

## **Statement of Investment Policy Principles for The ESB Additional Voluntary Contributions Scheme (“the Scheme”)**

*The purpose of this Statement of Investment Policy Principles (SIPP) is to provide a description of the investment policies of the Trustee including investment objectives, investment risk measurement methods, risk management processes used, strategic asset allocation and investment options. It also includes details of the Trustees compliance with Sustainable Financial Disclosure Regulation (SFDR), Shareholder Rights Directive II (SRD II) and the ESG requirements of IORP II. The SIPP will be reviewed every three years as a matter of course and following any change by the Trustee in investment policy to maintain and enhance its relevance and usefulness.*

### **Investment Objectives**

The Trustee recognises that individual members have differing investment needs and that these may change over the course of their working lives. They also recognise that members may have differing attitudes to risk, and that some members may find investment a complex subject, where too much choice may be confusing.

The investment objective of the Trustee therefore is to allow members access to suitable funds that will ensure security, quality, liquidity, and profitability for the members' pensions investments, while enabling them also to tailor their investment approach to their own needs. The Trustee also aims to provide detailed information on the selection of funds available, so that members can make a fully informed decision and are aware of the risks associated with the investment of their assets.

### **Investment Risk Measurement Methods – Market Risk**

In devising the investment strategy for the Scheme, the Trustee has considered risk from a number of perspectives. This includes the risk of achieving low levels of capital growth over time, the risk that a member's account falls sharply due to investment market volatility, particularly just prior to retirement, and the risk that members do not have a clear understanding of the range of investment options available.

### **Investment Risk Measurement Methods – Sustainability Risk**

The Trustee has also considered environmental, social, and corporate governance (ESG) factors in devising the investment strategy. In particular, the Trustee has engaged with the investment manager to ensure that ESG factors have been considered in the manager's overall investment strategy but especially in relation to the funds utilised by the Scheme. The Trustee is satisfied that the risks posed by ESG factors have been considered by the investment manager and sufficient controls have been put in place to mitigate against these risks.

The Trustee invests all scheme contributions in insurance policies provided by Zurich Life. As a large entity, Zurich Life is required to publish information on how it considers the principal adverse impacts of investment decisions on sustainability factors.

## **Risk Management Processes Used**

The Trustee has taken certain measures to manage the above risks. It has assessed that the range of funds made available to members via the Zurich Life platform carry acceptable levels of risk, having regard to the nature and duration of members' liabilities and their attitudes to risk. The Trustee will consider the information generated from risk measurement and will take action appropriate to the investment objectives. The Trustee will consider the importance of providing sufficient information to members on the range of funds available so that each member is in a position to make a fully informed decision.

The Trustee will also monitor the performance of the funds relative to market returns, while recognising that the risks inherent in the use of an active investment manager are mitigated by the potential gains arising from successful active management. Risks are also mitigated in this approach by the diversification of assets, limits on individual holdings and guarantee of suitable investments.

## **Active Ownership**

As well as active selection of investments, the Trustee notes that the investment manager use their ability to vote and engage to encourage companies to improve its ESG performance. It is noted that Zurich actively executes voting across its entire portfolio of directly managed equity investments with agreed approaches across a wide range of issues such as corporate governance and other key ESG factors. It is noted that this is done in a transparent way, and in the spirit of the Shareholder Rights Directive II, Zurich fully publish their voting records on their website. Further information on Zurich's approach to SRD II is available here: [www.zurich.ie/about-us/shareholder-rights-directive/](http://www.zurich.ie/about-us/shareholder-rights-directive/)

## **Remuneration Policy**

The Trustee acknowledges the remuneration policy implemented by Zurich is consistent with the integration of sustainability risks including regular evaluation of whether the remuneration architecture does not encourage any inappropriate risk taking

Further information on Zurich's responsible investment policy and sustainability related disclosures, is available here on [www.zurich.ie/responsibleinvestment](http://www.zurich.ie/responsibleinvestment)

## **Environmental, Social and Governance Statement**

This Environmental Social and Governance ("ESG") Policy Statement ("the Policy") has been prepared by the Trustee to set out its views on ESG factors. Environmental factors include but are not limited to carbon emissions, use of natural resources, energy efficiency, pollution and waste management and biodiversity. Social factors include but are not limited to employee satisfaction, human rights and supply chain, global health policy, stakeholder commitments and product responsibility. Governance factors include board diversity and independence, sustainability policy and reporting, bribery and anti-corruption, lobby group policy and management of subsidiaries.

