Statement of Investment Principles

For the Bank of Ireland Group UK Pension Fund

Effective from: 8 April 2025

1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Directors of BOI (UK) Pensions Trustees Limited (the "Trustee" or "We") of the Bank of Ireland Group UK Pension Fund (the "Fund").

It sets out our policies on various matters governing investment decisions for the Fund, which has Defined Benefit ("DB") and Defined Contribution ("DC") Sections. This SIP covers both Sections as well as the Additional Voluntary Contribution arrangements ("AVCs").

This SIP replaces the previous SIP dated November 2024.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Fund and the principles contained in this SIP.

We have consulted with the principal employer, the Governor and Company of the Bank of Ireland (the "Bank") in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Fund's investments, but which are not required to be included in the SIP.

[1]A guaranteed minimum pension establishes the minimum amount of income that a workplace pension must provide in retirement.

2. The structure of the Fund

The DB Section of the Fund arose from the merger of the following three pension schemes on 31 March 2008:

- the Bristol & West Staff Pension Fund ("the B&W Fund");
- the Bank of Ireland Home Mortgages Limited Retirement Benefits Scheme ("the Home Mortgages Scheme"); and
- the LifeBalance UK Scheme.

The assets and liabilities of each of the pre-merger schemes have been merged into the Fund.

The Fund had a separate section of the LifeBalance UK Scheme (LifeBalance Two) for employees of Bank of Ireland (UK) plc, which became a participating employer in June 2011. This section was wound up effective 28 June 2024.

The DC and AVC sections of the Fund are split into the following four sections:

- B&W Lifeplan (DC benefits with guaranteed minimum pension[1]);
- B&W Options (DC benefits);
- B&W Staff Pension Fund (AVCs); and
- LifeBalance – Personal Investment Account (DC benefits).

All policies relating to the DC and AVC arrangements are covered in this SIP, rather than in a separate SIP, so that all our policies on the Fund's investments are in one document.

3. Investment objectives for the DB and DC Sections

DB Section

The primary objective for the **DB Section** is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- the Fund's funding position (ie the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. We are aware that there are various measures of funding, and we have given due weight to those considered most relevant to the Fund;

and

- that the expected return on the Fund's assets is maximised whilst managing and maintaining risk at an appropriate level.

The Trustee and the Bank have conducted a detailed review of options for the future strategy of the Fund.

- For scheme funding purposes a clear goal was agreed as part of the 2020 valuation to reach full funding on the Technical Provisions basis by September 2025.
- The Bank agreed to a one-off contribution to be made from the Fund's Escrow account to eliminate the shortfall based on the expected Technical Provisions as at 30 March 2025. Should the Escrow account be insufficient, a deficit recovery schedule will be agreed.
- This agreement was reviewed and reconfirmed as part of the subsequent 2023 valuation.
- The Trustee and Bank have agreed a longer-term objective to target full funding on a "self-sufficiency" basis, currently defined by a discount rate of gilts +0.35% pa, by around 2030. The Fund is currently on track to achieve this objective, given the nature of a longer-term objective, it is recognised that some flexibility over the exact timeframe is appropriate.
- We monitor progress relative to this objective over time. If the required return to achieve this objective reduces materially (eg due to better than expected asset returns or other funding gains) we would propose de-risking of the investment strategy. This is intended to "lock-in" the improved position, reduce volatility, and remain on track to achieve the objective, subject to consulting with the Bank at that time.

DC Sections

Our objective for the **DC Sections** is to provide access to a range of investment options for members to utilise in structuring their assets according to their individual objectives.

B&W Sections

There had previously not been a default investment strategy for the B&W Sections, since members have been required to make an investment decision on joining the Fund, and the Fund has not been used as a qualifying scheme for auto-enrolment purposes. However, following our review of the DC Sections' investment strategy in conjunction with our investment adviser (LCP), several changes were made to the DC investments in November 2022. As part of these changes, some members' investments were transferred on an automatic basis to either the new Lump Sum Targeting Strategy or the new Annuity Targeting Strategy. As this transfer was done on an automatic basis, both the Lump Sum Targeting Strategy and the Annuity Targeting Strategy are to be treated as defaults for the purpose of fulfilling legislative requirements. The investment objectives of the two defaults are below.

