



Annual Report 2023

The ESB Defined Benefit Pension Scheme

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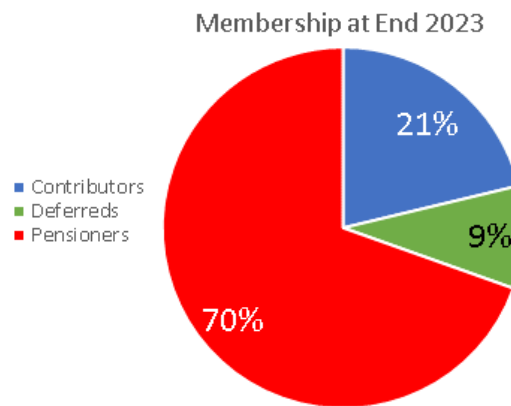
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TRUSTEES, SUPERANNUATION COMMITTEE, FORUM AND OFFICERS

Trustees		Pensions Implementation Forum	
Kieran Sweeney	Chairperson	Fran O'Neill	Chairperson
Bernard Daly	(from July 2023)	Bernard Daly	(from July 2023)
Anne Marie Kean		Jim Dullaghan	
Adrian Kelly		Adrian Kelly	
Jeremiah Murphy		Kieran Sweeney	
Pat Naughton		Tom McMahon	Secretary
Anthony Walsh		Margaret O'Connor	
		Gerard Tallon	
		David Sexton	
Superannuation Committee			
John Carton	Chairperson (until June 2023)		
Ann Carroll		ESB Pensions at the of End 2023	
Niamh Curtis	(from February 2023)	<i>Pensions and Insurance Manager</i>	
Martina Comerford	(from August 2023)	James O'Loughlin	
Adrian Fox			
Lorna Heron		<i>Investment Team</i>	
Sean Kelly		Noel Friel – Pensions Chief Investment Officer	
Louise Murphy	(until January 2023)	Ciara Quinn – Investment Analyst	
Margaret O'Connor	Chairperson (from July 2023)		
John O'Sullivan		<i>Pension Services Team</i>	
Claire Quane		Susan Cahill - Regulatory & Accounting Manager	
David Sexton		Lisa Donegan - Fund Accountant	
		Krystle Healy - IORP II Implementation Manager	
Secretary to Trustees and Superannuation Committee		Jennifer Hickey - Pension Administration Specialist	
James O'Loughlin		Claire O'Brien – Pension Administration Specialist	
Key Function Holders			
Risk	Krystle Healy		
Internal Audit	James O'Loughlin		

A YEAR IN NUMBERS - 2023

Fund Return (%)	5.5%
Fund Value at the end of 2023 (€million)	5,122
Net Return on Investments (€million)	288
Contributions and Transfers In (€million)	52
Benefits Paid (€million)	281
Overall Change in Value over 2023 (€million)	59
Number of members at year end:	11,778
Change in membership over 2023	(238)



The Annual Report tells you what happened in the Scheme Year
– January to December 2023

SCHEME FOREWORD BY TRUSTEE CHAIRPERSON

As Trustee Chairperson, I am pleased to present my second Annual Report for the ESB Defined Benefit Pension Scheme for 2023. The Annual Report and its Summary are the primary methods used by the Trustees to communicate with members. We hope our members find this year's report both informative and interesting in giving an insight into the scale and operation of the Scheme.

2023 was another exceptionally busy year for the Scheme from both an operational and investment perspective. Operationally, the Scheme moved from transitioning to full implementation of IORP II, a significantly enhanced regulatory environment overseen by the Pensions Authority. While the Scheme's heavily diversified investment portfolio cushioned against the worst of the falls in markets in 2022, 2023 was a good year for investment returns. While the macroeconomic climate was uncertain and volatile for much of the year, towards the latter end of 2023 markets became more confident that interest rates had peaked and the battle to control inflation was largely won. This led to a strong rally in stock and bond markets. Nevertheless, inflation remains a concern and we continue to monitor movements in both inflation and interest rates.

Some of the main highlights for the Scheme were as follows:

- The Actuary confirmed that the Scheme met the Minimum Funding Standard (MFS) including the Risk Reserve at the end of 2023. Crucially, the ongoing actuarial valuation remained 'in balance' at the end of 2023 with a funding level of 101%.
- Following the successful outcome of the Solvency Test for 2023, the Secretary, on behalf of the Committee, wrote to Department of Environment, Climate and Communications (DECC) seeking Ministerial consent to pay a 4% increase in line with Circular 16/2021 Code of Practice for the Governance of State Bodies and also the regulations underpinning the Scheme. As part of this process, Department of Public Expenditure and Reform (DPENDR) was also required to consent to the payment of this pension increase. Following a review process by NewERA, DECC and DPENDR, consent was received from both Departments in February 2024 and the increase was paid in February, backdated to the start of the year. This follows on from the 4% pension increase paid in January 2023.
- The Fund recorded a return of 5.5% during 2023 albeit it was a volatile year for investment markets, this return is largely in line with its 2023 long term target of 5.3%¹. 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 return over the past 3 years was 3.8% p.a., while the Fund returned 4.4% p.a. and 5.3% p.a. over the past 5 and 10 years respectively.
- Much effort was spent by the Trustees and Committee in embedding IORP II (new regulatory regime for pension funds) into their day-to-day management of the Scheme. The Trustees formed a new Governance, Audit & Risk committee to help manage the additional workload.
- DECC and DPENDR, together with NewERA, have been working on approving the amended set of Scheme rules which was submitted in 2022. These amended rules mainly arose from the implementation of the IORP II Directive. A requirement under IORP is that all pension schemes must be managed under one supervisory body, so the Scheme rules required an update to transfer Committee duties into those of the Trustees. In February 2024, both Ministers approved the amended rules and a Statutory Instrument is currently being prepared by DECC following ESB notification of same to Revenue.
- CARE revaluation of 7.4% was applied from 1st January 2024, which reflected 12-month Irish inflation (CPI of 6.4%) to the end of September 2023 plus 1%.
- The Scheme continues to mature which is most evident in the membership number and the cashflow profile. 70% of members are pensioners whereas 21% are contributing members and 9% are deferred members. Benefits and payments to leavers totalled €281 million for the year while total contributions

¹ Target return was 5.25% at the start of 2023 and was increased to 5.5% in November 2023.

from employees and the employer were €52 million. The trend of higher pension payments relative to contributions will only increase over the coming years which has implications for investment strategy and maintaining liquidity to pay pensions.

- As part of our investment manager governance, Trustee subgroups met with our Irish investment managers at their offices in June and September. This is in addition to our normal meetings where we meet with the Fund's various investment managers.
- The Pensions Authority held an engagement exercise with the Trustees in November 2023 as part of their IORP II implementation engagement with trustees of Irish pension schemes. The Trustees were demonstrated to the Authority that they had an effective system of governance in operation for their fiduciary management of the Scheme.
- Deferred member benefit statements issued for the first time in December 2023 which is now required under IORP II.
- In December 2022 we recommenced the member verification process following the pandemic. Thanks to all for completing and returning your member ID forms.
- Our member communication event last year was a hybrid event held in October. This year's event will also be a hybrid event held on Microsoft Teams with-in person attendance available at ESB Headquarters, 27 Lower Fitzwilliam Street, Dublin 2. This event will be held on 15th October 2024 and if you would like to attend this event, please email onehr@esb.ie outlining whether you will be attending in person or virtually before 31st August 2024.
- A mini-investment strategy review was concluded earlier in the year to ensure the Fund is targeting an optimal investment strategy to achieve the required discount rate (or investment target).

This Report is laid out over five sections:

- Section 1 covers the overview of the Scheme which includes information on the Trustees and Superannuation Committee members, Scheme amendments, financial accounts, membership profile, solvency position, revaluations and pension increases and the investment allocation and performance.
- Section 2 provides more information on the Scheme's solvency position and actuarial statements.
- Section 3 details the performance of the investments throughout the year along with the changing asset allocation.
- Section 4 is the Trustees' Statement of Investment Policy and Principles which sets out the main elements of the Trustees' investment policy and how it is implemented.
- Section 5 covers the financial statements.

I would like to express my sincere gratitude to my fellow Trustees for their dedication and commitment throughout the past year. They have consistently gone above and beyond, generously donating their time and expertise to fulfill their roles. A special welcome to Bernard Daly, who joined the board in July 2023, replacing Peter Van Dessel. On behalf of all the Trustees, I would also like to acknowledge the invaluable contributions of James O'Loughlin (Secretary to the Fund and Internal Audit Key Function Holder), Krystle Healy (Risk Key Function Holder), Noel Friel (Chief Investment Officer), and indeed the entire team in ESB Pensions. Their continued support and exceptional work is deeply appreciated.

The Scheme's current financial position is reasonably strong and I am pleased to say that progress has been made in increasing the liability matching assets within the overall portfolio. However, pension funds worldwide face significant challenges due to economic uncertainty, geopolitical tensions, evolving regulations, and a complex investment landscape. We are committed to managing the Scheme responsibly by reducing risk where possible and aiming to provide inflation-linked pension increases. These goals require careful balance, but we remain dedicated to achieving them.

Kieran Sweeney
Trustee Chairperson
May 2024

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 2023. The Annual Report is available [online](#) on the intranet for all contributing members and upon requests 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 dependents 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 and Aon Solutions Ireland Ltd being the Registered Administrators. 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 dependents.

In total, 11 regular Trustee meetings were held during the year. Ben Daly was appointed Trustee from July to replace Peter Van Dessel who resigned at the end of 2022. There were 13 Superannuation Committee meetings held during 2023. Margaret O'Connor replaced John Carton as Chairperson who retired in 2023. Louise Murphy also retired in January 2023 while Niamh Curtis and Martina Comerford joined during the year.

Table 1 Attendance at Trustee meetings in 2023

Trustee	Period	Attendance	Meetings*
Kieran Sweeney (Chairperson)	Jan – Dec 2023	11	11
Bernard Daly	Jul – Dec 2023	4	5
Anne Marie Kean	Jan – Dec 2023	11	11
Adrian Kelly	Jan – Dec 2023	11	11
Jeremiah Murphy	Jul– Dec 2023	11	11
Pat Naughton	Jan – Dec 2023	10	11
Anthony Walsh	Jan – Dec 2023	11	11

* Number of meetings individual was eligible to attend.

Table 2 Attendance at Committee meetings in 2023

Member	Period	Attendance	Meetings*
Margaret O'Connor (Chairperson)	Jan - Dec 2023	12	13
Ann Carroll	Jan - Dec 2023	7	13
John Carton	Jan - Jun 2023	4	6
Martina Comerford	Aug - Dec 2023	3	6
Niamh Curtis	Feb - Dec 2023	7	12
Adrian Fox	Jan - Dec 2023	8	13
Lorna Heron	Jan - Dec 2023	9	13
Sean Kelly	Jan - Dec 2023	11	13
Louise Murphy	Jan 2023	0	1
John O'Sullivan	Jan - Dec 2023	8	13
Claire Quane	Jan - Dec 2023	5	13
David Sexton	Jan - Dec 2023	8	13

* 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 from the Trustees, the Superannuation Committee, the ESB Group of Unions and ESB. It is chaired by Fran O'Neill while Tom McMahon is the Secretary. There were two Forum meetings in 2023.

Scheme Administration

ESB and Aon Solutions Ireland Ltd are the Registered Administrators for the Scheme and with the day to day administration for 2023 being provided for by Aon Solutions Ireland Ltd. ESB Pensions support the work of the Trustees and Committee. James O'Loughlin fulfils the statutory role of Secretary to both the Superannuation Committee and the Trustees.

Administrative expenses, with the exception of certain professional and investment fees, are borne directly by 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.

