds, OTC currency contracts and its cash holdings with various counterparties. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the investments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

15 Investment risks (*continued*)

Investment grade is considered to be a rating of BBB- or above. The following tables categorises the Fund investments:

Analysis of direct investment credit risk

2021	Investment grade	Non-investment grade	Unrated	Total
	€'000	€'000	€'000	€'000
Bonds	562,318	43,498	-	605,816
OTC Derivatives	(1,523)	-	-	(1,523)
Cash	141,718	-	-	141,718
Pooled investment vehicles (loan note)	-	-	108,119	108,119
Pooled investment vehicles (credit)	219,258	122,885	707,179	1,049,322
Pooled investment vehicles (Bonds)	215,666	-	-	215,666
	1,137,437	166,383	815,298	2,119,118

2020	Investment grade	Non-investment grade	Unrated	Total
	€'000	€'000	€'000	€'000
Bonds	563,600	50,833	-	614,433
OTC Derivatives	(923)	-	-	(923)
Cash	361,815	-	-	361,815
Pooled investment vehicles (loan note)	-	-	86,367	86,367
Pooled investment vehicles (credit)	223,054	117,336	550,080	890,470
	1,147,546	168,169	636,447	1,952,162

Note: Values included above are inclusive of accrued income.

15 Investment risks (*continued*)

Bonds

Credit risk arising on bonds held directly or through pooled investment vehicles is mitigated by investing in government bonds where the credit risk is minimal. At year end the fund held two (€43m) Irish bank bonds which were non-investment grade. In the case of sub investment grade credit, this risk is managed by external specialists or investment managers who invest in a diversified manner across companies, sectors and currencies globally.

Loans

In the case of direct senior loans, the loans are backed by physical assets with low loan to value ratios and are senior in the capital structure.

Derivatives

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

Cash

Cash is held within financial institutions and short-term investment funds (STIFs) which are at least investment grade credit rated.

Pooled Investment Vehicles

Credit risk arising from pooled investment vehicles is mitigated by using external specialists or investment managers, the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. This diversification is across countries, sectors, securities and currencies. Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the investment manager, regulatory and operating environment of the pooled managers. This is augmented by engaging with investment consultants who rate investment managers.

A summary of pooled investment vehicles exposed to credit risk by type of arrangement is as follows:

	2021	2020
	€'000	€'000
Open ended investment company	2,396,674	2,206,488
Closed ended investment company	448,453	535,003
Limited Liability Partnership	501,314	398,805
Authorised unit trusts	247,365	220,563
Loan notes	108,119	86,367
Short Term Listed Funds	48,955	129,576
Open ended Unit Linked	215,666	-
	3,966,546	3,576,802

15 Investment risks (*continued*)

Sole investor in Pooled Investment Vehicles

There are five investments which are solely held. There were no new sole investments in Pooled Investment Vehicles during 2021. A summary of these investments on a ‘look through’ basis is as follows:

	2021	2020
	€’000	€’000
Insight LDI Euro Active 38 Fund (100%)		
Swaps	51,676	(11,438)
Cash / Cash Fund / Collateral	96,612	98,627
Credit	76,391	55,790
	224,679	**142,979**
Tetrarch Dublin Commercial Property Fund - Loan Note (100%)		
Credit	53,243	53,805
	53,243	**53,805**
Tetrarch Dublin Commercial Property Fund - Equity (97.75%)		
Cash	-	-
Property	108,555	107,445
	108,555	**107,445**
Tetrarch Aparthotel - Loan Note (100%)		
Credit	54,876	32,562
	54,876	**32,562**
Tetrarch Aparthotel - Equity (97.75%)		
Cash	-	-
Property	4,900	5,199
	4,900	**5,199**
	446,253	**341,990**

15 Investment risks (*continued*)

As outlined in the Statement of Investment Policy Principles (Section 5), the Trustees appoint investment managers with a mix of approaches and investment styles in an effort to optimise the required return for an acceptable level of risk. The Fund employs professional managers with both active and passive mandates. Passive management, where the investment manager is expected to replicate the return for the agreed index or benchmark, is a cost-effective way of achieving market returns and approximately 29% of the Fund's assets (including passively held equity exposure, Irish and emerging market bonds and the Bridgewater All Weather fund) are managed in this way. Active managers are expected to outperform their agreed benchmark over an appropriate period to add value after costs over the agreed benchmark or index return. The Trustees monitor the investment managers continually with the help of their advisors.

