

# Statement of Investment Policy Principles

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**Plan Name:** The Citibank Employee Benefit Plan – Ireland ('the Plan')

- **Pensions Board Reference:** PB86880
- **Irish Life Plan Policy No.:** 26234-01

**Effective Date:** 30-Jun-2022

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## **Purpose of Statement**

Under the Pensions Act 1990, as amended, the Trustee of the Plan are required to prepare and maintain a Statement of the Investment Policy Principles (SIPP) applied to the resources of the Plan. The statement must be reviewed at least every 3 years and revised following any change in investment policy which is inconsistent with the statement.

The Statement is not, nor is it intended to be, a legal document with legally binding terms and conditions.

The statement of investment policy principles covers the following matters:

- The investment objectives of the Trustee;
- The investment risk measurement methods;
- The risk management process to be used;
- The strategic asset allocation implemented with respect to the nature and duration of Plan's resources; and
- The performance objectives of each of the funds.

The Trustee hereby sets out its statement in relation to the Plan.

## **Investment Objectives:**

The Plan is a Defined Contribution plan, which means that the benefits available are determined by the amount of contributions paid by or in respect of the member, and the investment return achieved on those contributions.

The main investment objective of the Trustee is:

- To provide for the proper investment of the resources of the Plan in accordance with relevant legislation and the rules of the Plan

- To seek to provide Plan members with an appropriate range of investment options which are positioned to provide reasonable rates of return, subject to acceptable levels of risk; having regard to, amongst other factors; members' varying risk tolerances, age profiles, level of investment knowledge and likely benefits to be drawn from the Plan by members.
- To provide a default investment strategy that automatically evolves as individual members move from the growth-focused phase to the consolidation phase and into the pre-retirement phase of their retirement savings journey.
- To provide a reasonable range of fund options for members seeking to manage their own investment strategy at any stage of their retirement savings journey.
- To seek to provide investment options with reduced investment risk for members approaching retirement.
- To seek to ensure that the Investment Manager's policies take adequate consideration of financially material Environmental, Social and Governance ("ESG") factors and that these are appropriately incorporated in their investment decision making processes. The Plan's ESG considerations are detailed further in the Plan's Statement of Investment Governance ('SIG').

### **Investment risk measurement methods**

As the Plan is a Defined Contribution plan, the investment risk is borne by the member. The main investment risks facing the members, and the Trustee is aware of these risks, are set out below:

- Asset mix risk – the extent to which a member's fund is diversified can determine the level of risk exposure. Equities in particular are assets which best outperform inflation over the long term, however over shorter periods can be quite volatile and therefore can influence the short term risk exposure of a member's fund. Cash and fixed interest offer lower market risk, however their inflation risk is higher. Combining these asset classes allows a member to diversify their risks.
- Specific risk – excessive reliance on any particular asset, issuer or group of undertakings.
- Market risk – the risk that the value of an investment will decrease due to moves in market factors, such as equity prices, exchange rates, interest rates or property prices.
- Performance risk – the frequency and severity of any relative underperformance of the elected funds and the investment manager compared to similar funds and other investment managers.
- Inflation risk – inflation can erode the purchasing power or real value of investments. Inflation risk needs to be considered when evaluating investments such as cash and fixed interest.
- Suitability risk – the appropriateness of a member's investment choice, taking into consideration the member's age, proximity to retirement, risk tolerance and personal

financial situation.

- Annuity price risk – The risk that the value of a member's account moves significantly out of line with the movement in the value of annuity rates, leading to uncertainty about the amount of retirement income the member will receive for a given amount of retirement savings.

### **The risk management process**

- Members are expected to make their investment choices having regard to their personal circumstances, proximity to retirement, and risk tolerance.
- An annual report is made available and reviewed and signed by the Trustee each year which sets out the performance of the underlying funds.
- The day to day management of the Plan's underlying investments is carried out by the appointed delegated investment manager - Irish Life Invested Managers ('ILIM').
- The Plan's resources are invested predominantly in regulated markets.
- Concentration of investment in the underlying unit funds is avoided
- Fund prices are published daily by Irish Life which allows the Trustees and Members to monitor performance of the underlying investments.
- Members have access to regular investment fund performance updates and are provided with information on the investment choices available having regard to their investment characteristics and risk profile.