IORP II Provisions

The European Union (Occupational Pension Schemes) Regulations, 2021 (the [Regulations](#)) were signed into Irish Law on 22 April 2021. The transposed Regulations introduced new requirements and changes to the Pensions Act, 1990, as amended (“the Act”). IORP II sets out the minimum standards for the management and supervision of pension schemes to protect the entitlements of members and beneficiaries. The Code of Practice for trustees of occupational pension’s schemes and trust Retirement Annuity Contracts (RACs) was published by the Pensions Authority on 18th November 2021 with the expectation that all schemes would be fully compliant by 1st January 2023.

IORP II introduced many new obligations on Irish pension schemes including:

- Minimum qualification and experience standards for trustee boards.
- The appointment of key function holders for risk management, actuarial and internal audit.
- Requirement for written policies on risk management, internal audit, remuneration and, where relevant, actuarial and outsourced activities.
- Standards for internal controls, administrative and accounting procedures, contingency plans.
- Communications and information to be provided to active members, prospective members, deferred members, those nearing retirement and pensioners.

An IORP II readiness plan was put in place for the DB Scheme and throughout 2022 the Trustees and the Superannuation Committee were briefed monthly on IORP II. At the December 2022 Trustee meeting all new IORP policies were approved by the Trustees. Throughout 2023 the Trustees have been embedding IORP II into the day-to-day management and governance of the ESB DB Pension Scheme. All of the Trustees have completed a Pensions Authority recognised professional trustee qualification.

Scheme Amendments

As reference in last year’s Annual Report, with the advent of the IORP II Directive, ESB established a Governance Structure Review Group (“Review Group”) to work with ESB Pensions with a view to making recommendations on changes to the Scheme’s governance to ensure compliance with the Directive. External legal advice was also sought as part of this exercise. Following careful consideration, the Review Group recommended that the number of Trustees should be increased (to encompass some of the existing members of the Superannuation Committee). The Trustees would then take on all roles relating to the administration and governance of the Scheme and the Superannuation Committee would then cease to exist. This would result in a governance structure that meets the requirements of the Regulations while retaining the experience and knowledge of the Superannuation Committee. This proposal was reflected in an amended set of Scheme rules that were approved by the ESB Board and submitted to the Minister of Environment, Climate and Communications (DECC) for approval in November 2022. As per Circular 16/2021, the amended rules also need to be approved by the Minister for Public Expenditure and Reform (DPENDR).

The amended rules include the appointment of two additional Trustees (one nominated by ESB and one nominated by members following election), bringing the total number of Trustees to nine. In addition to the changes required to bring the Scheme into compliance with the Regulations, other (non-material) changes are also proposed. These include presentational changes and clarifications such as the inclusion of rule sub-headings, which are intended to make the rules easier to navigate. The proposed rule changes also reflect changes to the normal retirement date to reflect the option to retire at age 67 (from 2023) and age 68 (from 2028) as a result of a change in HR policy communicated by ESB in July 2022. It is important to note that the proposed rule changes do not amend either the benefits payable under the Scheme or ESB’s contribution obligations to the Scheme. In addition to recommending the changes to the ESB Board, ESB Pensions briefed the Trustees, the Superannuation Committee and the Group of Unions on the requirements of IORP II and the proposed changes to the Scheme’s governance.

In February 2024, both Ministers approved the amended rules and a Statutory Instrument is currently being prepared by DECC following ESB notification of same to Revenue.

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%. Irish inflation for the 12 months to September 2023 was 6.4% and following the successful outcome of the Solvency Test for 2023, the Secretary, on behalf of the Committee, wrote to DECC seeking Ministerial consent to pay the increase in line with Circular 16/2021 Code of Practice for the Governance of State Bodies and also the regulations underpinning the Scheme. As part of this process, DPENDR was also required to consent to the payment of this pension increase. Following a review process by NewERA, DECC and DEPENDR, consent was received from both Departments in February 2024 and the increase was paid in February, backdated to the start of the year. This follows on from the 4% pension increase paid in January 2023.

In reaching their decision to approve a pension increase, the Committee took account of a range of factors, including the Scheme's Rules, the advice of the Scheme Actuary, views from the Trustees and the Forum, updated financial and investment information, the Scheme's long-term objectives, the current and projected future financial circumstances of the Scheme, and the cost of discretionary increases. The Committee, and indeed the Trustees, also considered the increase in the consumer price index (CPI) over the 12-month period to the end of September 2023 (6.4%), the interests of all members, past practice, sustainability, and risk (in particular, investment risk).

Solvency Position at the end of 2023

In the Triennial Actuarial Valuation with an effective date of 31st December 2023, the Scheme Actuary confirmed that the assets and liabilities remained "in balance" on an ongoing basis with a funding level of 101%. This was based on a 4.7% discount rate which is lower than that applicable at the end of 2022 (5.25%) due to lower bond yields over the year. This discount rate factors in a 9% move from growth and cashflow producing assets to liability matching assets executed in the first half of 2024.

The Actuary also confirmed that the regulatory Minimum Funding Standard (MFS) surplus decreased from €733 million to €533 million over the year, mainly as a result of falling bond yields, pension increases and CARE. This corresponds to a funding level of 111.6%. The Funding Standard Reserve was €404 million which results in an overall MFS surplus of €129 million or a funding level of 102.6%. As the Scheme met the MFS with an effective date of 1st January 2024, there was no need for a Funding Proposal.

The ESB Gateway Trust, valued at €49 million at year end, 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 early retirement between ages 60 and normal retirement date that the Committee cannot, on the basis of advice from the Scheme Actuary, be absorbed by the Scheme's resources.

This position for both the Actuarial and MFS valuations includes the impact of all approved pension increases and CARE effective from the end of 2023. The next Triennial Valuation will be conducted at the end of 2026.

Risk Statement

The Trustees are obliged by the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended) (the "Disclosure Regulations") 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 is a defined benefit scheme as defined by the Pensions Act 1990 (as amended) (the “**Pensions Act**”). 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 (this list is not exhaustive):

- 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. Therefore, conditions may occur that could lead to a shortfall in the Scheme’s assets i.e. the Scheme may not be solvent.
- The administration of the Scheme may fail to meet acceptable standards. The Scheme could fall out of statutory compliance, the fund could fall victim to fraud or negligence, or the benefits communicated to you could differ from the liabilities valued by the actuary.
- There may be regulatory or legislative changes that 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 the Disclosure Regulations to include in the Annual Report a risk statement in the following form:

- The Scheme is funded by contributions paid by ESB 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, which would require a change in the regulations, 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.
- Further information in relation to this Risk Statement may be obtained from ESB Pensions Office/ the Trustees.

It is not possible to guard against every eventuality notwithstanding this, the Trustees are satisfied that they are taking all reasonable steps to protect the members from the effects of these risks, including:

- 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.
- 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 (the “**Valuation**”) 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.
- In addition, the Actuary undertakes an annual review of the Scheme’s ability to meet the statutory funding standard as defined by the Pensions Act. It should be noted that pursuant to the Pensions Act a review of the statutory funding standard is only required every three years. If the Scheme does not satisfy the statutory funding standard, a funding proposal designed to address the shortfall has to be put in place (the “**Proposal**”) and submitted to the Pensions Authority for approval. 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 Pensions Authority that is designed to address the shortfall.
- The Trustees completed an Own Risk Assessment in April 2024.
- Appointing experienced professional advisers and administrators to assist with the proper running of the Scheme.
- 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.

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 2023 was 6.4% according to the Central Statistics Office (CSO) which means a CARE revaluation of 7.4% which was applied to all relevant members at the start of 2024.

Membership

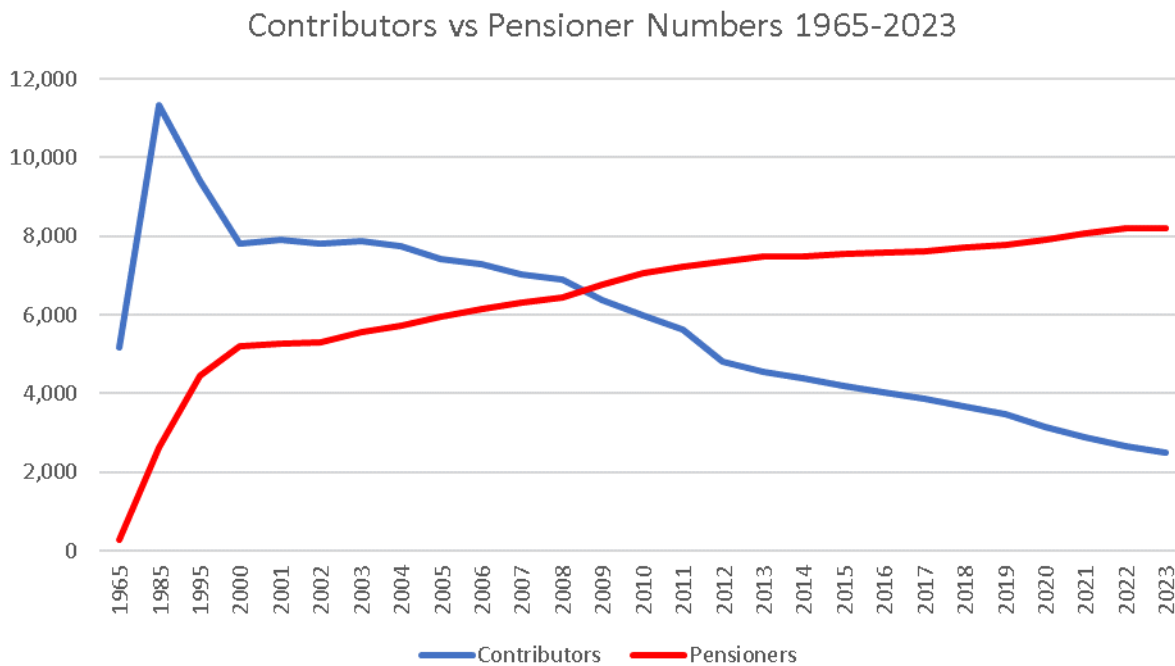
Table 3 Scheme Member Profile

Pensioners	2023	2022
Pensioners at the start of year	8,169	8,068
Add:		
New Pensioners (including spouses & children)	362	448
Less:		
Pensions ceased during the year	(337)	(347)
Pensioners at end of year	8,194	8,169

Contributors	2023	2022
Contributors at start of year	2,674	2,900
Add:		
New entrants (return from career breaks)	1	2
Less:		
Opening adjustments	2	(3)
Career break starters (to Preserved)	(6)	(6)
Retirements – Ordinary	(149)	(211)
Retirements – Ill health	(6)	(1)
Resignations	(7)	(3)
Death in Service	(6)	(4)
Post 2010 VSS Leavers	(1)	0
Contributors at year end	2,502	2,674

Scheme Member Profile	2023	2022
Contributors	2,502	2,674
Pensioners	8,194	8,169
Deferred members	1,082	1,173
Total Members	11,778	12,016

Figure 1 Active Member vs Pensioner Evolution (1965 – 2023)



Fund Performance

2023 was a strong year for most asset classes due mainly to better-than-expected economic growth, lower than expected inflation and stimulative liquidity conditions. Over the year, the Fund returned 5.5% versus a benchmark of 5.3%. Solid returns from equities, bonds and credit boosted returns while property, infrastructure and hedge funds detracted from returns. Over the longer term, the Fund has returned 5.3% p.a. versus a benchmark of 4.4% p.a. over the past 10 years. Given the decrease in yields over 2023, the long-term return target was reduced from 5.25% at the end of 2022 to 4.95% at the end of 2023 on an actuarial basis. This discount rate includes a 2% move from growth and cashflow producing assets carried out in April 2024. This target increased to 5.6% by the end of October 2023 arising from higher yields up to that point but had lowered by year end due to lower bond yields and a derisking move carried out towards year end.