As part of the Trustee's duties, which includes a comprehensive approach to risk management and a focus on best member outcomes, the Trustees recognise the need for the Scheme to be a long-term, responsible investor.

### **ESG Beliefs**

The Trustee has considered and discussed ESG factors to establish their beliefs to help underpin the Trustee's decision making. The following represents the beliefs to be incorporated:

- The Trustee believes that ESG factors are potentially financially material for the value of the Scheme's investments and consequently members' retirement benefits.
- The Trustee believes that the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.
- ESG issues, including climate change are a source of investment opportunities and are important in managing risks.
- It follows that ESG factors should be taken into account to the extent that they can reasonably be expected to impact on investment returns.

### *Implementation*

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

The Trustee is also conscious of the different investment time horizons that members will have. The Trustee believe that ESG issues may be of more importance to younger members as the financial materiality of such issues will have a greater impact over the longer term.

Subject to any agreed guidelines or restrictions, the Trustee delegates the consideration of all financially material factors in relation to determining the underlying holdings within the investment funds, including ESG factors, to the Scheme's investment manager as part of their day-to-day management. The investment manager will be evaluated by the Trustee, along with other considerations on their ability to employ ESG policies within their decision-making process.

The Trustee will also review aspects such as, but not limited to, longer term performance, manager incentivisation and portfolio turnover in order to ensure alignment with the Scheme's investment policy.

The Scheme invests in unit linked policies with Zurich Life and the Trustee note that the Scheme's investment manager, Zurich Life, is a signatory to the United Nations Principles for Responsible Investment ("UNPRI").

## **The EU Sustainable Finance Disclosure Regulation**

The Trustee is particularly minded that the EU Sustainable Finance Disclosure Regulation (SFDR) has applied from 10 March 2021 and has engaged with Zurich to ensure appropriate disclosures are made available detailing the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment for the funds available within the Scheme. The Trustee understands this process is evolving and will review their position as further disclosures are required or changes in regulation arise.

## **Strategic Asset Allocation**

The Trustee's default position, in the absence of a member instruction to the contrary, is investment in the PensionSTAR (ESB) strategy, which has been designed to reduce investment risk as members approach retirement age. Details of this strategy are provided below.

## **Fund Choices Available**

The Trustee allows members to choose a tailored investment strategy called PensionSTAR (ESB) and in addition, they may also choose from a wider range of funds. The PensionSTAR (ESB) strategy and the other fund choices are described below.

## **PensionSTAR (ESB)**

Zurich Life's PensionSTAR (ESB) is an investment strategy which applies throughout the lifetime of a pension policy. A number of Zurich funds are used in this strategy and these funds are described below. The funds have been chosen with the aim of providing real growth when a member is young and increasing security as retirement age is approaching. The strategy is chosen at outset and combines redirection of premiums into a pre-defined set of lower equity content funds as a member moves towards retirement. As this automatic switching mechanism gradually transforms the pension fund from a higher risk portfolio to a lower risk portfolio as retirement approaches, it protects the member from the impact of a stock market crash prior to retirement.

PensionSTAR (ESB) uses three funds: **Performance, Balanced and Cash**. These funds are managed unit-linked funds with Performance having a higher equity content than Balanced. Unit prices in both of these funds can fall as well as rise. The Cash fund is invested in deposits, money market instruments and short-dated fixed income securities. Further detail on these funds is provided in the fund descriptions below.

PensionSTAR (ESB) gradually reduces investment risk in two ways.

First of all, it redirects new contributions into lower risk funds as retirement approaches. With more than 15 years to retirement, regular contributions are invested in the Performance Fund. When the member comes to 5 years or more to retirement, but less than 15 years, the contributions are then redirected to the Balanced Fund. The units which are held in the Performance Fund remain in that fund.

With less than 5 years to retirement, the members' contributions are redirected to the Cash Fund and again those units accumulated in the Performance and Balanced Funds remain in those funds.