Lump Sum Targeting Strategy

Our investment objective for the Lump Sum Targeting Strategy is to generate returns above inflation whilst members are far from retirement, and to switch automatically and gradually to lower risk and expected return investments as members become relatively close to retirement, with the asset allocation at retirement being designed to be appropriate for members taking a cash lump sum.

Annuity Targeting Strategy

Our investment objective for the Annuity Targeting Strategy is to generate returns above inflation whilst members are far from retirement, and closer to retirement to switch automatically and gradually to an investment strategy that is appropriate for members who intend to purchase an annuity with 75% of their assets invested in the strategy and take the remaining 25% as a cash lump sum.

Our investment objective for the AVCs is to make available a suitable range of investment options to meet members' risk / return objectives.

LifeBalance PIA Section

In 2023, the Trustee decided to make a lifestyle strategy available to members of the LifeBalance PIA Section. The lifestyle strategy was introduced in response to wider changes in this Section of the Fund that resulted in members with cash balance benefits ceasing to receive annual discretionary increases to this benefit. Instead, members now receive a 2% per annum employer contribution into the LifeBalance PIA. The lifestyle strategy is a default for all new members of this section, who are automatically invested in it unless they make an alternative fund selection. It is available as an additional self-select option for pre-existing members of the LifeBalance PIA. The investment objective is as below.

LifeBalance Drawdown Strategy

The investment objective for the Lifestyle Strategy is to generate returns above inflation whilst members are far from retirement, and to switch automatically and gradually to lower risk and expected return investments as members approach retirement, with the asset allocation at retirement being designed to be appropriate for members accessing their savings via drawdown.

4. Investment strategy

With input from our advisers and in consultation with the employer, we review at least annually the investment strategy for the DB and DC Sections considering the objectives described in Section 3.

The investment strategy for the **DB Section** is shown in the following table.

Asset class	Strategic allocation
Global equities	10.0%
European property	3.0%
Infrastructure	10.0%
Long lease property	4.0%
Multi-asset credit	14.0%
Asset-backed securities (“ABS”)	4.0%
Corporate bonds	20.0%
Liability Driven Investment (“LDI”)	35.0%

The objective of the LDI and corporate bond portfolio is to hedge changes in interest rates and inflation at a target ratio that is broadly in line with the Fund’s funding level.

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Fund’s circumstances. We believe that the strategy above meets this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets.

Any cash flows to or from the Fund are taken following a review of the current asset allocation of the Fund versus the strategic framework. Investments / disinvestments are made such that the asset distribution is maintained as close as possible to the strategic benchmark of the Fund, bearing in mind the liquidity constraints of some asset classes.

We have a collateral management protocol in place which sets out the assets directly available to support the Fund’s LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. We review and update the protocol periodically.

For the **DC Sections**, we make available a range of investment funds for members with different levels of expected return, including equity and bond-based funds as well as a cash fund. We also make available lifestyle strategies.

B&W Sections

There are three lifestyle strategies:

- the Lump Sum Targeting Strategy, as described below, which is a default investment strategy;
- the Annuity Targeting Strategy, as described below, which is a default investment strategy; and
- the Flexible Income Targeting Strategy, which is not a default investment strategy.

Each member is responsible for specifying one or more funds for the investment of their account. Members can select one of the three lifestyle strategies, or they can select one or more of the self-select fund options – they can’t have some assets in lifestyles and some in self-select funds though, and they can’t select multiple lifestyle strategies.

The investment strategy of the default investment strategies is as follows:

- The **Lump Sum Targeting Strategy** is initially invested to target growth by using a global equity fund. From 15 years to retirement the investments are gradually moved out of equities and to a multi-asset fund in order to increase the diversification of the investments and reduce risk, which is appropriate for members as they become closer to retirement to give more certainty over the value of their savings when they retire. From 5 years to retirement an allocation to a money market cash fund is built up so that the ending asset allocation is appropriate for a member wishing to take a cash lump sum at retirement.
- The **Annuity Targeting Strategy** is initially invested in the same way as the Lump Sum Targeting Strategy. The two strategies begin to diverge from 15 years to retirement, when the Annuity Targeting Strategy begins to gradually switch out of equities and into bonds (rather than a multi-asset fund). This is because bonds provide a degree of matching to annuity prices, and so the ending asset allocation is 75% invested in bonds and 25% in a money market cash fund (reflecting current rules on tax free cash).