Table 4 Annualised Fund Returns to 31st December 2023

	1 Yr	3 Yr	5 Yr	10 Yr
Fund Return	5.5%	3.8%	4.4%	5.3%
Benchmark	5.3%	4.3%	4.1%	4.4%

Fund's Allocation

Given the significant moves in asset class returns in 2022, the improvement in the Scheme's solvency ratios and to review the Fund's derisking program, the Trustees undertook a mini strategy review to ensure that the investment strategy agreed in 2021 was still appropriate. This exercise concluded in early 2023. Arising from this review a number of small changes were agreed including reclassifying the underlying funds in the Inflation Sensitive Portfolio into the rest of the portfolio. This was done as it was proving difficult to model this portfolio given the different characteristics of the underlying assets and furthermore, other parts of the Fund also have inflation sensitivity such as infrastructure, property, floating rate credit and the inflation swaps in the Liability Driven Investing (LDI) portfolio. The Trustees also agreed a longer term 2030 ambition of 56% in liability matching assets should conditions allow to lower the Scheme's overall funding volatility.

The Trustees also decided to apportion the assets into growth assets, cashflow producing assets and liability matching assets. Growth Assets include equities, multi asset funds, hedge funds and private equity. These are expected to give higher returns over the medium to long term. Cashflow Producing Assets include credit, property and infrastructure. Given their nature, these assets provide strong cashflows with links to inflation and are generally contractual in nature. The Liability Matching Assets include LDI (liability driven investing²), government bonds, European investment grade short dated credit and cash. These assets are expected to generally move in line with liability movements and so help to lower funding volatility but have a lower yield than growth assets.

The Fund's asset allocation at year end is shown in the following table. It also shows the Trustees' strategic asset allocation in effect at year end. Further details of the investment policy are included in The Statement of Investment Principles (SIPP) in Section 4.

Table 5 Asset class Target and Actual Allocations

Asset class Allocations	Actual Allocation At End 2022	Actual Allocation At End 2023	Strategic Asset Allocation	Strategic Allocation Range
Liability Matching Assets	23.0%	28.1%	28%³	
Cash	4.3%	5.3%	3%	0-10%
Euro Investment Grade Corporate Bonds	6.6%	8.3%	11%	5-15%
Government Bonds/LDI	12.1%	14.5%	14%	10-70%
Cashflow Producing Assets	41.7%	40.8%	39%	
Credit	17.0%	18.3%	17%	14-22%
Infrastructure	10.2%	11.6%	12%	8-15%
Property/Forestry	14.5%	10.9%	10%	5-15%
Growth Assets	35.3%	31.1%	33%	
Equities	14.5%	16.0%	17%	14-22%
Hedge Funds	8.9%	8.6%	9%	5-13%
Multi-Asset	10.4%	4.8%	5%	0-10%
Private Equity	1.5%	1.7%	2%	0-4%

² "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.

³ The Trustees have an ambition to increase the liability matching portfolio to 56% should conditions allow.



Scheme Financials

As at 31 December 2022 the value of Fund assets was €5,063 million. During 2023 contributions from ESB and members and transfers in amounted to €52 million. Benefits and payments to leavers amounted to €281 million. Overall, the Fund gained €288 million arising from the increase in the valuation of investments and income less expenses. This resulted in net assets of €5,122 million at 31 December 2023. This net asset includes the Gateway Trust which is included in the overall Fund.

Table 6 Financial summary

	2022		2023	
	€million	€million	€million	€million
Value of Fund at start of year		5,528		5,063
<i>Contributions and Transfers In</i>				
ESB	34		34	
Member Contributions and Transfers In	19	53	18	52
<i>Benefits and payments to leavers</i>		(280)		(281)
<i>Net Return on Investment</i>		(238)		288
<i>Change in Fund value during year</i>		(465)		59
Value of Fund at end of year		5,063		5,122

(Numbers are rounded to the nearest million.)

Compliance Details

Pensions legislation requires that we confirm the following details:

- The Scheme is a funded defined benefit pension scheme as defined by the Pensions Act 1990. ESB Group is the principal employer.
- 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.
- The Scheme is registered with the Pensions Authority, registration number PB1699.
- The Trustees, the Superannuation Committee and the staff of ESB Pensions have access to the Trustees' Handbook, Trustee Code of Practice and Guidance notes as issued by the Pensions Authority from time to time.
- 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).
- No pension increases were paid during the year for which the scheme would not have a liability in the event of a wind-up.
- 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.
- 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](#) or by email to pensions@esb.ie
- There are no members of the Scheme included for Death in Service Benefits only.
- 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.
- 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.
- 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 2023.
- Enquiries about the Scheme generally or about member entitlements should be sent to the Pensions Office at the following email address pensions@esb.ie
- There were no employer related investments at any time during the year.
- There have been no significant subsequent events post year end which would impact on the financial statements for the year to 31 December 2023 as at the date of approval of the Annual Report.
- The annual compliance statement for 2023 has been prepared and signed.
- The Pensions Authority was notified that Krystle Healy is the Risk Key Function Holder and James O'Loughlin is the Internal Audit Key Function Holder.
- The annual review and sign off of all (IORP II) Policies was completed in December 2023.
- The Trustees collectively have reviewed and documented their compliance with IORP II fit and proper requirements on an annual basis to ensure that the Trustee Board has adequate qualifications, knowledge and experience, with at least one trustee having trustee experience in two of the previous three years.

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 resources to pay benefits now and into the future. Furthermore, the Scheme is also assessed under the statutory Minimum Funding Standard (MFS) which is an annual test required by the Pensions Act. These two measures of a pension scheme's financial position are different in several ways but primarily in their treatment of the ongoing nature of the pension scheme.

The Actuarial Valuation assesses whether the Scheme's resources (including invested assets as well as future anticipated investment returns and contributions) are adequate to provide for benefits now and into the future, on the basis that the Scheme continues to exist indefinitely. In this valuation, the Actuary calculates the capitalised value of the pensions being paid now and into the future and the benefits to be paid to current employees and deferreds in the future. He then compares this with the total value of the existing assets and future contributions from ESB and members.

In contrast, the MFS valuation assesses whether the Scheme could have met certain prescribed liabilities had the Scheme discontinued on the valuation date. The MFS liabilities can be summarised as follows:

- The cost of buying annuities from a life insurance company to provide for the contractual entitlements of members whose pensions are already in payment, and
- The capital value of the accrued entitlements of employed and deferred members, determined by reference to the standard transfer value basis prescribed by the Pensions Authority under Section 34 of the Pensions Act.

The Minimum Funding Standard also includes a supplementary Risk Reserve, which is a prescribed buffer above the Funding Standard liabilities outlined above. This requirement means that the Scheme must maintain a buffer with a view to providing for volatility in the statutory funding level and the risk of an adverse change in market conditions.

Where a scheme does not satisfy the MFS the Trustees are, in conjunction with the sponsor, required to develop a Funding Proposal to address the shortfall. Where a Funding Proposal is in place the Actuary also assesses whether the Proposal is still on track to resolve the deficit by the end of its term.

Actuarial Position

The Scheme Actuary completed a formal Triennial Actuarial Valuation with an effective date of 31st December 2023. The 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. It took account of CARE and pension increases granted with effect from 1st January 2024. On the basis of the method and assumptions employed, the Scheme Actuary reported that the financial position of the Scheme could be considered to be "in balance" on an ongoing basis with a funding level of 101%.

The main assumptions used in the Triennial Actuarial Valuations are the anticipated rate of return on the Scheme's investments and the rate of benefit inflation. Other important assumptions relate to demographics such as future mortality rates and average age at retirement of employees.

The long term expected rate of investment return (or discount rate) was increased from 3.4% at the end of 2020 to 4.7% at the end of 2023; the higher rate reflects the increase in core government bond yields over this period. The discount rate of 4.7% also takes account of the impact of a 9% move from growth and cashflow producing assets to liability matching assets executed in the first half of 2024. The rate of long

term expected inflation was also increased significantly from 1.35% at the end of 2020 to 2.25% at the end of 2023 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 66 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 66 and deferreds, any amounts excluded under 3.

As part of the Actuarial Valuation, the Scheme Actuary also measures the solvency of the Scheme under the MFS. Over the course of 2023, the MFS solvency surplus reduced by €200 million from €733 million to €533 million. The Risk Reserve remained relatively unchanged at €404 million at the end of 2023 versus €396 million at the end of 2022. Including the Risk Reserve, the overall MFS surplus reduced from €337 million to €129 million over 2023. This reflects an overall MFS solvency of 102.6% including the Risk Reserve at year end. The main factors for the reduction in MFS solvency over 2023 relate to lower government bond yields and benefit increases awarded at the end of 2023 (CARE and pension increases). As the Scheme met the MFS and the MFS Risk Reserve at the end of 2023, there is no need for a Funding Proposal.

A copy of the Actuarial Funding Certificate and Funding Standard Reserve Certificate both with an effective date of 1 January 2024, an Actuary's Statement at end 2023 and the Report on Actuarial Liabilities at end 2023 are on the following pages.

Solvency Test

This is covered in detail in Section 1 under "Pension Increases".

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, 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 4.7% in the Actuarial Valuation at the end of 2023 due mainly to the increase in core bond yields over this period. This is a challenging target to achieve given the economic and investment backdrop. The Trustees also must overlay this with a need to move to more matching (relative to the Scheme's liabilities) assets such as bonds and credit given the maturity of the Scheme.

Another key driver is longer term inflation expectations. In the last Actuarial Valuation at the end of 2020, the Actuary used a long-term inflation assumption of 1.35% in line with market expectations at that time. This increased to 2.25% at the end of 2023 in line with market expectations. Higher inflation results in higher liabilities. Realised inflation over this period has been high which has also resulted in higher liabilities. The interaction of interest rates and inflation will be an important factor going forward with respect to solvency.

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 in light of studies from the Continuous Mortality Investigation (CMI) and reflecting Mercer's best practice. Despite this, experienced Scheme mortality has been higher again over the past three years and so the Trustees decided, in conjunction with Actuarial advice, to introduce a 1-year age rating onto the mortality table. Future life expectancy for a member currently aged 65 is now assumed at 21.7 years for a male and 23.5 for a female. The change in the mortality assumptions lowers the value of pension liabilities.

Other assumption changes in this Triennial Valuation include the average assumed retirement age which was reduced from 64.1 to 63.2 and the percentage of members married at the time of death was reduced from 90% to 75%. Both these changes were made to better reflect recent member experience.



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: 01/01/2024

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY): 01/05/2022

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 €5,122,475,000.00, 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 €4,588,938,000.00, 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:

Date:

06/06/2024

Name:

Mr Liam Quigley

Qualification:

FSAI

Name of Actuary's Employer/Firm

Mercer (Ireland) Limited

Scheme Actuary Certificate No.

P044

Submission Details

Submission Number: SR3551963

Submitted Electronically on: 06/06/2024

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: 01/01/2024

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY): 01/05/2022

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 €4,588,938,000.00,

(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 €5,122,475,000.00,

(3) €1,579,771,000.00, 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 €300,917,000.00,

(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 €103,081,000.00,

(6) the aggregate of (4) and (5) above amounts to €403,998,000.00, and

(7) the additional resources (as defined in the Act) of the scheme amount to €533,537,000.00, 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:  **Date:** 06/06/2024

Name: Mr Liam Quigley **Qualification:** FSAI

Name of Actuary's Employer/Firm: Mercer (Ireland) Limited **Scheme Actuary Certificate No.:** P044

Submission Details

Submission Number: SR3551969 **Submitted Electronically on:** 06/06/2024

Submitted by: Liam Quigley

Actuary's Statement



welcome to brighter

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

Actuary's Statement for the year ended 31 December 2023

The most recent Actuarial Funding Certificate completed in respect of The ESB Defined Benefit Pension Scheme (the "Scheme") had an effective date of 1 January 2024. 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 January 2024. That certificate confirmed that the Scheme satisfied the Funding Standard Reserve laid down in Section 44(2) of the Pensions Act, 1990.