<b>Individual Member Basis</b>	<b>Contributions to</b>	<b>Type of fund</b>
Over 15 years to retirement age	Performance Fund (65% - 90% indicative equities)	Unit-linked
5 - 15 years to retirement age	Balanced Fund (50% - 75% indicative equities)	Unit-linked
Last 5 years	Cash Fund	Unit-linked

Secondly, with 5 years to go to retirement, PensionSTAR (ESB) switches 1/60<sup>th</sup> of existing investments in the Performance and Balanced funds each month into the Cash Fund. At this stage, new contributions are also being invested in the Cash Fund, so at retirement, the entire fund will be invested in the Cash Fund.

### **Descriptions of the Zurich Life Funds used in PensionSTAR (ESB)**

#### ***Performance Fund***

Indicative equity range: 65% - 90% of the value of the fund.

The Zurich Life Performance Fund is a high risk/return fund holding a wide range of global equities and equity-based financial instruments offering real growth opportunities. It may also include bonds issued by governments, supranational bodies and other investment-grade corporate and non-sovereign bonds and/or bond based financial instruments. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor. This fund is managed by Zurich Life Investments.

#### ***Balanced Fund***

Indicative equity range: 50% - 75% of the value of the fund.

The Zurich Life Balanced Fund seeks to achieve growth through capital gains and income from a well-diversified portfolio of global equities and equity-based financial instruments. This fund will also invest in bonds issued by governments, supranational bodies and other investment grade corporate and non-sovereign bonds and/or bond-based financial instruments. In terms of currency, the fund is managed from the point of view of a Eurozone investor. This fund is managed by Zurich Life Investments.

#### ***Cash Fund***

This Cash Fund is invested in deposits with leading institutions, money market instruments and short-dated fixed income securities issued by governments of the Euro currency block. No non-Euro exposure is permitted in this fund. In terms of currency the fund is managed from the point of view of a Eurozone investor. The Cash Fund has no equity content.

## **Descriptions of Available Funds**

### ***Balanced and Cash Funds***

Please see fund descriptions above. Note that the Performance Fund is only available under PensionSTAR.

### ***International Equity Fund***

Indicative equity range: 100% of the value of the fund.

The Zurich Life International Equity Fund seeks to maximise growth through capital gains and income from a portfolio of international equities and equity-based financial instruments. (For tactical reasons, the fund may also invest in cash or international bonds issued by governments, supranational bodies [such as the European Investment Bank], other investment grade corporate and non-sovereign bonds and bond based financial instruments.) The fund is benchmarked against the FTSE World Index. In terms of currency, the fund is managed from the point of view of a Eurozone investor. This fund is managed by Zurich Life Investments.

### ***5\*5 Global***

Indicative equity exposure: 80% to 100% of the value of the fund.

The 5★5 Global Fund is a unit-linked fund normally holding up to fifty global equities. Spread across five sectors, these equities have been selected on the basis of the following characteristics: exposure to a growth market, leadership or domination in the market and the ability of the company's management to generate substantial out-performance for shareholders. The sectoral selection may be varied to avail of market opportunities and so enhance the performance of your investment. In terms of currency, the fund is managed from the point of view of a eurozone investor. As this fund invests some of its assets outside the eurozone, a currency risk arises for a euro investor. This fund is managed by Zurich Life.

### ***New Ireland Passive Multi-Asset Fund***

Indicative equity exposure: Varies according to the average managed fund (c70% as at 31 October 2023).

The New Ireland Passive Multi-Asset Fund is designed to mirror the general investment strategy followed by Irish pension fund managers. To achieve this, the fund uses the average investment manager mix of equities, bonds, property, alternatives and cash as quoted in the quarterly Irish pooled fund survey. Within each asset class, the fund follows the relevant market index. This underlying fund is managed by State Street Global Advisors Ireland Limited.

### ***Active Fixed Income Fund***

The Zurich Life Active Fixed Income Fund is an actively managed bond fund. It primarily invests in bonds issued by Eurozone governments and bond-based financial instruments.

It may also invest in supranational bonds and other investment grade corporate and non-sovereign bonds. The investment parameters allow for up to 30% of the fund to be invested outside the eurozone with the core invested in Eurozone bonds. In terms of currency, the fund is managed from the point of view of a Eurozone investor. This fund is managed by Zurich Life Investments.

