

AIB Group Defined Contribution Scheme

Statement of Investment Policy Principles

1. Introduction

1.1 The Board of Directors of AIB DC Pensions (Ireland) Limited (the “**Trustee**”) is responsible for overseeing the investment of the assets of the AIB Group Defined Contribution Scheme (the “**Scheme**”).

1.2 The Trustee is also responsible for preparing this Statement of Investment Policy Principles (the “**SIPP**”) which provides an overview of how the assets are invested and managed and forms part of the Trustee’s overall governance plan.

1.3 This SIPP is a statement of intent, and it is made in order that:

- There is a clear understanding on the part of the Trustee, members, relevant AIB plc staff, the investment adviser, investment managers and others as to the objectives and policies of the Trustee;
- There are clear principles governing the guidelines and restrictions to be presented to the investment managers regarding their investment of the Scheme’s assets.
- The Trustee has a meaningful basis for the evaluation of the investment performance of the individual investment managers, investment performance of the Scheme as a whole and the success of the overall investment strategy through achievement of defined investment objectives; and
- The Trustee fulfils the requirements of the Occupational Pension Schemes (Investment) Regulations, 2006 (as amended), which stipulate that a SIPP must be put in place and cover at least the following areas:
 - Investment objective;
 - Investment risk measurement methods;
 - Risk management processes; and
 - Strategic asset allocation

1.4 It is intended that this SIPP will be sufficiently specific to be meaningful but adequately flexible as to be practical. The intention is not to outline detailed guidelines for the Scheme’s investment managers – this should be done within the specific legal agreements with those parties – but rather to state the general philosophy, risk appetite and policies of the Trustee that will shape the governance of the Scheme as a whole.

1.5 This Statement is organised under the following headings:

- Description of the Scheme;
- Governance of the Scheme;
- Scheme Investment Objective, Investment Risks and Risk Management;
- Fund options and Fund objectives;
- Fund Manager Structure;
- Sustainable Investment/ Environmental, Social & Governance (ESG);
- Shareholder's Rights Regulation 2020;
- Sustainable Finance Disclosure Regulations; and
- Communications

1.6 Whilst the preparation of a SIPP is mandatory, the Trustee also considers the preparation and maintenance of the SIPP to be good practice.

1.7 In preparing this SIPP, the Trustee has sought advice from the Scheme's investment adviser.

1.8 The Trustee will monitor compliance with this SIPP annually and will also review this SIPP at least every three years or following any substantive change to its investment policy that impacts on the SIPP.

1.9 The SIPP was endorsed by the Trustee as having effect from 11-Jul-2023.

2. Description of the Scheme

2.1 The Scheme is a 'Defined Contribution Scheme' ("DC scheme") and all the benefits it provides are based on the balances in members' individual retirement accounts, without any guarantees of performance.

2.2 As a DC scheme, the investment performance of the Scheme's assets is a risk solely borne by the member. The Trustee has provided a range of Investment Options with different risk and return objectives so that members can choose to invest in a manner that reflects their own risk and return objectives. The Trustee has also provided a Default Strategy ("the **Lifestyle Strategy**") for members who do not make their own investment decisions.

2.3 The main investment risk for members is that the returns in their retirement accounts will be insufficient, consequently contributing to inadequate retirement provisions. Good investment returns by themselves are not enough. Other factors such as beginning to contribute early, the level of contributions paid, and the benefit options availed of at retirement are also influential. These are recognised by the Trustee but lie outside the scope of this SIPP.

3. Governance of the Scheme

3.1 The Trustee is responsible for the investment of the Scheme's assets.

3.2 Strategic decisions affecting Scheme investments are taken by the Trustee after drawing on the skills and experience of external advisers including investment managers and the investment adviser. Appendix I lists the Scheme's current investment adviser and investment managers.

3.3 Trustee's responsibilities include:

- Focusing on member outcomes and ensuring that, at all times, all decisions are taken with member objectives, as assessed by the Trustee, in mind.
- Identifying the investment and risk objectives of the Scheme's investments, taking into account the needs of different groups of members, formulating an appropriate default strategy and keeping said objectives and strategy under regular review;
- Providing a suitable range of investment options for members;
- Appointment and subsequent performance monitoring, supported by the Investment Sub Committee, of the investment managers used to express the investment strategy;
- Making any necessary changes in the strategy, investments, investment managers, advisers or other services that relate to the investment of assets; and
- Communicating investment risk and providing information to members, as well as regularly reviewing this SIPP and updating it as required.