The Trustees are required to include a statement from the Scheme Actuary within the Trustee Annual Report confirming if, in the opinion the Scheme Actuary, the Scheme would have satisfied the Funding Standard and Funding Standard Reserve at the effective date of that report. Based on the outcome above, I am satisfied that the Scheme would have satisfied the Funding Standard and the Funding Standard Reserve at 31 December 2023 had certificates been prepared on that effective date.

A handwritten signature in blue ink that reads 'Liam Quigley'. The signature is written in a cursive style and is positioned above a horizontal line.

Liam Quigley, FSAI
Practicing Certificate Number P044
Date: 13 June 2024

Report on Actuarial Liabilities



welcome to brighter

ESB Defined Benefit Pension 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 of the ESB Defined Benefit Pension Scheme ("the Scheme") as at 31 December 2023.

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 from the Board and from members with the value of its liabilities. Liabilities for this purpose include the value of benefits related to both past service (already accrued) and future service (yet to be accrued). The funding level emerging from the 31 December 2023 valuation was as follows:

	€ millions
Scheme Resources	
Accumulated Fund at 31/12/2023	5,122
Value of Future Anticipated Contributions	<u>433</u>
Total Value of Scheme Resources	5,555
Scheme Liabilities	
Past Service Liabilities	5,063
Future Service Liabilities	<u>414</u>
Total Service Liabilities	5,477
Scheme Funding Level	
Excess of Liabilities over Scheme Resources	78
Funding Level	101%

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

Mercer (Ireland) Limited, trading as Mercer, is regulated by the Central Bank of Ireland.

Registered Office: Charlotte House, Charlemont Street, Dublin 2. Registered in Ireland No. 28158.
Directors: Sheila Dugnan, John Mercer, Mary O'Malley, Patrick Healy and Cara Ryan.

A business of Marsh McLennan

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 2023 valuation	
<i>Financial assumptions</i>	
	<i>% pa</i>
Discount rate	4.70%
CARE revaluation	3.25%
Pension Increases	2.25%
Salary Increases	3.75%
<i>Demographic assumptions</i>	
Mortality in retirement	Mercer best practice basis
Future life expectancy from age 65 (currently aged 65)	21.7 (Male) / 23.5 (Female)
Future life expectancy from age 65 (currently aged 45)	23.4 (Male) / 25.3 (Female)
Average Assumed Retirement Age	63.2

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 2026.



Liam Quigley, FSAI
Practicing Certificate Number P044
Date: 13 June 2024

SECTION 3 INVESTMENTS

Overview

2023 was generally a good year for most assets. While each market has its own set of idiosyncratic drivers, this was a year in which macro influences had large impacts. Relative to what was discounted at the beginning of the year, growth came in stronger than consensus: global growth was roughly around average, with some economies like the US holding up well and others, like the Eurozone and the UK, weakening somewhat but not experiencing a self-reinforcing contraction. Inflation fell sharply without a material hit to growth and assets outperformed cash, driving positive returns in a lot of asset classes.

The path to achieve this was uncertain and volatile, including persistently high inflation in the first part of the year, a US regional banking crisis, and multiple geopolitical shocks. In the US, the prospect of “higher for longer” Federal Reserve policy drove asset sell-offs, and the large government funding needs resulted in higher yields in the third quarter. Despite this backdrop, liquidity conditions were stimulative, aided by both nimble changes in issuance from the US Treasury and the decline in inflation, which freed up central bankers to turn their sights toward easing. Discount rates or bond yields, which were a drag for much of the year as central banks kept tightening, reversed late in the year. Risk premiums tightening was a modest support to assets, though the main effects were concentrated in a few pockets, such as US technology stocks, helped a lot by heavy interest and excitement in Artificial Intelligence (AI).

Fund Return

2023 was a strong year for most asset classes due mainly to better-than-expected economic growth, lower-than-expected inflation and stimulative liquidity conditions. Over the year, the Fund returned 5.5% versus a benchmark of 5.3%. Solid returns from equities, bonds and credit boosted returns while property, infrastructure and hedge funds detracted from returns. In terms of broader categories and contribution to overall return, the Liability Matching Assets were the strongest performer followed by the Growth Assets. Over the longer term, the Fund has returned 5.3% p.a. over the past 10 years versus a benchmark of 4.4%. Given the decrease in yields over 2023, the long-term return target was reduced from 5.25% at the end of 2022 to 4.95% at the end of 2023 on an actuarial basis. This target increased to 5.6% by the end of October 2023 arising from higher yields up to that point but had lowered by year end due to a derisking move and lower yields over that period.

Table 7 Fund Returns to end 2023

	2023	3 Years p.a.	5 Years p.a.	10 Years p.a.
Fund Return	5.5%	3.8%	4.4%	5.3%
Benchmark	5.3%	4.3%	4.1%	4.4%

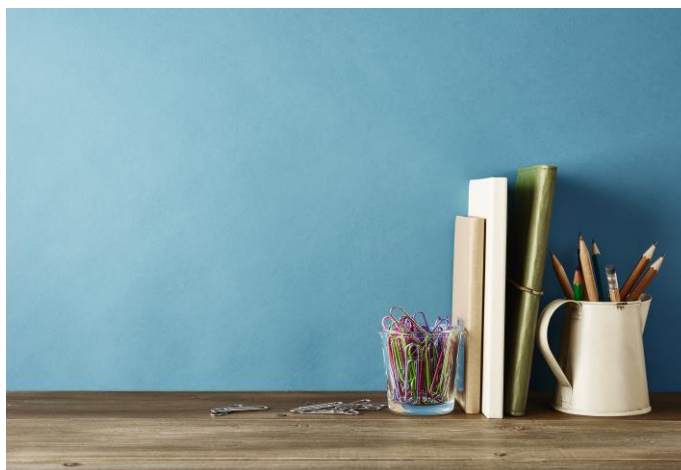


Table 8 Index Returns to end 2023

Returns to End 2022	2023	3 Years p.a.	5 Years p.a.	10 Years p.a.
Equities				
FTSE World	20.0%	11.1%	13.8%	11.3%
FTSE Eurozone	19.8%	9.1%	10.3%	9.5%
FTSE Emerging Markets	5.4%	0.2%	5.5%	5.9%
Bonds				
EU Sovereign AAA (15+ Yr)	8.0%	-13.4%	-4.7%	1.6%
EU Sovereign Inflation Linked	3.5%	-4.9%	-1.0%	0.6%
EU Corporates (5+ Yr)	10.9%	-4.8%	-0.1%	1.8%
Other				
Commodities	-4.3%	19.2%	8.7%	-3.6%
Fund of Hedge Funds	5.1%	4.8%	6.0%	3.8%
€/ \$	3.1%	-3.3%	-0.7%	-2.2%
€/ £	-2.1%	-1.1%	-0.7%	0.4%

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

- **Global Equities**

Global equities staged a relatively broad rally in 2023, with most indices up double digits as growth and spending held up, while disinflation and a lack of liquidity strains supported flows into stocks. Japan was a strong performer over the year as attractive valuations, a declining currency supporting yen-denominated earnings, and continued ultra-easy monetary policy were supportive. US index outperformance over 2023 was driven significantly by the tech sector due to exuberance around the potential for AI technology. China was a notable underperformer last year as prices fell and conditions disappointed relative to reopening expectations at the beginning of the year, the real estate sector continued to weaken, and geopolitical strains led to flows moving out of the market.

- **Bonds**

Bond yields generally rose over most of 2023 but ended the year roughly flat in the US and lower in the EU. Compared to 2022, when there was a large rate tightening that flowed through to higher long-dated yields, 2023 saw a leveling out of longer yields as the tightening cycle reached its peak. During much of the year, resilient growth statistics reinforced the need for higher-for-longer rates, while ongoing QT (Quantitative Tightening), high deficits, and banks stepping out of the market created bearish supply/demand pressures.

There were, however, notable reversals in this market action. First, in the spring, following the US regional banking crisis, markets discounted a significant easing amid concerns about broader financial and economic contagion. Bonds then sold off after it became clear that the crisis was contained and that conditions were

too resilient to justify easing. Then, in November, the US Treasury announced it would continue to issue more T-bills than expected to avoid an excess supply of duration hitting the market. This move, combined with weaker inflation prints, dovish Fed economic projections, and a shift in speculative positioning, led to a rally towards the end of the year as markets priced in a soft landing and a more rapid path of rate cuts in 2024.

- **Commodities**

A diversified basket of commodities was down over the year, as modest demand growth was easily met by strong supply growth across the board. Oil traded in a range, with a rally driven by mid-year OPEC supply cuts that reversed more recently as they proved to be insufficient in the face of stronger-than-expected US production growth. Natural gas fell as mild winters in the US and Europe and low demand from industrial sectors, coupled with strong supply growth, weighed on prices. Industrial metals were down as China's weaker domestic end-use demand and an industrial recession in developed markets led to modest demand growth, while supply growth remained strong. Gold was an exception and was up over the year. Despite weaker fundamentals given ongoing disinflation, continued buying by entities looking for an alternate store of wealth in an environment of rising geopolitical strains was overall supportive for gold.

- **Property**

Over the course of Q4, the commercial property market continued to react to economic circumstances and in particular higher borrowing costs and inflationary pressures which stymied liquidity and transaction volumes throughout 2023. All sectors of the market continued to reprice during the quarter albeit in the absence of significant transactional evidence, with much of the investment activity recorded comprising relatively small lot sizes. Office leasing activity remains below trend. However, the volume of outstanding requirements from professional services and financial firms is encouraging, particularly in the context of the strength of underlying jobs growth in the economy. No new office schemes are commencing, which is helping to insulate rental levels, particularly for the limited amount of the highest quality Grade A accommodation with superior ESG credentials (where demand is predominately focused) that is ready for immediate occupation. A similar trend is evident in the logistics sector of the market where demand remains robust, and the availability of modern accommodation remains particularly tight. The trajectory of interest rates will ultimately dictate the pace of a recovery to more normal trading patterns in 2024. With much focus on debt and refinancing anticipated in the near term, it will likely be H2 2024 before there is a meaningful improvement in market activity.

Fund's Strategic Asset Allocation

As noted in Section 1, given the significant moves in asset class returns over 2022, the improvement in the Scheme's solvency ratios and to review the Fund's derisking program, the Trustees undertook a mini strategy review in late 2022 / early 2023 to ensure that the investment strategy agreed in 2021 was still appropriate. Several small changes arose from this process. One of the main changes in the strategic asset allocation was to reallocate the underlying investments in the Inflation Sensitive portfolio (9%) to other parts of the portfolio while the Investment Grade Credit portfolio was increased by 6%. The Equity portfolio allocation increased by 1% but there were changes inside the portfolio where listed infrastructure was transitioned to the Infrastructure portfolio and gold miners was added from the Inflation Sensitive portfolio. The Trustees agreed to review Natural Resource Equities as part of their Equity portfolio (which was added later in the year). Forestry was added to Property/Forestry portfolio which increased its weight by 2%. The infrastructure portfolio was increased by 2% mainly arising from the listed infrastructure transfer from the Equity portfolio. In addition to the IG move mentioned above, the Multi Asset strategic weight was reduced by 2%. The overall allocation to Matching Assets increased to 25%. The Trustees agreed to maintain their interest rate and inflation hedges at this time.

It was decided during the year to further categorise the Fund's assets into "Liability Matching Assets", "Cashflow Producing Assets" and "Growth Assets" to better reflect the purpose of these assets. Growth Assets include equities, multi asset funds, hedge funds and private equity. These are expected to give higher returns over the medium to long term. Cashflow Producing Assets include credit, property and infrastructure. Given their nature, these assets provide strong cashflows with links to inflation and are generally contractual

in nature. The Liability Matching Assets include LDI (liability driven investing⁴), government bonds, cash and investment grade short-dated credit. These assets are expected to generally move in line with liability movements.