(ii) Currency risk

The Fund is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustees limit overseas currency exposure through a currency hedging policy whereby an external currency overlay manager (P/E Global LLC) is employed to actively hedge the Scheme's largest foreign exposures (US Dollar and Sterling) within a range of 0-100%. Ruffer LLP also hold derivatives as part of the investment holding.

The Scheme's total exposure by major currency at the year-end was as follows

	2021	2020
	€'000	**€'000**
Currency		
US Dollar	**1,022,203**	**898,157**
GB Pound	**(32,869)**	(44,150)
Japanese Yen	**13,892**	4,946
Australian Dollar	**(34,358)**	17,422
Canadian Dollar	**(51,913)**	12,787

(iii) Interest rate risk

From its bond, cash and certain credit exposures, the Scheme is also subject to interest rate risk. With respect to government bonds, the risk is somewhat mitigated by the counter move in the Scheme's liabilities on a regulatory basis. Interest rate risk is managed by the credit managers by a variety of approaches such as reducing duration (sensitivity to rising interest rates) and by using diversification. While the above relates to the Scheme's investments, rising interest rates help also to reduce the Scheme's liabilities when measured on a regulatory basis.

15 Investment risks (*continued*)

	2021 €'000	2020 €'000
Direct		
Bonds	605,816	614,433
Cash	7,625	49,630
Indirect		
Cash Funds	72,714	190,124
Credit Funds	1,157,441	976,837

Multi asset funds also contain some exposures to currencies, bonds and credit in addition to equities and commodities on a look through basis.

(iv) Other price risk
Other price risk arises principally from the Scheme's other investments such as equities, property, forestry and from the underlying investments held in the pooled funds.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets and by using investment managers.

The Scheme's exposure to investments (excluding derivatives) subject to other price risk is detailed in the following table:

	2021 €'000	2020 €'000
Direct		
Equities	910,151	810,786
Indirect		
Forestry Funds	104,814	98,754
Hedge Funds	476,598	499,400
Infrastructure Funds	311,117	238,392
Multi Asset Funds	622,630	650,497
Pooled Equity Funds	445,250	418,268
Property Funds	559,147	503,129
Venture Capital	1,169	1,401
Credit Funds (Including loan note)	1,373,108	976,837
	4,803,984	**4,197,464**

*In addition there is a derivative position of (Liability €1.523million) at 31 December 2021 *(Liability €.923 million at 31 December 2020)* which is subject to other price risk.

16 Current Assets and Liabilities

	2021	2020
	€'000	**€'000**
Current Assets		
Cash at bank	**61,379**	122,061
Transfer in due	**1,142**	1,020
Other	**1,151**	851
Total Current Assets	**63,672**	123,932
Current Liabilities		
Accrued expenses	**(2,727)**	(2,755)
Taxation	**(3,252)**	(3,247)
Benefits Due	**(3,300)**	(3,388)
Other Creditor	**(1,931)**	(1,461)
Total Current Liabilities	**(11,210)**	(10,851)

17 Actuarial valuation

A full actuarial valuation of the assets and liabilities of the Scheme is carried out at regular intervals by the Scheme Actuary on an ongoing basis. The most recent valuation is based on the assets and liabilities of the Scheme as at 31 December 2020.

18 Commitments

	Total Commitment	Undrawn Commitment at 31 December 2021	Undrawn Commitment at 31 December 2020
	'000	**'000**	**'000**
Arcus AEIF2	€75,000	33,533	€51,848
Blackrock Renewable Income Europe Fund	€88,000	11,170	€11,000
Cardinal Mezzanine Fund L.P.	€150,000	71,632	€81,717
Cardinal PE Fund	€100,000	32,760	€75,310
Cardinal WLR Fund	€100,000	16,150	€16,150
CBRE	$165,200	0	$80,000
Elm Corporate Credit DAC – Senior Credit	€66,500	1,339	€17,788
Elm Corporate Credit DAC – Subordinated Debt	€28,500	574	€7,624
Macquarie MEIF 6	€100,000	€33,090	€63,800
Macquarie MSCIF	€100,000	€81,759	€100,000
Tetrarch Aparthotel Fund	€76,866	€11,099	€34,000
Dunport- Oak	€95,000	0	-

19 Related party transactions

- **The Trustees and the Superannuation Committee:** The Trustees and Committee members are as set out on pages 42 and 43 of this report. During the year the Committee members and five Trustees made contributions to the Scheme and two Trustees were in receipt of pension benefits from the Scheme. The Trustees and Committee members did not receive, and are not due any remuneration, from the Scheme in connection with the management of the Scheme.