3.4 The Trustee sets the overall investment strategy. The Trustee recognises the importance of receiving independent professional advice when formally reviewing the Scheme's investment objectives, strategy and investment managers. As such, the Trustee appointed a professional investment adviser. The investment adviser's role is to assist the Trustee in relation to setting their investment objectives, implementing the decisions of the Trustee, deriving a strategy capable of achieving said objective; and the selection of appropriate investment managers who can implement the strategy. On an ongoing basis, the investment adviser assists the Trustee by monitoring the investment performance of the fund and the performance of the appointed investment managers and advises the Trustee on strategic asset allocation.

3.5 The Trustee has also established a Sub-Committee of the Trustee Board, the Investment Sub Committee ("the **Sub Committee**"), in order to enhance its oversight of the Scheme's investment strategy and the implementation of that strategy.

3.6 The Sub Committee meets regularly, typically four times per year, and keeps the Trustee Board updated on investment issues. The Sub Committee is advised by the Scheme's investment adviser and focuses on the following key items:

- Monitoring the overall performance of the investment strategy and investment managers and its implications for member outcomes;
- Overseeing the management of the Scheme's asset mix within agreed ranges;
- Regularly challenging the strategy in light of changing market conditions and innovations in the pension investment environment;
- Ensuring there is a good process for managing "member outcome" risk and that it is operating effectively; and
- Evaluating new investment ideas and opportunities

3.7 The Sub Committee brings forward recommendations to the Trustee Board for ratification.

4. Scheme Investment Objective, Investment Risks and Risk Management

4.1 With respect to individual members' investment strategies, the Trustee recognises that members need to make their own investment decisions based on their individual circumstances, and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk.

4.2 The Trustee's overall objective with respect to investments is to:

- Provide a Scheme that is appropriate for all Scheme members taking into account their expected retirement date
- Provide a Scheme that will, in the long term, deliver a satisfactory return in real terms on the contributions invested

4.3 The Trustee has designed, with the input of its investment adviser, a Default Strategy (Lifestyle Strategy) for members who prefer that the Trustee makes investment decisions on their behalf or for members who don't make a fund choice. The Trustee has also provided a range of fund options for members who wish to manage their own asset allocation ("the **Freestyle Options**").

For Members Managing Their Own Funds (Freestyle Options)

4.4 There is the risk that in managing their own funds members might make sub optimal investment choices and to mitigate this risk the Trustee has:

- Provided an appropriate range of Freestyle Options;
- Set clear fund objectives and encourages members to focus on the fund objectives and risks through the use of white labelled funds;
- Understood the importance of clear communications with members; and
- Understood that individual financial advice in the years before retirement is beneficial to members.

4.5 The Trustee ensures that within the Freestyle Options that are available to each member:

- Investments are, for the most part, limited to marketable securities traded on recognised/regulated markets;
- Investment in derivative instruments is made only in so far as it either contributes to a reduction of investment risks or facilitates efficient portfolio management. Any such derivative investment must avoid excessive risk exposure to a single counterparty and to other derivative operations; and
- The funds are properly diversified in such a way as to avoid excessive reliance on any particular asset (unless in a single asset fund or a fund used to match annuity pricing), issuer or group of undertakings. Investments in assets issued by the same issuer or by issuers belonging to the same group should not expose the member to excessive risk concentration.

4.6 The Trustee aims to have leading investment managers managing each of the white labelled Freestyle Options.

The Trustee can change the investment manager of any or all of the Freestyle Options as a result of an ongoing monitoring process, without impacting the core objective of the Freestyle Option.