Following a 3% liability matching (or derisking) move in November 2023, the strategic asset allocation was adjusted further to reflect this move. The main changes agreed as part of this move were as follows:

- The strategic allocation to Liability Matching Assets was increased by 3% (from 25% to 28%). Bonds (including LDI) was increased by 2% and the IG bonds allocation was increased by 1%.
- The strategic allocation to Growth Assets was reduced by 1% (from 34% to 33%). The Equity portfolio was reduced by 1%.
- The strategic allocation to Cashflow Producing Assets was reduced by 2% (from 41% to 39%). Here, credit was reduced by 1% and infrastructure was reduced by 1%.

In summary, the changes in the Fund's asset allocation over the year are 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. The Gateway Trust is included in "Cash & Other".

Table 9 Asset Allocation vs Target Allocation

Asset class Allocations	Actual Allocation At End 2022	Actual Allocation At End 2023	Strategic Asset Allocation	Change Over 2023
Liability Matching Assets	23.0%	28.1%	28%	5.1%
Cash	4.3%	5.3%	3%	1.0%
Euro Investment Grade Corporate Bonds	6.6%	8.3%	11%	1.7%
Government Bonds/LDI	12.1%	14.5%	14%	2.4%
Cashflow Producing Assets	41.7%	40.8%	39%	-0.9%
Credit	17.0%	18.3%	17%	1.3%
Infrastructure	10.2%	11.6%	12%	1.4%
Property/Forestry	14.5%	10.9%	10%	-3.6%
Growth Assets	35.3%	31.1%	33%	-4.2%
Equities	14.5%	16.0%	17%	1.5%
Hedge Funds	8.9%	8.6%	9%	-0.3%
Multi-Asset	10.4%	4.8%	5%	-5.6%
Private Equity	1.5%	1.7%	2%	0.2%

The main changes in the Fund's asset allocation over 2023 included the following:

- The allocation to Liability Matching Assets increased by 5.1%.
 - This was largely due to a 3% derisking/liability matching step of 3% of which 2% was allocated to a new European Linker mandate with ILIM and the other 1% was allocated to the existing ILIM Investment Grade Bond
 - Performance was also strong in the portfolio due to the decrease in bond yields over the year.
- The allocation to Cashflow Producing Assets was reduced by 0.9%.
 - There was a 3.6% reduction in the allocation to Property/Forestry resulting from a partial redemption from the IPUT Property Fund together with a fall in values in this sector. Also, the

⁴ "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.

- Trustees moved the Ardstone Residential Fund to the “infrastructure” asset class as they deemed to be more akin to this asset class given the underlying fundamentals of this fund.
- The allocation to infrastructure increased by 1.4% despite relatively flat performance in 2023 due to further investment calls to previously allocated funds, mainly Arcus Fund 3, Arcus Fund 2 and Macquarie Fund 6.
 - The allocation to Credit increased by 1.3% largely due to strong performance but also further investments in Cardinal Fund 2 and Dunport 2 and a reallocation of some Emerging Market equities to Emerging Market Debt. This increase was despite some partial redemptions from this portfolio to raise money for the derisking move towards the end of the year.
 - The allocation to the Growth Assets was reduced by 4.2%.
 - This arose mainly from the removal of the Wellington Inflation Hedges Fund from the Multi Asset portfolio. There was also some money redeemed from the Ruffer Portfolio to raise money for the derisking move.
 - The equity allocation increased by 1.5% due to a new investment in the Ninety One Natural Resources Equity Fund and good performance despite the sell down of the ILIM Emerging Market Equity Fund and some other equity funds to raise money for the derisking move.

2023 Fund performance relative to Target Return

The Fund’s return of 5.5% in 2023 was marginally ahead of its 2023 target of 5.3%. Positive contributions came from each of the Liability Matching Assets, Growth Assets and Cashflow Producing Assets. Breaking this down further into asset classes, strong performances came from Equities, Bonds/LDI, Credit and IG Bonds while Property/Forestry, Hedge Funds and Infrastructure had negative returns. The following table shows the returns of the various asset classes during 2023.

Table 10 Asset Class Return

Asset class	2023 Return
Liability Matching Assets	7.7%
Cash	3.7%
Euro Corporate Investment Grade Bonds	7.9%
Government Bonds & LDI	9.1%
Cashflow Producing Assets	3.2%
Credit	8.4%
Property/Forestry	-2.1%
Infrastructure	-0.2%
Growth Assets	6.6%
Equities	12.8%
Multi-Asset	0.6%
Hedge Funds	-0.2%
Private Equity/Venture Capital	0.0%

Appointment of 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 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 37% of the Fund’s

assets (including passively held equity exposures, some bonds (Irish, Emerging Market, European linkers and IG credit) 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.

Additional information in relation to the Fund's investment manager's investments is included as an addendum to this report and available upon request. There may be slight differences in valuations and performances for individual investment managers as at 31 December, due to the timing of the Fund's custodian for reporting purposes and the date of publication of the investment managers' investment reports, which could be published several months after year end and valuation will be dependent on the methodology employed which may differ between investment managers. The valuation difference is reviewed by the Trustees each year as part of the audit.

Investment Manager Performance 2023

Cash

With interest rates rising significantly over the year, cash returns were generally positive. Cash is maintained as a source of liquidity to pay pensions, to fund commitments made and to cover any cashflows on the various hedging programs. The allocation to cash at year end was 5.3% which returned 3.7% in 2023. The cash return quoted reflects a 50/50 combination of the two Euro short term cash investment funds where the bulk of the Fund's cash sat during the year.

Investment Grade Corporate Bond Portfolio

The allocation to European Investment Grade Corporate Bonds was 8.3% at the end of 2023. This was increased in Quarter 4 arising from a derisking/liability matching trigger move. The overall return for the year was 7.9%. These bonds generally move in line with annuity prices which is one of the main inputs into the MFS valuation of the pensioner liabilities. They have a higher yield than government bonds given their credit risk. Their inclusion in a portfolio helps to reduce the overall volatility of the Scheme's solvency level given their tendency to move in line with pensioner liabilities. In a year where interest rates fell, like 2023, we can expect to see a positive performance in this portfolio (and a higher liability valuation).

Table 11 Investment Grade Bonds

Manager	Weight At End 2023	Mandate	2023 Return
ILIM	8.3%	European Investment Grade Corporate Bonds Fund	7.9%
Total	8.3%		7.9%

Government Bonds & Liability Driven Investing (LDI) Portfolio

This portfolio is made up of three sub-portfolios. The directly held Irish government bond portfolio is largely comprised of Irish inflation linked bonds which returned 9.6% over the year due to the fall in interest rates. This move in interest rates also helped the Insight LDI portfolio to return 8.5% over 2023. As inflation pricing fell over the year, this curtailed some of the positive performance in this portfolio. The LDI portfolio is made up of interest rate and inflation swaps along with cash funds. A new portfolio was added here in late November, managed by ILIM which invests passively in long duration AAA/AA rated European linkers. The return of this fund was 6.1% over the partial year.

Like the Investment Grade Corporate Bond Portfolio, the Government Bonds and LDI portfolio is designed to move in line with liability movements to lower the overall solvency volatility level.

Table 12 Government Bonds & Liability Driven Investing Portfolio

Manager	Weight At End 2023	Mandate	2023 Return
Directly Held	7.5%	Irish Government Bonds (including inflation linked)	9.6%
Insight	5.5%	Liability hedging portfolio	8.5%
ILIM	1.5%	AAA/AA Long Dated European Inflation Linked bonds	6.1%*
Total	14.5%		9.1%

* This is a new portfolio incepted in November 2023.

Credit

The Credit portfolio is comprised of several mandates including bank bonds, mezzanine loans, senior loans, asset back securities and Emerging Market Debt. The size of this portfolio at year end was 18.3% and it returned 8.4% in 2023. The return from Libremax, which is a US Dollar based investment, is quoted below in Euros.

Table 13 Credit Portfolio

Manager	Weight at End 2023	Mandate	2023 Return
Libremax	3.7%	Structured credit	7.7%
ILIM	2.8%	Emerging Market Debt (Local)	7.5%
ILIM	2.7%	Emerging Market Debt (Hard)	6.5%
Alcentra	2.5%	European senior loans	12.7%
Cardinal Fund 2	2.3%	Mezzanine Irish loans	8.9%
Dunport Fund 1	1.3%	Irish senior loans	6.2%
Dunport Fund 2	1.2%	Irish senior loans	7.9%
Tetrarch	1.0%	Irish senior loan backed by property exposure	5.8%
Directly Held	0.8%	Irish bank bonds	14.6%
Total	18.3%		8.4%

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. They returned 0.6% in 2023. The total return also includes the partial year return of Wellington which was removed in stages during the year.

Table 14 Multi Asset Fund Portfolio

Manager	Weight at End 2023	Mandate	2023 Return
Ruffer	2.9%	Absolute return fund	-7.3%

Bridgewater All Weather	1.9%	Passive, balanced beta	7.7%
Wellington	0.0%	Inflation Hedges Portfolio	1.4%
Total	4.8%		0.6%

Property Managers

At the end of 2023, the Fund's investment in the Property and Forestry portfolio amounted to 10.9%. The return for this portfolio which includes exposures in Ireland, UK, Eurozone, US and Asia was -3.6%. The return from CBRE, which is a US Dollar based investment, is quoted below in Euros.

Table 12 Property Portfolio

Manager	Weight at End 2023	Mandate	2023 Return
CBRE	3.0%	Global Property	-6.5%
IFORUT	2.4%	Irish Forestry Fund	6.0%
IPUT	2.3%	Irish Commercial Property	-5.7%
Tetrarch	1.6%	Irish Commercial Property	-7.2%
Tetrarch	1.4%	Irish Aparthotel Fund	2.2%
Ardstone	0.2%	Irish Residential Property – build to sell	14.8%
Total	10.9%		-2.1%

Equity Managers

At the end of 2023, 16.0% of the Fund was invested in equities or equity funds which returned 12.8% during the year. The Fund's equity investments are managed by external specialist equity managers. The ILIM Emerging Markets Fundamental portfolio was removed in November 2023 in favour of Emerging Market Debt (hard currency) while a new account with Ninety One was incepted in September 2023.

Table 13 Equity Portfolio

Manager	Weight at Year End	Mandate	2023 Return
Vaneck	3.7%	Gold mining exchange traded fund	4.8%
ILIM	3.7%	Passive, Global Fundamental	14.6%
Cantillon	3.5%	Active, global, quality style	25.2%
ILIM	2.0%	Passive, Eurozone	19.0%
Ninety One	1.9%	Natural Resources Equity (new account from September)	3.0%
Mercer	1.2%	Passive, Emerging Markets	5.2%
ILIM	0.0%	Passive, Emerging Markets Fundamental (until November)	7.0%
Total Equity	16.0%		12.8%

Hedge Fund Managers

Hedge funds invest globally across different 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 8.6%. 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. Abbey was removed early in the year with the proceeds allocated to Aksia. The Trustees are also transitioning the Aksia Emerging Market Fund into the Aksia Global Fund. The hedge fund portfolio returned -0.2% in 2023 which includes the partial return from Abbey.

Table 14 Hedge Fund Portfolio

Manager	Weight at End 2023	Mandate	2023 Return
Aksia	1.1%	Fund of Funds - Emerging Markets bias mandates	1.5%
Aksia	2.9%	Fund of Funds - Global bias mandates	3.9%
Man	2.6%	AHL Alpha (CTA) & Numeric Quality Long/Short & AHL Macro	2.1%
Bridgewater	2.0%	Global Macro	-7.0%
Total	8.6%		-0.2%

Infrastructure Managers

The Fund's infrastructure investments are made through several limited partnership structures and a listed segregated account which comprised 11.6% of the Fund at year end. The Fund's infrastructure investments returned -0.2% in 2023. The Ardstone Residential Property Fund is now included in this portfolio (which was reclassified from the Property portfolio during the year).