- **Electricity Supply Board:** The principal employer of the Scheme is Electricity Supply Board. Employer contributions are made in accordance with the Scheme regulations. Under the regulations, Electricity Supply Board provides and pays for administration services and certain investment management services which are required for the operation of the Scheme and is also the Registered Administrator of the Scheme. Deficit funding contributions with a present value of €591 million were paid by the Employer into the Scheme spread over a number of years in accordance with the Funding Proposal (April 2012) in order to improve the Scheme's funding position. Whilst the funding proposal did envisage payment of the entirety of the deficit funding contribution of €280 million by the end of 2018 the Trustees and the Electricity Supply Board agreed during 2018 to postpone it until 2019 and agreed again in 2019 to postpone the payment to June 2020. The balance due and associated interest was received in full during 2020.

- **The investment managers:** The investment managers are as noted on pages 44 to 46. They are remunerated on a fee basis calculated as a percentage of the assets under management. The residual investment management fees borne directly by the Scheme for 2021 were €5.899 million *(2020: €4.394 million)*.

- **The actuary**: Liam Quigley, Mercer (Ireland) Ltd act as the actuary for the Scheme and is remunerated by the principal employer.

- **The custodian**: The Bank of New York Mellon acts as custodian to the Scheme. The fees are borne by the Scheme and for 2021 were €0.1 million *(2020: €0.2 million)*

- **Capita Employee Benefits Ltd**: Administration for active and preserved members up to retirement was performed by Capita Employee Benefits Ltd for the six month period from January to June 2021. This arrangement which was in place from 1 January 2012 was concluded in June 2021 following the appointment of AON Solutions Ireland Ltd. .

- **AON Solutions Ireland Ltd** :A tendering process was carried out in 2020 resulting in the award of administration contract to AON Solutions Ireland Ltd. Administration for active and preserved members up to retirement was performed by AON Solutions Ireland Ltd for the six month period from July 2021 to December 2021.

20 Self-investment

There was no self-investment at any time during the year.

21 Funding

At 31 December 2008, there was a projected shortfall of liabilities over assets and future contributions. During 2010 an agreement was concluded whereby the Electricity Supply Board undertook to make additional contributions with a present value, at 1 January 2010, of €591 million spread over a number of years. The balance due at 31 December 2019 (€280 million) along with associated interest (€7 million) was received in full in 2020. There is no current requirement for additional funding based on most recent actuary assessment of scheme carried out in May 2022.

22 Subsequent Events

On 24 February 2022, Russia began a military invasion of Ukraine. In addition to causing intense human suffering, the conflict in Ukraine continues to be a key driver of global markets with commodity markets remaining volatile. The Trustees will continue to monitor the position in conjunction with their investment advisors.
There have been no other significant subsequent events post year end which would impact on the financial statements for the year to 31 December 2021 as at the date of approval of the Annual Report.

23 Contingent Liabilities

As detailed in the Statement of Accounting policies on pages 52 to 54 and the Statement of Net Assets on page 51, these financial statements do not take into consideration liabilities to pay pensions and other benefits in the future. On this basis, in the opinion of the Trustees, the Scheme had no contingent liabilities at the year-end, 31 December 2021.

24 Approval of financial statements

The financial statements were approved by the Trustees on 10th May 2022.

The ESB Defined Benefit Pension Scheme

Financial statements

Year ended 31 December 2021

PB registered number PB1699

GLOSSARY

Actuary
An independent professional who advises on the financial position of the Scheme. Every three years the actuary must measure the value of the assets and liabilities of the Scheme and produce the actuarial valuation, which assesses the financial strength of the Scheme.

Alpha
Any return stream is made up of three components – cash, beta and alpha. Alpha generally refers to manager skill or asset return streams that are not persistently correlated to beta or market risk. The cost for alpha tends to be higher than beta as it is more difficult to find than pure market risk.

Asset Allocation
The way investments are distributed and weighted among different asset classes, such as equities, bonds, cash etc.

Benchmark
A yardstick against which the investment performance of an investment manager can be measured usually based on the return from a particular market or asset category.

Bear Market
A market in which prices decline sharply against a background of widespread pessimism, growing unemployment, or business recession.

Beta
Any return stream is made up of three components – cash, beta and alpha. Beta or market risk is the return from passively investing in an equity or bond.

Bonds / Credit
Companies and governments issue bonds to raise money. They are effectively an IOU with the company or government promising to repay the money on an agreed date. In the meantime, they pay interest on the loan – either at a fixed rate or linked to an inflation index such as the Consumer Price Index. Companies tend to issue corporate bonds or loans. While corporate bonds normally have a fixed interest rate, loans generally have a floating rate interest rate.