### **Strategic Asset Allocation**

Following a detailed, formal review process in 2019, the Trustee agreed changes to the Plan's investment arrangements, which were implemented in part in December 2019 and in part in July 2020.

In December 2019 the entire assets of the Plan were transitioned to the Irish Life unit linked, life funds platform ('the platform'). Since December 2019 the Plan invests through a policy of assurance with Irish Life Assurance plc. In July 2020 the Plan transitioned to an updated range of investment funds within the platform. The new funds are managed by ILIM. The underlying strategy and distribution of assets of any particular unit linked fund is determined by ILIM in order to achieve the objectives of that particular fund.

The range of investment funds made available to members on a self-select basis in the period December 2019 to July 2020 was as follows:

<b>Investment Option</b>	<b>Underlying Investment Manager/Fund</b>	<b>Annual Management Charge</b>
Hedged Global Equity Fund	Irish Life/Indexed MSCI World Fund (Hedged)	0.09%
Unhedged Global Equity Fund	Irish Life/Indexed MSCI World Fund	0.09%
Long Bond Fund	Irish Life/Indexed Long Bond Fund	0.10%
Cash Fund	Irish Life/Cash Fund	0.10%

High Credit Quality Bond Fund	Irish Life/> 5 year AAA/AA Bond Fund	0.10%
Conservative Growth Diversified Assets Fund	Irish Life/ Multi Asset Portfolio 2	0.35%
High Growth Diversified Assets Fund (2)	BlackRock/Euro Dynamic Diversified Growth Fund	0.56%
High Growth Diversified Assets Fund (3)	Irish Life/Diversified Growth Fund	0.77%

The range of investment funds (all Irish Life funds) made available to members on a self-select basis from July 2020 is as follows:

<b>Investment Option</b>	<b>Aim of Option for Members</b>	<b>Annual Management Charge (to Jan 2021)</b>	<b>Annual Management Charge (post Jan 2021)*</b>
Global Equity Fund	To provide high growth over the long-term	0.09%	0.09%
High Growth Fund	To provide high growth over the long-term	0.35%	0.325%
Moderate Growth Fund	To provide moderate growth over the long-term	0.35%	0.325%
Cautious Growth Fund	To provide low/moderate growth over the long-term	0.35%	0.325%
Stability Fund	To provide low growth over the long-term	0.35%	0.325%
Cash Fund	To provide protection against capital losses	0.10%	0.10%
Annuity Matching Fund	To provide low growth over the long-term and a hedge against movements in annuity pricing	0.10%	0.08%

\*The fees charged to the funds were reduced in January 2021, in line with predetermined total Plan asset value thresholds.

Members select the fund(s) to invest in based on their particular circumstances and risk tolerance. The objectives of the funds available to members from July 2020 onwards are set out above. The underlying strategy and distribution of assets of the underlying funds that the particular funds invest in is determined by ILIM in order to achieve the objectives of that particular fund.

A review of all funds selected by members is set out in the Plan's Annual Report which is available from the Trustee. The review contains details of the objectives of the fund, the strategy pursued by the Investment Manager, the asset allocation of the fund and the performance of the fund. Members' annual benefit statements contain details of the funds in which each member is invested.

Members should refer to the Fund Choices Guide for additional details of the range of investment fund available on a self-select basis.

### **Lifecycle Strategies**

Two lifecycle strategies are provided within the Plan: the 'Lifecycle Investment Strategy – ARF' and the 'Lifecycle Investment Strategy – Pension'. The **default investment strategy** in the Plan in the event of a member not specifying an alternative choice is the Lifecycle Investment Strategy - ARF.

Under both Lifecycle Investment Strategies, a member's assets are invested in a growth orientated fund until a specified period from retirement and then gradually switched into more conservative funds over the final years to retirement.