Table 15 Infrastructure Portfolio

Manager	Weight at End 2023	Mandate	2023 Return
Macquarie	2.2%	Fund 6 - European Infrastructure	7.8%
Macquarie	2.0%	Supercore Fund - OECD Infrastructure	-0.8%
JP Morgan	1.9%	Global Infrastructure	10.2%
Blackrock	1.6%	European Renewable Infrastructure	7.3%
ILIM	1.5%	Listed Global Infrastructure	1.6%
Arcus	1.2%	Arcus Fund 2 - European Infrastructure	17.5%
Ardstone	0.6%	Irish Residential Property - income fund	-7.1%
Arcus	0.4%	Arcus Fund 3 - European Infrastructure	-1.1%
Macquarie	0.1%	Fund 2 - European Infrastructure	-14.8%
Total	11.5%		-0.2%

Private Equity

The Trustees committed 2% of the Fund to private equity via the Cardinal Private Equity 2 Fund. These types 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, 1.6% was invested in private equity which was up 0.2% in the year. When this portfolio is included with legacy venture capital funds (valued at 0.02% at year end), the return for the combined portfolio was 0.0% in 2023.

Currency Hedging Manager

The Trustees hedge foreign exposures over €50 million in a range of 25% to 100% which is managed by a currency overlay investment manager (PE). PE underperformed by 0.3% over the year relative to their 50% benchmark largely due to their underweight positioning in the US Dollar.

ESG (Environmental, Social and Governance)

ESG investing is an approach to managing assets where investors explicitly acknowledge the relevance of environmental, 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).

While ESG is an evolving area and not all investment managers report on it currently, we work with our investment managers to aggregate certain ESG statistics which we monitor twice a year. We aim to be able to show details on carbon intensity and carbon footprint shortly and we are working with our equity investment managers on same. At the end of September 2023, 32% of the ESB Pension Fund was invested in Article 8 or 9 funds. Article 8 funds are where sustainability outcomes are considered alongside other factors. Article 9 funds are where sustainability outcomes are a key objective of the fund. Other funds have no explicit consideration of sustainability aspects as part of the investment process as defined by that directive. However, that is not to say that other funds do not have an ESG focus or overlay where possible.

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' or 'Scheme'). 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 and a mini Strategy Review was also undertaken in late 2022 / early 2023 to ensure the investment strategy was still appropriate. This current version is to incorporate the revised rate of return, a derisking step undertaken in November 2023 and April 2024 and reclassification of the growth portfolio into growth and cashflow producing assets.

Investment objectives

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

- To seek sustained long-term growth, sufficient to meet the liabilities (core and discretionary) of the Fund over a prolonged period having due regard to the nature and timing of those liabilities,
- Ensure that the level of risk taken in pursuit of this growth is acceptable to meet the Fund's liabilities over the long term and that exposure to unrewarded risk is minimised,
- 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 December 2023 was 4.95%⁵ p.a. (2.70% 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:

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

⁵ This includes the strategic changes made up to May 2024. The current discount rate is 4.7%.

- a de-risking objective (e.g. increasing the liability matching asset portfolio) 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 or increased hedging 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 169 Medium-term Strategic Asset Allocation

Asset class	Strategic Target Allocation	Allocation Range
Matching Assets	30%	
Cash	3%	0-10%
Euro Corporate Bonds	11%	5-15%
Bonds/LDI	16%	10-70%
Cashflow Producing Assets	38%	
Credit	16%	14-22%
Property/Forestry	10%	5-15%
Infrastructure	12%	8-15%
Growth Assets	32%	
Multi-Asset	4.5%	0-10%
Equities	16.5%	14-22%
Hedge Funds	9%	5-13%
Private Equity	2%	0-4%

The table above shows the current strategic asset allocation and the ranges within which the Trustees believe that the immediate return objectives can be achieved. The desired medium term allocation to Matching Assets is 56% which the Trustees will move to if the Fund's finances and market conditions permit by 2030. 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 Trustees introduced liability driven investing (LDI) a few years ago to increase the hedging of certain key risks through physical and derivative investments.

Environmental, Social and Governance/Sustainability Policy

The Trustees believe that environmental factors, social factors and corporate governance behaviour (referred to together as 'ESG issues', which for the avoidance of doubt includes sustainability risks) are potentially financially material for the value of the Scheme's investments. ESG integration may, at times, lead to reduced cost and increased efficiencies, reduced risk of fines, reduced externalities and improved adaptability to sustainability megatrends in the underlying companies in which the Scheme invests. The Trustees are of the view that sustainability risks are relevant to, and may materially impact upon, the returns of the Scheme.

With respect to our investment managers who manage either segregated accounts or unitized funds on our behalf, the Trustees assess their ESG policies and data through the investment managers' stated ESG, voting and engagement policies and investment manager reports on same. This data is compiled as part of the

Critical Review Assessments, biannual investment manager assessments and onsite/ offsite investment manager meetings. In terms of our direct holdings in Irish government bond, Irish bank bonds and a direct debt holding, the Trustees do not engage with them directly on ESG.

The Trustees invest in a range of investment vehicles including direct holdings as mentioned above. 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. Only financial material considerations are used by the Trustees at this point for their direct holdings.

Exercise of Voting Rights and Shareholder Engagement Activity

For the Scheme's unitized and segregated accounts, 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. This is not applicable to our direct holdings.

Policy Assessment and Monitoring

The Trustees will consider ESG, voting and engagement issues when appointing and reviewing their investment managers (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. This is not applicable to our direct holdings.

The Trustees meet regularly with their investment managers and consider how ESG issues are taken into account. Additionally, the Trustees have developed their ESG/Sustainability policy to help guide decision making with respect to ESG issues arising from the Scheme's investment strategy. This is not applicable to our direct holdings.

In terms of ESG policies and data, the Trustees assess these through the investment managers' stated ESG, voting and engagement policies and investment manager reports on same. This data is compiled as part of the Critical Review Assessments, biannual investment manager assessments and onsite/ offsite investment manager meetings.

Implementation

The Trustees have completed an ESG questionnaire and carried out ESG training. As an outcome of this, an ESG investment beliefs document has been developed which will inform and be a part of the investment decisions of the Scheme. The Trustees' preference is to appoint and retain managers which are highly rated by Mercer's (or other) manager researchers from both an investment and ESG perspective, but mainly an investment perspective. If significant under/out performance arises then the Trustees will consider Mercer's (or other) manager research views on the prospects of the investment manager (including ESG ratings). The Trustees have made allocations to ESG screened funds or funds whose investment managers engagement policies take ESG 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. Direct holdings are also assessed with respect to their fit in the overall investment strategy. These are incorporated into Investment Management Agreements (IMAs) with the managers where applicable to ensure that the assets:

- 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;
- Are predominantly invested in regulated markets;
- 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;
- 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 and a small number of direct holdings. 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. Direct holdings by their nature do not have an IMA. 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 100%.

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;

- *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.
- *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 2023 was calculated at €744 million and €773m on an ongoing and MFS basis respectively, meaning that there is a 5% chance that the solvency might decrease by more than this amount over a 1 year period. This excludes longevty risk. The projected asset volatility is 8.5%.

At the end of 2023, the interest rate and inflation hedge ratios were 28% and 20% respectively as a percentage of the ongoing liabilities which includes both physical bonds and the LDI portfolio.

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 Shareholder Rights Directive relates to investments in EU listed equities only. To the extent that the Trustees invest in EU listed equities, this section applies.

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 Funds' 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. Where relevant these matters will be considered by the Trustees at their monthly meetings and as part of the Critical Review Assessments. Please see section above titled "*Exercise of Voting Rights and Shareholder Engagement Activity*". If a material sustainability risk is alluded to in one of these reports, this could result in the Trustees divesting from or reducing its allocation to a particular investment manager/fund.

Due to the collective nature of the investments undertaken by the Trustees, the Trustees do not:

- enter into direct dialogue with investee companies or their relevant stakeholders;
- exercise voting or other rights attached to shares; or
- 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 (excluding direct holdings). All existing and potential Trustee conflicts are addressed at each meeting as per our Conflict of Interest Policy which is reviewed on an annual basis. Further information in relation to the Trustees' and investment managers' Conflict of Interests policy is available upon request.

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 is publicly available in relation to how the investment manager casts votes and can be found at the investment manager's website which is available upon request.

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 to optimize 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. The Trustees seek to pursue this investment objective and effect the main elements of the equity strategy employed in respect of the Fund by, *inter alia*, selecting and appointing investment managers to (i) manage the Fund's assets directly through segregated mandate arrangements or (ii) by allocating the Fund's assets to collective investment schemes managed by investment managers. The Trustees seek to ensure that any allocation of Fund assets to investment managers are consistent with the profile and duration of the Fund's liabilities (in particular, the Fund's long-term liabilities) and that any allocation contributes to the long term performance of the Fund's assets. In general, 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. In respect of the Scheme's segregated assets and direct holdings, and indeed underlying funds, the Trustees agree the overall investment strategy with their investment consultants to ensure that the overall asset mix is in line with the profile and duration of the long term liabilities of the Scheme. These segregated and direct holdings are generally liquid so can be liquidated if needed for shorter term liability needs in the near term. There are IMAs in place with the segregated investment managers to ensure absolute long term performance is taken into account during reviews. For direct holdings, the Trustees assess performance versus their original investment objective at the outset on a regular basis.

The Trustees engage separate investment advisers to independently rate certain investment managers. In conjunction with this, biannual questionnaires are issued by ESB Pensions on behalf of the Trustees to all the underlying investment managers requesting key information such as on portfolio statistics (return, risk, tracking error, turnover including portfolio turnover ratio/range and associated turnover costs), investment team changes, voting and engagement information, carbon emissions etc.) as part of the 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 request information such as return and risk targets, past performance and risk statistics, turnover (including portfolio turnover ratio/range and associated turnover costs), liquidity, ESG policies and data, counterparty data and fees for any given fund. Where relevant, for a particular fund option, as part of the regular manager review process, the Trustees monitor these, amongst other items, to ensure they remain in line with expectations for that particular mandate. The Trustees define the turnover ratio as the percentage of holdings that have been replaced over the course of one year.

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

The Trustees do not consider the principal adverse impacts (PAI) of their investment decisions on sustainability factors within the meaning of Article 4 of SFDR. The reasons for this include lack of available/reliable data and/or an inability to ensure that all underlying investment managers will report on PAIs. If and/or when such data/reporting becomes available, the Trustees will then consider PAIs. Where available and required, investment managers may publish information on how they consider the PAI 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 and/or in the offering documentation of the relevant underlying fund.

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.

Under SFDR, the Trustees are viewed as financial market participants, whilst the Scheme is considered to be the financial product offered by the Trustees. Products under SFDR can disclose under Article 9 (for those products that have sustainable investment as their investment objective), under Article 8 (for those products that promote social and/or environmental characteristics) or solely under Article 6 (for those products that do not disclose under Article 8 or Article 9). The Trustees have determined that the Scheme should disclose solely under Article 6 of SFDR, and so the Trustees are therefore required to disclose that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. As noted above, the Trustees believe that environmental factors, social factors and

corporate governance behaviour are potentially financially material for the value of the Scheme's investments and our policy is documented elsewhere in this SIPP.

Under Article 5 of the Sustainable Finance Disclosure Regulation (EU 2019/2088) ("SFDR"), the Trustees (as a financial market participant) are required to include in the Remuneration Policy information on how the Remuneration Policy is consistent with the integration of sustainability risks.

To the extent that they are subject to the SFDR, the Scheme's investment managers are subject to their own remuneration policies and procedures which are consistent with the integration of sustainability risks into their investment decision-making processes. As no other person involved in the management of the Scheme, including the Trustees or any Key Function Holder, is remunerated from the assets of the Scheme as part of their role as Trustee, nor is such remuneration connected to or impacted by the investment decisions that those persons make on behalf of, or the performance of, the Scheme, the remuneration payable to those persons has no correlation with, and as such is not inconsistent with, the manner in which sustainability risks are integrated into the Scheme's investment decision-making processes. All persons involved in the management of the Scheme are encouraged to take all risks including sustainability considerations into account as part of their roles and decision-making in line with the Trustees' ESG/Sustainability Policy as set out in the Statement of Investment Policy Principles.