Bull Market
Any market in which prices are advancing in an upward trend.

Cash
Any return stream is made up of three components – cash, beta and alpha. Cash on deposit with financial institutions or other short-term financial securities, offering the prospect of stable but low returns. Over the long-term, cash returns are not expected to match price or salary inflation.

Custody
Safe-keeping of securities by a financial institution. The custodian keeps the records of a client's investments and may also collect income, process tax reclaims and provide other services, according to the client's instructions.

Diversification
The spreading of risk by placing investments in several different categories such as stocks, bonds, and money market funds.

Equities
Equities are issued by companies to raise money to expand their business. They represent a share in the ownership and market value of a company. As an incentive for people to buy their shares,

companies offer shareholders a share of their profits sometimes, paid out as an annual dividend. Dividends can vary and are never guaranteed. Generally, equities tend to be a higher return seeking asset for higher risk.

Exchange Traded Fund (ETF)
An ETF is an investment fund traded on a stock exchange much like a stock. An ETF can hold assets such as bonds, stocks or commodities.

Futures Contract
A standardised agreement to purchase or sell a defined amount of a particular security or commodity at a fixed price on a set future date. The buyer (or long) agrees to take delivery at expiration, while the seller (or short) agrees to deliver when the contract expires.

Hedge Funds
Hedge funds are alternative investments using pooled funds that may use a number of different strategies in order to earn return, or alpha, for their investors. Hedge funds are actively managed and use derivatives (a contract that derives its value from the performance of an underlying entity) and leverage with the goal of generating high returns (either in an absolute sense or over a specified market benchmark). Because hedge funds may have low correlations with a traditional portfolio of stocks and bonds, allocating an exposure to hedge funds can be a good diversifier.

Inflation
A rise in the prices of goods and services, resulting in a decrease in purchasing power.

Information Ratio
This is the ratio of the excess return (above a benchmark) relative to the risk (or volatility) taken to achieve that return.

Investment Risk
The probability of a loss in the market value of an asset or portfolio.

Market Value
The price at which an investment can be bought or sold at a given date.

Mezzanine Debt
This is the debt that sits between equity and senior debt in a corporate structure. This is more risky than senior debt but less risky than equities.

Multi Asset Funds
Some funds invest in a diversified manner by investing across a wide variety of investment types. These typically include equities, bonds and cash, as well as more specialist investments such as property, commodities and currency. These funds typically have beta and alpha exposures.

Property
Property holdings, principally ownership of offices, retail and industrial units. Property investments can be through direct ownership of a building or through shared ownership with other investors. Income comes from renting the property concerned to tenants, generally on a long-term lease. Over long periods, property tends to provide a positive real return, i.e. a return in excess of the rate of inflation. Factors affecting the value of property include economic conditions which affect demand for space, rental levels and market interest rates.

Return
The total gain (or loss) from holding an investment over a given period, including income and increases (or decreases) in market value.

Tracking Error:
A measure of the variability on investment return relative to an index or benchmark.

Value at Risk (VaR)
This is the likelihood of the Fund losing more than a particular amount in a year assuming normal market conditions.

PROFESSIONAL ADVISORS AND THIRD PARTY SERVICE PROVIDERS

Under trust and pensions law, trustees are required to act in the interests of the beneficiaries and to act with the prudence of a normal businessperson. They are responsible for their decisions and to assist them in carrying out their function effectively, they have access to appropriate professional advice. A full list of service providers to the Scheme is set out on the following pages.

The Scheme Actuary carries out a formal actuarial valuation of the Scheme at least every three years and advises on the long-term financial viability of the Scheme and on the likelihood that it will be able to provide the promised benefits. The Actuary also advises on the suitability of the Trustees' investment strategy in light of the Scheme's long-term funding needs and the relationship between the assets and liabilities.

The Trustees appoint professional investment management firms to manage the majority of the Fund's assets as set out in Section 3. In deciding on the overall strategy and in relation to investment management issues, the Trustees obtain expert advice and support as required.

The Trustees have appointed an independent global custodian, BNY Mellon Trust Company (Ireland) Limited, to safeguard the financial assets and the rights attaching to those assets. The custodian is responsible for the safekeeping of the financial assets, transaction settlements, income collection, overseas tax reclamation and other administrative actions in relation to the investments. Bank of New York Mellon also provides fund accounting and associated services.

The Superannuation Committee and Trustees consult with legal and other professional advisors as required.

Member Enquiries

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