For those members who did not make an investment choice on a self-select basis or who actively chose it as an investment option, the Lifecycle Investment Strategy – ARF in the period December 2019 to July 2020 was as follows:

Years from operable retirement age	Lifecycle Growth Fund	High Credit Quality Bond Fund	Cash Fund
Over 7	100%	0%	0%
7	90%	10%	0%
6	86%	11%	3%
5	82%	12%	6%
4	78%	13%	9%
3	75%	13%	12%
2	73%	14%	13%
1	70%	15%	15%
0	70%	15%	15%

For those members who actively chose it as an investment option, the Lifecycle Investment Strategy – Pension in the period December 2019 to July 2020 was as follows:

Years from operable retirement age	Lifecycle Growth Fund	High Credit Quality Bond Fund	Cash Fund
Over 7	100%	0%	0%
7	90%	5%	5%
6	80%	10%	10%
5	65%	17.5%	17.5%
4	50%	25%	25%
3	35%	32.5%	32.5%
2	15%	42.5%	42.5%
1	0%	50%	50%
0	0%	50%	50%

For those members who did not make an investment choice on a self-select basis or who actively chose it as an investment option, the Lifecycle Investment Strategy – ARF from July 2020 is as follows:

Years from operable retirement age	Lifecycle Growth Fund	Cautious Growth Fund	Cash Fund
Over 10	100%	0%	0%
10	100%	0%	0%
9	87.5%	12.5%	0%
8	75%	25%	0%
7	62.5%	37.5%	0%
6	50%	50%	0%
5	40%	60%	0%
4	30%	70%	0%
3	20%	70%	10%
2	10%	75%	15%

1	0%	75%	25%
0	0%	75%	25%

For those members who actively chose it as an investment option, the Lifecycle Investment Strategy – Pension from July 2020 is as follows:

Years from operable retirement age	Lifecycle Growth Fund	Cautious Growth Fund	Annuity Matching Fund	Cash Fund
Over 10	100%	0%	0%	0%
10	100%	0%	0%	0%
9	87.5%	12.5%	0%	0%
8	75%	25%	0%	0%
7	62.5%	37.5%	0%	0%
6	50%	50%	0%	0%
5	40%	40%	10%	10%
4	30%	30%	20%	20%
3	20%	20%	30%	30%
2	10%	10%	40%	40%
1	0%	0%	50%	50%
0	0%	0%	50%	50%

As detailed above, in addition to using some of the self-select funds, both Lifecycle Investment Strategies also use the Lifecycle Growth Fund in the "growth phase". In the period December 2019 to July 2020, this fund comprised of the Hedged Global Equity (60%), the High Growth Diversified Assets Fund (2) (20%) and the High Growth Diversified Assets Fund (3) (20%). From July 2020 this fund comprised of the Moderate Growth Fund (100%).

The objective of the Lifecycle Growth Fund, which has an annual management charge of 0.35% p.a. from July 2020 and reduced to 0.325% in January 2021 (0.32% in the period December 2019 to July 2020), is to provide moderate growth over the long-term.

Members should refer to the Fund Choices Guide for additional details of the Lifecycle Investment Strategies.

## **Performance Objectives**

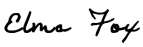
The performance of each of the funds is measured by reference to a benchmark / return target which is applicable to them. The details of the benchmarks / return targets are as follows:

Funds Available	Benchmark / Return Target	Long term performance objective	ILIM Risk Rating
Global Equity Fund	MSCI ACWI (Partial Hedged) Index	Track benchmark	6
High Growth Fund	Cash + 4.5% p.a.	Achieve performance target over rolling 3-5 year periods, with volatility of 11% – 14.7%	5
Moderate Growth Fund	Cash + 4% p.a.	Achieve performance target over rolling 3-5 year periods, with volatility of 7.6% – 11%	4
Lifecycle Growth Fund	Cash + 4% p.a.	Achieve performance target over rolling 3-5 year periods, with volatility of 7.6% – 11%	4

Cautious Growth Fund	Cash + 3% p.a.	Achieve performance target over rolling 3-5 year periods, with volatility of 5 - 7.6%	3
Stability Fund	Cash + 2% p.a.	Achieve performance target over rolling 3-5 year periods, with a volatility of 1 - 5%	2
Cash Fund	3 month Euribid	Outperform the benchmark	1
Annuity Matching Fund	Benchmark of long dated Eurozone government and corporate bonds	Perform in line with benchmark.	4

The statement will be reviewed no later than 3 years from the date below.

In the event that there is any change to the investment policy, the Trustee will revise the statement.

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Date: 30-Jun-2022