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 May 2024 Trustee meeting.

SECTION 5 AUDITED FINANCIAL STATEMENTS

2023 Audited financial statements

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Independent auditor's report	51-52
Fund account	53
Statement of Net Assets (available for benefits)	54
Notes forming part of the financial statements	55-74

Trustees, officers and other information

Trustees

Kieran Sweeney (Chairperson)
Anne Marie Kean
Adrian Kelly
Jeremiah Murphy
Pat Naughton
Anthony Walsh
Bernard Daly (appointed July 2023)

Registered Administrator

Electricity Supply Board,
27 Lower Fitzwilliam Street
Dublin 2

Secretary to Trustees

James O'Loughlin
Electricity Supply Board
27 Lower Fitzwilliam Street
Dublin 2

Principal bankers

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

Deloitte Ireland LLP
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2

Custodian

BNY Mellon Trust Company (Ireland) Limited,
Guild House
Guild Street
IFSC
Dublin 1

Trustees, officers and other information (*continued*)

Solicitors

LK Shields
40 Upper Mount Street
Dublin 2

Matheson
70 Sir John Rogerson's Quay
Dublin 2

McCann Fitzgerald
Riverside One
Sir John Rogerson's Quay
Dublin 2

ESB Gateway Trustees

Kieran Sweeney
Anne Marie Kean
Adrian Kelly
Jeremiah Murphy
Pat Naughton
Anthony Walsh
Bernard Daly (appointed July 2023)

Superannuation Committee

John Carton (Chairperson to July 2023)
Margaret O'Connor (Chairperson from July 2023)
Ann Carroll
Niamh Curtis (appointed February 2023)
Martina Comerford (appointed August 2023)
Adrian Fox
Lorna Heron
Sean Kelly
Louise Murphy (retired January 2023)
John O'Sullivan
Claire Quane
David Sexton

Secretary to Superannuation Committee

James O'Loughlin
Electricity Supply Board
27 Lower Fitzwilliam Street
Dublin 2

Key Function Holders: Risk

Krystle Healy
Electricity Supply Board
27 Lower Fitzwilliam Street
Dublin 2

Internal Audit

James 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

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
One Nyala Farms Road
Westport
CT 06880, USA

Cantillon Capital Management LLC
Eagle House, 108-110 Jermyn Street
London SW1Y 6EE, United Kingdom

Trustees, officers and other information (continued)

Investment managers (continued)

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

CBRE Global Investment Partners
64 North Row
London W1K 7DA, United Kingdom

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

Dunport Capital Management DAC
31 Leeson Street,
Dublin 2

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

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

Trustees, officers and other information (continued)

Investment managers (continued)

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

Ninety One
55 Gresham Street,
London,
EC2V 7EL, United Kingdom

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
2nd Floor, Europa House
Harcourt Street
Dublin 2

VanEck Group
Barbara Strozilaan 310,
1083 HN Amsterdam,
Netherlands

Wellington Management International Limited
Cardinal Place
80 Victoria Street
London SW1E 5JL, United Kingdom

Statement of Trustees' responsibilities

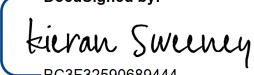
The financial statements are the responsibility of the Trustees. Pension legislation requires the Trustees to prepare financial statements for each year which show a true and fair view, in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic 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:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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
- 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:

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Kieran Sweeney
Chairperson

DocuSigned by:

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Anne Marie Kean
Trustee

8th July 2024



Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE ESB DEFINED BENEFIT PENSION SCHEME

Report on the audit of the financial statements

Opinion on financial statements of The ESB Defined Benefit Pension Scheme ("the scheme")

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the scheme during the financial year ended 31 December 2023 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;
- have been properly prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' issued by the Financial Reporting Council; and
- 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 financial statements we have audited comprise:

- the fund account;
- statement of net assets available for benefits; and
- the related notes 1 to 25 including a summary of significant accounting policies as set out in note 2.

The financial reporting framework that has been applied in their preparation is Irish pension law, the Statement of Recommended Practice - "Financial Reports of Pension Schemes" and FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' issued by the Financial Reporting Council ("financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 schemes ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE ESB DEFINED BENEFIT PENSION SCHEME**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are expected to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are expected to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees

As explained more fully in the Statement of the Trustees' Responsibilities the trustees are responsible for the preparation of the financial statements giving a true and fair view, for ensuring that contributions are made to the scheme in accordance with the scheme's rules and the recommendation of the actuary and 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.

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 liquidate the scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Occupational Pension Scheme (Disclosure of Information) Regulations 2006

In our opinion:

- the contributions payable to the scheme during the financial year ended 31 December 2023 have been received by the trustees within thirty days of the end of the scheme financial year; and
- the contributions have been paid in accordance with the scheme rules and the recommendation of the actuary.

Use of our Report

This report is made solely to the scheme's trustees, as a body, in accordance with Section 56 of the Pensions Act, 1990. Our audit work has been undertaken so that we might state to the scheme trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Glenn Gillard

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Glenn Gillard

For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House

29 Earlsfort Terrace

Dublin

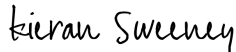
8th July 2024

Fund account*for the year ended 31 December 2023*

	<i>Note</i>	2023 €'000	2022 €'000
Contributions and Benefits			
Contributions receivable			
Employer	3	33,518	34,101
Employee	3	18,134	18,995
Transfers in		122	122
		<hr/> 51,774	<hr/> 53,218
Benefits and payments to leavers			
Benefits paid or payable	4	(279,429)	(276,525)
Payments to and on account of leavers	5	(1,150)	(3,312)
		<hr/> (280,579)	<hr/> (279,837)
Net (Withdrawals) from dealings with members		<hr/> (228,805)	<hr/> (226,619)
Return on investments			
Investment income	6	106,335	141,083
Change in market value of investments	11	182,661	(372,869)
Investment management expenses	7	(916)	(6,821)
Net returns/(losses) on investments		<hr/> 288,080	<hr/> (238,607)
Net increase / (decrease) in fund during the year		59,275	(465,228)
Net assets of the fund at beginning of year		5,063,200	5,528,428
Net assets of the fund at end of year		<hr/> 5,122,475	<hr/> 5,063,200

The notes on pages 55 to 74 form part of the Financial Statements.

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Kieran Sweeney
Chairperson

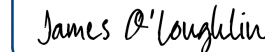
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Anne Marie Kean
Trustee

DocuSigned by:



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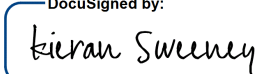
James O'Loughlin
Secretary

Statement of Net Assets
(available for benefits)
at 31 December 2023

	<i>Note</i>	2023 €'000	2022 €'000
Investment Assets:			
Equities	<i>11</i>	751,899	705,214
Bonds	<i>11</i>	554,179	477,098
Pooled investment vehicles	<i>9 & 11</i>	3,707,599	3,788,617
Derivatives	<i>10 & 11</i>	9,312	7,513
Cash	<i>11</i>	58,294	54,481
Other investment balances	<i>11</i>	10,957	7,423
		5,092,240	5,040,346
Investment Liabilities:			
Derivatives	<i>10 & 11</i>	(514)	(516)
Other investment balances	<i>11</i>		(13,312)
Total net investments		5,091,726	5,026,518
Current assets	<i>16</i>	44,509	48,514
Current liabilities	<i>16</i>	(13,760)	(11,832)
Net current assets		30,749	36,682
Net assets of the Fund at end of year		5,122,475	5,063,200

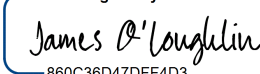
The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report, the Report on Actuarial Liabilities, the Actuarial Certificates, the Actuary's Statement for the year ended 31 December 2023 included in the Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 55 to 74 form part of the Financial Statements.

DocuSigned by:

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Kieran Sweeney
Chairperson

DocuSigned by:

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Anne Marie Kean
Trustee

DocuSigned by:

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James O'Loughlin
Secretary

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 June 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 term ‘Fund’ and ‘Scheme’ are used interchangeably throughout the Financial Statements, and should be deemed to refer to “The ESB Pension Fund”.

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:

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.

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.

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.

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.

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.

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. 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.

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

	2023	2022
	€'000	€'000
Employer:		
Normal	32,352	34,101
Other*	1,166	-
	33,518	34,101
Employee:		
Normal	17,870	18,867
Other	264	128
	18,134	18,995

*Other Employer Contributions of €1.2m relate to the settlement of Voluntary Severance Scheme amounts due.

4 Benefits payable

	2023	2022
	€'000	€'000
Pensions	249,314	245,664
Commutations and lump sum retirement benefits	28,659	30,171
Lump sum death benefits	1,456	690
	279,429	276,525

5 Payments to and on account of leavers

	2023	2022
	€'000	€'000
Refunds of contributions	230	441
Transfer to other schemes – individuals	920	2,871
	1,150	3,312

6 Investment income

	2023	2022
	€'000	€'000
Income from equities	18,511	23,399
Income from bonds	16,674	53,246
Income from pooled investment vehicles:		
- Income from property unit funds	22,354	24,100
- Income from Infrastructure	18,993	24,346
- Other Income from credit and fee rebates	23,482	15,051
Income from Cash Instruments	6,321	941
	106,335	141,083

7 Investment Management expenses

	2023	2022
	€'000	€'000
Investment and custody expenses (including irrecoverable Dividend Withholding Tax)	916	6,821
	916	6,821

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:

	2023	2022
Fund Type	€'000	€'000
Credit	1,175,869	1,090,575
Credit (loan note)	82,005	117,586
Forestry	121,039	114,207
Hedge Funds	439,306	447,148
Infrastructure	485,387	435,802
Multi Asset	97,684	352,373
Equity	278,747	252,158
Property	438,414	553,583
Venture Capital	818	1,039
Cash and liquidity	154,707	83,268
Bond	424,365	335,717
Pooled Fund	9,225	5,240
Derivatives (Equity)	33	(79)
	3,707,599	3,788,617

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:

Hedge large currency exposure, or
Seek out a return in currency markets

The currency hedging strategy was continued in 2023 in which some US Dollar, Sterling and Australian Dollar 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 GBP for EUR	3 Months	202,854,678	2,462	(1)
Sell AUD for EUR	3 Months	47,445,878		(397)
Sell USD for GBP	3 Months	64,083,600	889	
Sell USD for EUR	3 Months	272,038,867	5,731	
Others	3 Months		230	(116)
			9,312	(514)

11 Investment reconciliation

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

	Value at 1 January 2023 €'000	Purchases at cost and derivative payments €'000	Sales proceeds and derivative receipts €'000	Change in market value €'000	Value at 31 December 2023 €'000
Equities	705,214	284,472	(314,839)	77,052	751,899
Bonds	477,098	263,589	(211,340)	24,832	554,179
Pooled investment vehicles	3,788,617	1,775,900	(1,982,063)	125,145	3,707,599
Derivatives (net)	6,997	54,681	(51,236)	(1,644)	8,798
Cash (incl Spot FX)	54,481	146,076	(99,597)	(42,666)	58,294
Net investment assets	5,032,407	2,524,718	(2,659,075)	182,719	5,080,769
Other Investment Balances	(13,312)	13,312	-	-	-
Accrued Income	7,423	3,592	-	(58)	10,957
	5,026,518	2,541,622	(2,659,075)	182,661	5,091,726

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. In 2021 the Trustees requested ILIM to set up EM RAFI fund in line with EM RAFI index. This holding was disposed of in 2023. No new controlling interests were acquired during 2023. This is further detailed in Note 15.