### ***Active Asset Allocation Fund***

Indicative Equity Range: 15%-65% of the Value of the Fund

The Active Asset Allocation Fund is an actively managed fund which aims to achieve growth through capital gains and income from a well-diversified portfolio of global equities, government bonds, property shares, cash and alternative assets. The alternative assets currently may include oil, gold, inflation-linked government bonds, water, soft commodities, industrial metals and corporate bonds. Many of the asset classes in this fund have historically had low correlations to movements in equity prices and hence are expected to dampen the volatility of the fund's returns. Zurich Life's award-winning team of fund managers actively manage the allocation between the different asset classes. This fund invests some of its assets outside the eurozone so a currency risk arises for a euro investor. As the fund is managed from the point of view of a euro investor any currency hedging that may be conducted will be into euros. This fund is managed by Zurich Life.

### ***Prisma Low Fund***

Indicative Equity Range: 10% of the value of the fund.

Prisma Low is an actively managed fund which aims to achieve returns consistent with those available from investing across a diversified range of global asset classes: equities, short term bonds (government and corporate), medium term bonds (government and corporate) and cash. The strategic and tactical asset allocation strategies employed by the fund managers aim to deliver returns above prevailing Euro cash rates over time. This fund invests some of its assets outside the eurozone so a currency risk arises for a euro investor. As the fund is managed from the point of view of a euro investor any currency hedging that may be conducted will be into euros. This fund is managed by Zurich Life

### ***SuperCAPP Fund***

*(Closed to New Contributions and/or inward switches)*

Indicative equity range: 20% - 40% of the value of the fund.

The Zurich Life SuperCAPP Fund is a unitised with-profits fund that aims to deliver a regular return to policyholders consistent with prevailing medium-term interest rates while maintaining the potential for higher growth than a bank deposit account.

Investment earnings on the SuperCAPP Fund are distributed to policyholders through Annual Dividends that aim to provide a steady accumulation of policy benefits from year to year. A Special Dividend may also be paid on withdrawal of money invested in the fund for five or more years. The SuperCAPP dividend mechanism aims to provide a smoothed distribution of the fund's investment earnings to policyholders. Although the percentage of investment earnings distributed to individual SuperCAPP policyholders will vary,

SuperCAPP policyholders in aggregate will receive at least 95% of the earnings on their collective investment in the fund.

The unit price for the SuperCAPP Fund increases in line with Annual Dividends. The value of a policy's SuperCAPP unit holdings will normally be determined by applying this unit price to the policy's unit holding. When SuperCAPP units are encashed by the policyholder after five or more years, the policy value may be increased by the addition of a Special Dividend. In certain circumstances, such as a period of sustained market underperformance, encashment values may be reduced by the application of a Market Level Adjustment (MLA). The fund is managed prudently and Zurich Life does not expect to apply an MLA other than in exceptional circumstances. However, an MLA may be applied if the Appointed Actuary judges it necessary to balance the interests of all policyholders in the SuperCAPP Fund. An MLA will not be applied on death. This fund is managed by Zurich Life Investments.


**Diversified Assets Fund**

*(Closed to New Contributions and/or inward switches)*

Indicative Allocation to each Asset Class (Equities, Bonds, Property, Commodities): 20% to 30% of the value of the fund.

The Zurich Life Diversified Assets Fund is a diversified unit-linked fund that invests in and targets equal exposure to four asset classes: equities, bonds, property and commodities. The Diversified Assets Fund aims to reduce the volatility of investment returns by investing in a combination of asset classes with low correlations, while maintaining the potential to deliver strong returns. It is suitable for investors looking for real returns with lower risk than an average managed fund. To maintain a balanced portfolio the fund will be monitored and rebalanced if any asset class moves significantly outside its guideline exposure. Exposure to each asset class will be reset to 25% on rebalancing. A currency risk arises as some of the investments held are from outside the eurozone.

This Statement of Investment Policy Principles has been approved by the Trustee and signed on its behalf by:

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Director  
ILP Pension Trustees DAC

17 June 2024  
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Date

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Director  
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