For Members in the Default Strategy (Lifestyle Strategy)

4.7 The risk that members within the Default Strategy will not achieve good outcomes due to investment performance is mitigated as follows:

- The Default Strategy aims to invest members' assets with risk and return objectives that are appropriate for their stage of the retirement savings journey, which is largely determined by age (or years to normal retirement age). Members who are far from normal retirement age are assumed to have higher risk tolerances due to their longer time horizon and, as such, the Trustee will invest in assets with higher risk and return characteristics. As members move closer to normal retirement age, their mix of assets will change, increasing diversification and downside protection as members' risk tolerance reduces.
- In the years before normal retirement age, there is the risk that the value of a member's individual retirement account falls significantly due to a downturn in markets. This is specifically catered for through a lifestyling programme in the seven years before normal retirement age. The intention is to de-risk members into assets that are appropriate to the likely use of their retirement accounts at normal retirement age (subject to prevailing Revenue rules):
 - Members who will likely want to maximise their cash lump sum ('Cash Ready Lifestyle Option');
 - Members with projected retirement accounts at normal retirement age of greater than six times salary, or who have significant DB benefits due from the AIB DB scheme, are assumed to be most likely to use the balance of their retirement accounts to

purchase an Approved Retirement Fund (ARF) at normal retirement age ('Cash and ARF Ready Lifestyle Option');

- Other members are assumed to use any balance remaining, after maximising their cash lump sum, to purchase an annuity ('Cash and Annuity Ready Lifestyle Option')

4.8 The Trustee has set the investment policy to provide for sufficient liquidity to meet unexpected cash flow requirements in the majority of foreseeable circumstances. The Trustee recognises, however, that there is scope for the Scheme to invest in illiquid assets to some degree whilst maintaining an acceptable level of liquidity for the portfolio as a whole.

4.9 As part of their compliance with the requirements set out in the Institutions for Occupational Retirement Provision (IORP) II directive, the Trustee have asked their Investment Managers to take environmental, social and governance (ESG) factors including the risks arising from climate change into consideration as part of their investment management process, in as far as this is practicable within their investment mandates, given the size, nature and complexity of the investments of the AIB Group Defined Contribution Scheme.

4.10 Strategic Asset Allocation ("SAA") is the process by which the Trustee establishes, and then implements (via the appointed investment manager(s)) the mix of investments within agreed ranges for the Early Years Fund, the Middle Years Fund and the derisking process as members approach retirement. It takes account of the investment beliefs used to guide the Trustee in all Scheme decision-making. The Strategic Asset Allocation (and the ranges around the SAA) may only change with agreement from the Trustee.

5. Fund options and Fund objectives

5.1 The Scheme offers members four **Freestyle Fund Options**, namely:

- The Diversified Growth Fund
- The Cash Liquidity Fund
- The Equity Fund
- The Annuity Fund

5.2 Members also have the option of entering into the Default Strategy. The **Lifestyle Strategy is the Default Strategy**. The Default Strategy invests in the "Early Years Fund" (which is currently largely passively invested in global equities) until members are within 22 years of their normal retirement age, moving gradually into the "Middle Years Fund" (which is currently mainly intended to invest in the Diversified Growth Fund and unquoted investments) between 22 and seven years to normal retirement age (together the 'Growth Phase'). Finally, over the remaining seven years to normal retirement age (the 'Pre-Retirement Phase'), members are de-risked

further into one of three 'Lifestyle Options' which assets most closely match the member's likely use of their retirement account at normal retirement age

- Lifestyle Option 1: **Cash Ready**
- Lifestyle Option 2: **Cash and Annuity Ready**
- Lifestyle Option 3: **Cash and ARF Ready**

5.3 The Diversified Growth Fund

- This Fund is intended to be suitable for those members of the Scheme with a medium risk tolerance, during the period where achieving growth in members' retirement accounts is the main objective. It is unlikely to be suitable for members closer to retirement unless they plan to continue investing post retirement in an Approved Retirement Fund.
- The Fund aims to deliver long term capital growth through investment in other investment funds and direct securities. The Fund aims to outperform the euro short term rate (€STR) (the "Cash Benchmark") by 3.75% per annum. The Fund is actively managed, and the Investment Manager has full discretion over the composition of the Fund's portfolio.
- The Fund has exposure to a diversified mix of assets including, but not limited to, equities, government bonds, corporate bonds, alternatives, and cash.
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5.4 The Equity Fund

- The Equity Fund passively invests in global equities. This utilises an index-tracking Fund, which aims to replicate the performance of the MSCI ACWI Index.
- The MSCI ACWI Index is made up of shares of companies from countries in both developed markets (such as the USA, Europe and Japan) and emerging markets (such as China, Brazil and India).
- The Fund is most suitable for those who are targeting equity returns and can withstand the capital risk associated with a volatile investment.
- The Early Years Fund which is a key component of the Default Strategy currently is 100% invested in the Equity Fund.