12 Concentration of investments

Further investment in the ILIM Investment Grade Corporate Bond Fund during 2023 resulted in a year end holding of 8.3% of Net Assets (up from 6.6% in 2022). Other funds which are over 5% of Net Assets at year-end were Insight LDI Fund at 5.5% of Net Asset at year end (5.1% in 2022).

13 Transaction costs

Included within the investments purchases and sales are direct transaction costs of €0.2m (2022: €0.6m) comprising fees, commissions and stamp duty. These costs are attributable to the key asset classes as follows:

				2023	2022
	Fees	Commission	Stamp Duty	Total	Total
	€'000	€'000	€'000	€'000	€'000
Equities	111	40	-	151	549
Pooled Funds	0	6	-	6	48
Total	111	46	-	157	597

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	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
At 31 December 2023				
Bonds	134,036	420,143	-	554,179
Cash	58,294	-	-	58,294
Derivative	-	8,798	-	8,798
Equities (including exchange traded funds)	751,899	-	-	751,899
Pooled investment vehicles:				
Cash fund	-	154,707	-	154,707
Credit	-	331,930	843,939	1,175,869
Credit (loan note)	-	-	82,005	82,005
Forestry	-	-	121,040	121,040
Hedge fund*	-	-	439,306	439,306
Infrastructure	-	-	485,387	485,387
Multi-asset fund	-	-	97,684	97,684
Pooled Equities	-	194,495	84,252	278,747
Property	-	-	438,414	438,414
Venture Capital	-	-	818	818
Bonds	-	424,365	-	424,365
Derivatives (Equity)	-	32	-	32
Pooled Fund	-	9,225	-	9,225
	944,229	1,543,695	2,592,845	5,080,769

*Some of the underlying hedge-funds in the Aksia portfolio (Hedge fund portfolio) have shareholder gates of 10%-50% attaching to sub-funds valued at €120m at 31 December 2023.

14 Investment Fair Value Hierarchy (*continued*)

	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
At 31 December 2022				
Bonds	92,193	384,905	-	477,098
Cash	54,481	-	-	54,481
Derivative	-	6,997	-	6,997
Equities (including exchange traded funds)	705,214	-	-	705,214
Pooled investment vehicles:				
Cash fund	-	83,268	-	83,268
Credit	-	300,438	790,137	1,090,575
Credit (loan note)	-	-	117,587	117,587
Forestry	-	-	114,207	114,207
Hedge fund*	-	48,576	398,572	447,148
Infrastructure	-	-	435,802	435,802
Multi-asset fund	-	255,767	96,606	352,373
Pooled Equities	-	173,552	78,605	252,157
Property	-	-	553,583	553,583
Venture Capital	-	-	1,039	1,039
Bonds	-	335,717	-	335,717
Derivatives (Equity)	-	(79)	-	(79)
Pooled Fund	-	5,240	-	5,240
	851,888	1,594,381	2586,138	5,032,407

*Some of the underlying hedge-funds in the Aksia portfolio (Hedge fund portfolio) have shareholder gates of 10%-50% attaching to sub-funds valued at €75.02m at 31 December 2022.

15 Investment risks

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 (*continued*)

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 4 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

2023				
	Investment grade	Non-investment grade	Unrated	Total
	€'000	€'000	€'000	€'000
Bonds	515,272	38,907	-	554,179
OTC Derivatives	8,798	-	-	8,798
Cash	251,950	-	-	251,950
Pooled investment vehicles (loan note)	-	-	82,005	82,005
Pooled investment vehicles (credit)	48,598	124,590	1,002,681	1,175,869
Pooled investment vehicles (Bonds)	424,365	-	-	424,365
	1,248,983	163,497	1,084,686	2,497,166

2022				
	Investment grade	Non-investment grade	Unrated	Total
	€'000	€'000	€'000	€'000
Bonds	440,974	36,124	-	477,098
OTC Derivatives	6,997	-	-	6,997
Cash	184,049	-	-	184,049
Pooled investment vehicles (loan note)	-	-	117,587	117,587
Pooled investment vehicles (credit)	46,510	118,581	925,483	1,090,574
Pooled investment vehicles (Bonds)	335,717	-	-	335,717
	1,014,247	154,705	1,043,070	2,212,022

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 regularly assessed. At year end the Fund held two (€39m in 2023; €37m in 2022) Irish bank bonds which were non-investment grade. In the case of other 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 placed by the Fund's investment managers are backed by physical assets where possible 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 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:

	2023	2022
	€'000	€'000
Open-ended investment company	1,916,763	1,952,132
Closed-ended investment company	528,043	449,784
Limited Liability Partnership	661,828	606,022
Authorised Unit trusts	13,745	279,762
Loan notes	82,005	117,587
Short Term Listed Funds	80,850	47,613
Open-ended Unit Linked	424,365	335,717
	3,707,599	3,788,617

15 Investment risks (continued)

Sole investor in Pooled Investment Vehicles

There are six investments which are solely held. There were no new sole investments in Pooled Investment Vehicles during 2023. A summary of these investments on a 'look through' basis is as follows:

	2023	2022
	€'000	€'000
Insight LDI Euro Active 38 Fund (100%)		
Swaps	(61,435)	(99,055)
Cash / Cash Fund / Collateral	345,135	307,160
Credit	-	53,276
	283,700	261,381
Tetrarch Dublin Commercial Property Fund – Loan Note (100%)		
Credit	52,120	52,682
	52,120	52,682
Tetrarch Dublin Commercial Property Fund – Equity (97.75%)		
Cash	-	-
Property	81,012	91,355
	81,012	91,355
Tetrarch Aparthotel – Loan Note (100%)		
Credit	-	64,905
	29,885	64,905
Tetrarch Aparthotel – Equity (97.75%)		
Cash	-	-
Property	40,341	7,000
	40,341	7,000
ILIM EM RAFI - Pooled Equity Fund (100%)	31	49,738
	487,088	527,061

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 37% of the Fund's assets (including passively held equity exposure, Irish and emerging market bonds, European Linkers, IG credit and 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, Australian Dollar and Sterling) within a range of 25-100%. Ruffer LLP also hold derivatives as part of its investment holding.

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

	2023	2022
	€'000	€'000
Currency		
US Dollar	891,454	919,487
GB Pound	(94,795)	(82,272)
Japanese Yen	47,692	26,250
Australian Dollar	8,975	(7,169)
Canadian Dollar	29,149	(27,456)
Swiiss Franc	9,573	7,900
Hong Kong Dollar	19,658	7,964

(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.

15 Investment risks (*continued*)

	2023	2022
	€'000	€'000
Direct		
Bonds	554,179	477,098
Cash	58,294	54,481
Indirect		
Cash Funds	154,707	83,268
Credit Funds	1,257,874	1,208,161

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:

*In addition there is a derivative position of Asset €9.312 million and Liability €0.514 million at 31 December 2023 which is subject to other price risk.

	2023	2022
	€'000	€'000
Direct		
Equities	751,899	705,214
Indirect		
Forestry Funds	121,040	114,207
Hedge Funds	439,306	447,148
Infrastructure Funds	485,387	435,802
Multi Asset Funds	97,684	352,373
Pooled Equity Funds	278,747	252,158
Pooled Fund	9,225	5,240
Property Funds	438,414	553,583
Venture Capital	818	1,039
Credit Funds (Including loan note)	1,682,239	1,543,878
	4,304,760	4,410,642

16 Current Assets and Liabilities

	2023	2022
	€'000	€'000
Current Assets		
Cash at bank	38,949	46,300
Transfer in due	1,386	1,264
Taxation & Other	4,174	950
Total Current Assets	44,509	48,514
Current Liabilities		
Accrued expenses	(1,804)	(1,699)
Taxation	(3,326)	(3,566)
Benefits Due	(5,105)	(4,016)
Other Creditor	(3,525)	(2,551)
Total Current Liabilities	(13,760)	(11,832)

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 triennial valuation is based on the assets and liabilities of the Scheme as at 31 December 2023.

18 Commitments

	Total Commitment	Undrawn Commitment at 31 December 2023	Undrawn Commitment at 31 December 2022
	€'000	€'000	€'000
Arcus AEIF2	75,000	4,684	10,441
Blackrock Renewable Income Europe Fund	88,000	6,432	11,170
Cardinal Mezzanine Fund L.P.	150,000	43,105	81,407
Cardinal PE Fund	100,000	20,321	25,522
Cardinal WLR Fund	100,000	-	16,150
Dunport - Elm Senior Credit	66,500	1,339	1,339
Dunport - Elm – Subordinated Debt	28,500	574	574
Macquarie MEIF 6	100,000	-	6,984
Macquarie MSCIF	100,000	-	-
Tetrarch Aparthotel Fund	76,866	-	-
Dunport- Oak	95,000	35,483	68,926
Arcus 3	54,000	30,327	54,000

19 Related party transactions

- **The Trustees and the Superannuation Committee:** The Trustees and Committee members are as set out on pages 45 and 46 of this report. During the year the Committee members and three Trustees made contributions to the Scheme; while 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.

19 Related party transactions (*continued*)

- **The investment managers:** The investment managers are as noted on pages 47 to 49. 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 2023 were €0.921 million (2022: €6.821 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 2023 were €0.2 million (2022: €0.3 million)
- **AON Solutions Ireland Ltd :** Administration for active and preserved members up to retirement was performed by AON Solutions Ireland Ltd for the twelve month period from January 2023 to December 2023.
- **Internal Audit:** A number of internal audits were conducted on the Fund during 2023.

20 Self-investment

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

21 Funding

There is no current requirement for additional funding based on most recent actuary assessment of scheme carried out in June 2024.

22 Subsequent Events

There have been no other significant subsequent events post year end which would impact on the financial statements for the year to 31 December 2023 as at the date of approval of the Annual Report.

23 Contingent Liabilities

As detailed in the Statement of Accounting policies on pages 55 to 57 and the Statement of Net Assets on page 54, 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 2023.

24 IORP II Regulations

The provisions of an EU Directive on the activities and supervision of institutions for occupational retirement provision (the IORP II Directive) were signed into Irish law on 22 April 2021 through The European Union (Occupational Pension Schemes) Regulations, 2021 (the Regulations). In November 2021, the Pensions Authority published a Code of Practice for Trustees (the Code), providing guidance for trustees on their duties and responsibilities under the Regulations.

In accordance with the Regulations and the Code, the Trustee has made an assessment as to whether the Trustee board is fit and the Trustee directors are proper, in each case as defined in the Code, and concluded that the board is fit and the Trustee directors are proper.

The Trustees have implemented the various requirements of the Regulations and the Code and has appointed Risk Management and Internal Audit Key Function Holders.

As per requirements of the Regulations and the Code, benefit statements are to be issued to deferred members of the Scheme with an effective date from 31 December 2022. Throughout 2023 the Trustees have been embedding IORP II into the day-to-day management and governance of the ESB DB Pension Scheme.

25 Approval of financial statements

The financial statements were approved by the Trustees on 8th July 2024.

The ESB Defined Benefit Pension Scheme
Financial statements

Year ended 31 December 2023

PB registered number PBI699

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.

Discount Rate

This is one of the most significant assumptions used in an actuarial valuation. It is the rate used to value the current cost of future pension obligations.

Diversification

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

Dovish

Central banks are known to be “dovish” if they refer to lowering interest rates or keeping them low to stimulate economic activity. This is the opposite of being “hawkish”.

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.

Interest Rate

This is the interest rate set by a central bank in controlling monetary policy or by an intermediary involved in the lending process. Nominal interest rates are inclusive of inflation whereas real interest rates strip out inflation.

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.

Risk Reserve

The funding standard provisions of the Pensions Act, 1990, as amended, were revised in 2012, introducing the requirement for funded defined benefit schemes to hold a funding standard reserve from 1 January 2016, i.e., additional assets or 'risk reserves'. The funding standard reserve is broadly calculated as 10% of 'unmatched' funding standard liabilities plus the net effect of a 0.5% fall in interest rates.

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

pensions@esb.ie