LifeBalance PIA

There is one lifestyle strategy available, targeting drawdown at retirement. It is named the **LifeBalance Drawdown Strategy**. The strategy is initially invested to target growth by using a global equity fund. From 15 years to retirement, the investments are gradually moved out of equities and to a multi-asset fund to increase the diversification of the investments and reduce risk, which is appropriate for members as they approach retirement to give them more certainty over the value of their savings when they retire. At retirement, members are 100% invested in the multi-asset fund.

The Lifestyle strategies for both **DC Sections** are based on what we expect members to use their benefits for at retirement. We periodically monitor member behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

5. Considerations in setting the investment arrangements

When deciding how to invest the Fund's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. For the DB Section investment risk is typically measured using "Value at Risk". For the DC Section investment risk is measured using standard deviation. Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy for the **DB Section** it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Fund, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

In determining the investment arrangements for the **DC Sections** and for the **AVCs**, it is our policy to consider:

- the overall best interests of members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the need for appropriate diversification to manage investment risk within the default options made available to DC members, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate; and
- the need for appropriate diversification between and, where appropriate, within the investment options offered to members.

Our policy regarding investments in illiquid assets in the DC default arrangements is set out below. Illiquid assets are assets that can't be easily or quickly sold for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

Investments in the DC default arrangements do not include illiquid assets. We believe that long-term net risk-adjusted investment returns may be improved by investing in illiquid assets. However, illiquid assets in DC pension schemes are a relatively new and developing area. Because of this we wish to see the further performance track record of illiquid funds available to DC schemes before we invest member assets in them. Therefore, at this time it is our policy not to invest the DC default in illiquid assets. However, with the support of our investment adviser, we intend to consider investment in illiquid assets as part of our regular reviews of the default arrangements.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- environmental, social and governance ("ESG") risk factors are likely

to be one area of market inefficiency and should be considered by managers when making investment decisions. Managers may be able to improve risk-adjusted returns by taking account of ESG risk factors effectively;

- financially material systemic risks (eg a global financial crisis, global geopolitical tension, a pandemic, climate change, cyber security, etc) may present threats and opportunities for the Fund over the short, medium and long term; and
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

6. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers, and platform providers in respect of the DC Sections setting out the terms on which the portfolios are to be managed. The DC platform provider makes available the range of investment options to members. There is no direct relationship between the Fund and the underlying managers of the DC investment funds.

Details of the investment managers are set out in the separate SIP addendum.

Where the Fund's assets are held in pooled funds, we have limited influence over managers' investment practices, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer-term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter- and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

7. Realisation of investments

For the **DB Section**, we instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid.

In general, our policy is to use cash flows to rebalance the Fund's assets towards the strategic asset allocation. For the **DC Sections**, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

8. Financially material considerations and non-financial matters

We consider how financially material considerations (including but not limited to ESG risk factors and climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Fund and its members. The Fund has not imposed any particular restrictions in relation to the measurement of ESG risk factors within its investments.

We recognise that potential financial risks could emanate from ESG risk factors and affect the value of, or return on, Fund assets. Further, the Trustee recognises these as specific risks (except for climate change which the Trustee also recognises as a potential systemic risk), that will affect individual (or groups similar) securities, companies, counterparties or assets.

It is our belief that these and numerous other specific risks (eg regulatory, counterparty, or sovereign risk) to which Fund assets may be exposed are managed by the following methods:

- Employing diversification where possible, at all portfolio levels, in order to ensure that the Fund has a suitable market-weighted exposure to any such specific risk (for example, a world market capitalisation weighted portfolio of publicly listed shares); and
- Where a diversified market exposure to such specific risks is not possible, or desired, and specific asset/company/counterparty selection is required, the Fund employs external asset managers who can demonstrate that they include evaluation of all such specific risks, including those arising from ESG factors.

We influence the Fund's approach to financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and ESG risk factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

All the Fund's assets are invested in pooled funds. We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG risk management practices within the parameters of their funds.

Within the **DC Sections**, we have made available a passively managed fund that tracks an index with reduced exposure to climate-related risks and increased exposure to climate-related opportunities.

We do not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

9. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG risk factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including financially material ESG practices and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We review annually the implementation statement for the Fund, which summarises voting and engagement examples for the Fund's investment managers. The Trustee will engage with managers to challenge the output where appropriate.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers regularly and also confirm our more general expectations in relation to ESG factors, voting and engagement.