5.5 The Annuity Fund

- This Fund holds long dated, high quality European bonds that seeks to aim to track annuity prices over time.
- This Fund is intended to be used by those approaching retirement targeting an annuity purchase, as the prices of these particular bonds have a close correlation with the price of annuities from life assurance companies.

5.6 The Cash Liquidity Fund

- This Fund is invested in short-term, euro-based assets issued by governments, high quality banks and companies.

- This Fund is intended to be used by those approaching retirement targeting a cash lump sum and those who want to be disinvested from other asset classes for a period of time.

5.7 The Early Years Fund

- This Fund is a key component of the Default Strategy. Members in the Default Strategy are 100% invested in the Early Years Fund until they reach 22 years from retirement at which time they are gradually switched, using quarterly adjustments, from having 100% in the Early Years fund to having 100% in the Middle Years Fund over a period of 15 years.
- The Fund is currently 100% invested in the Equity Fund (see 5.4).
- The Trustee is responsible for the Strategic Asset Allocation of the fund.
- The Fund's current investment objective is to provide long-term investment growth through exposure to global equity markets.

5.8 The Middle Years Fund

- The Fund is a key component of the Default Strategy. Members in the Default strategy are gradually switched into the Middle Years Fund over a period of 15 years.
- The Fund's core investment is in the Diversified Growth Fund (see 5.3), but the Middle Years Fund can also invest in other areas including unquoted assets.
- The Trustee is responsible for the Strategic Asset Allocation of the Fund.
- The Fund's investment objective is to provide long-term capital growth through investment in a multi-asset portfolio. The Fund aims to outperform the euro short term rate (€STR) (the "Cash Benchmark") by 3.75% per annum.

6 Fund Manager Structure

6.1 The Trustee can employ a number of different **specialist investment managers** in order to implement the chosen strategy for the Scheme. In certain asset classes or sub-asset classes, investment managers are employed simply to replicate market performance. In other asset classes investment managers are employed with a mandate to seek to outperform market indices.

6.2 Where investment managers are targeted with outperforming market indices, it is expected that there will be a greater divergence between the return achieved by the investment manager and the return achieved in the market. One of the risks to which the Scheme is exposed is the extent to which investment manager returns may underperform market returns in the relevant asset class.

6.3 The principal investment manager is Legal & General Investment Managers (Europe) Limited with additional sub investment managers appointed to manage specific asset classes from time to time within the Early Years and Middle Years Funds. The only sub investment manager at date of this SIPP was Partners Group (UK) Limited.

6.4 Investment manager performance is evaluated against objectives on at least an annual basis. In this regard, the Trustee or the Investment Sub-Committee:

- meets the principal investment manager of the Scheme quarterly to review the investment manager's actions together with the reasons for, and the background behind, the investment performance;
- receives written monthly performance reports from the principal investment manager;
- meets with investment managers other than the principal investment manager from time to time; and
- receives input and opinion from an investment adviser who meets with and monitors the principal investment manager and the other sub investment managers on at least a quarterly basis.

6.5 It is the Trustee's intention to undertake a full review of the principal investment manager and sub investment managers, the fund options, the performance benchmarks and the performance targets on a regular basis and at least on a triennial basis.

7 Sustainable Investment / Environmental, Social & Governance (ESG)

7.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

7.2 By using a pooled investment vehicle for its equity investments, the Trustee accepts that the day-today application of voting rights will be carried out by the investment managers in accordance with their own corporate governance policy. These managers have in place clear policies of normally voting on all issues on behalf of its investors' best financial interests. The Trustee, in conjunction with its advisers, engages with its investment managers to obtain a statement detailing their voting policy and practice and the extent of ESG integration, consistent with such policy statements.

7.3 The Trustee has given its appointed investment managers full discretion in evaluating ESG factors, including climate change considerations and not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

8 Shareholder's Rights Regulation 2020

- 8.1 With respect to the European Union (Shareholders' Rights) Regulations 2020, the Trustee has not developed a standalone engagement policy. The Scheme invests in units in various pooled funds that may from time to time invest in companies which are listed on EU regulated markets. However, in each case, the Scheme is one investor among others so has no direct voting rights or other means of engagement with any companies in which the pooled fund may have invested.
- 8.2 The Trustee, in conjunction with its advisers, engages with the managers seeking confirmation that the managers are in compliance with the Regulations. The investment horizon of the Scheme's equity investments is medium to long term in nature, and the Trustee expects the managers to use their engagement activity to drive improved performance over those periods.
- 8.3 The Trustee also expects investment manager appointments to be long-term in nature and assesses the performance over longer-term periods. Short term performance issues would not be expected to result in a manager termination, although other factors may necessitate change over relatively short timeframes.

9 Sustainable Finance Disclosure Regulations

- 9.1 Asset managers are required to publish information on how they consider the principal adverse impacts of investment decisions on sustainability factors. To the extent that information is publicly available, such information as to how the Trustee's investment managers consider sustainability risks when making investment decisions is available on their website.
- 9.2 A review of remuneration policies (for example their long-term nature and how they incentivise key asset management personnel) is included in the investment adviser's independent research and review of appointed investment managers.

10 Communications

- 10.1 Information is provided in a number of ways:
- Fund descriptions in the Scheme Booklet & Information in the investment booklet "Investing your Retirement Account".
 - Annual Benefit Statements
 - Presentations to members on the choice of funds

Information is available to members on the AIB Intranet and on the DC Scheme Website
“www.planforlife.ie” on enrolment

- Fund Factsheets
- Performance Details

The opportunity to switch between fund options is also offered on an ongoing basis. A member can avail of this opportunity to switch fund options either online on the DC Scheme Website or through a manual process by completing the appropriate Switch Form. The Trustee reserves the discretion to charge an administration fee for switches.

Signed for and on behalf of the Trustee of the AIB Group Defined Contribution Scheme:

DocuSigned by:
Norbert BANNON
Signed: BF940FB1666A45E... Date: 11-Jul-2023

Name (Printed): Norbert Bannon Capacity: Trustee Chairman

DocuSigned by:
Ian Kelly
Signed: 5B626930187B49A... Date: 11-Jul-2023

Name (Printed): Ian Kelly Capacity: Trustee Director

Appendix I – Current Advisers and Investment Managers

Date approved: 11-Jul-2023

Trustee Board

Norbert Bannon (Chairman)

Alan Hardie

Ian Kelly

Mike Gogan

Anne Maher

Michael Ryan

Scheme Investment Adviser

Acuvest Limited

The Greenway, Ardilaun Court, 112-114, St. Stephen's Green, Dublin 2

Registered Administrator

Allied Irish Banks plc

10 Molesworth Street, Dublin 2

Scheme Administration

AIB Staff Pensions and Aon Solutions Ireland Limited (the latter is appointed to provide a number of core administration services)

Current Scheme Investment Manager

Legal & General Investment Managers (Europe) Limited

33/34 Sir John Rogerson's Quay, Dublin, 2

Current Scheme Sub Investment Manager

Partners Group (UK) Limited, 14th Floor, 110 Bishopsgate, London EC2N4AY

Custodian

Northern Trust Fiduciary Services (Ireland) Limited

Georges Court, 54-62 Townsend Street, Dublin 2, D02 R156

Appendix II – Current Freestyle Options

Date approved: 11-Jul-2023 _____

Investment Fund Choices	
The Equity Fund	Invested 100% in Global Equities, including Emerging Markets
The Diversified Growth Fund	Invested in a diversified mix of assets, including, but not limited to. Equities, Bonds, Alternatives and Cash.
The Cash Liquidity Fund	Invested 100% in Cash and Money Market Instruments.
The Annuity Fund	Invested in long dated core investment grade Euro Sovereign Bonds with a maturity duration that seeks to match the cost of purchasing an Annuity on your retirement