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CAPP

With-Profits Operating Principles

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1. Introduction

1.1 Purpose of the CAPP With-Profits Operating Principles ("WPOP")

The CAPP WPOP is a document which sets out the principles that Zurich Life Assurance plc uses to manage the CAPP *Unitised With-Profits Fund* ("the Fund"). The WPOP has been prepared in line with the Central Bank of Ireland ("CBI") requirements documented in the Domestic Actuarial Regime and Related Governance Requirements under Solvency II.

This document is intended for use by existing and prospective policyholders of the Fund. There is a glossary of technical terms at the end of this document. Any technical terms which arise in this document are printed in *italics* and explained in the glossary.

This version of the WPOP for the Fund was approved by the Board of Directors of Zurich Life Assurance plc ("the Board") on 10th June 2026. The Board will report each year on whether the Fund has been managed in accordance with the WPOP. This report will be made available on the Company's website (www.zurich.ie), or in writing if requested, within six months of the end of the financial year. Policyholders invested in the Fund will be made aware of how to obtain this report in their annual benefit statement.

1.2 Company information

Zurich Life Assurance plc ("the Company") is a life assurance company which offers an extensive range of Pension, Investment and Protection products. The Company is authorised and regulated by the Central Bank of Ireland and has its registered office in Dublin. The Company is a part of the Zurich Insurance Group, a leading global multi-line insurance group.

For more information on the Company, visit our website http://www.zurich.ie/about-us/

1.3 WPOP Governance

The Board is responsible for ensuring consistency in the management of the Fund in line with the principles detailed in this document. The Company has implemented the following governance structures to assist the Board in their role to ensure compliance with the WPOP.

- The Company has a *With-Profits Committee* ("*WPC*") which considers the report of the *Head of Actuarial Function* ("*HoAF*") on Unitised With-Profits dividends to be added to policyholders' *Investment Accounts* and material unitised with-profits matters.
- The Asset Liability Management Investment Committee ("*ALMIC")* is responsible for setting and monitoring adherence to the Fund's investment guidelines.
- The *HoAF* provides an annual opinion to the Board in line with the requirements of the CBI for such opinions.
- The Board produces a published report for policyholders on the consistency of the management of the Fund over the previous year with the principles detailed in this document.

1.4 Background on the CAPP Fund

The CAPP 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 over time. *Annual Dividends* aim to provide policyholders with a steady accumulation of investment returns 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 Fund achieves this by investing in equities, bonds and cash and using other financial instruments that seek to mitigate some of the associated investment risk of those assets. The Fund's exposure to equity volatility is controlled by limiting maximum losses and gains for the majority of the equity portfolio. Although the percentage of investment earnings distributed to individual policyholders will vary, policyholders in aggregate will receive at least 95% of the earnings on their collective investment in the Fund. Normal practice is that policyholders, in aggregate, receive exactly 95% of any distributions with the remaining 5% being a charge collected by the Company.

In certain circumstances, such as a period of sustained negative market returns to the portfolio, encashment values may be reduced by the application of a *Market Level Adjustment* (*MLA*). An *MLA* may be applied to the entirety of the Fund or to one or more *Cohorts* of the Fund.

The Fund has an *Inherited Estate* which has been built up since the commencement of the Fund primarily from past early surrenders which did not qualify for a *Special Dividend*. The *Inherited Estate* will be used to avoid the application of an *MLA* if the *Inherited Estate* has the capacity to absorb the cost.

The Fund has been closed to new business since 1998.

2. Benefits

Policyholders invested in the Fund will, in aggregate, receive at least 95% of the earnings on their collective investment in the Fund over the long term. Normal practice is that policyholders, in aggregate, receive exactly 95% of any distributions with the remaining 5% being a charge collected by the Company. The earnings or benefits are distributed through *Annual Dividends*, *Special Dividends* and Guarantees.

2.1 *Annual Dividends*

Annual Dividends aim to provide policyholders with a steady accumulation of investment return from year to year that is broadly consistent with prevailing medium-term interest rates. *Annual Dividends* are distributed via the change in the daily unit price. The WPC makes a recommendation to the Board on the *Annual Dividends* to be added to policyholders' *Investment Account*s. The *HoAF* produces an annual report to the Board with feasible ranges on the *Annual Dividends* to be added to policyholder's *Investment Accounts*. The Board declares the *Annual Dividend* having regard to the advice of the WPC and the *HoAF*.

The below principles are applied when declaring *Annual Dividends*.

1. Changes from year to year will be smoothed. For example, the preference would be to declare 0.5% each year rather than 0.5% followed by 1.0% followed by 0.0% followed by back to 0.5%.
2. The *Annual Dividend* will take into account the long-term sustainable dividend. The preference is for asset windfall gains to be distributed through *Special Dividends*.

2.2 *Special Dividends*

Special Dividends may also be paid on withdrawal of money invested in the Fund for five or more years. Policies investing in the Fund are grouped into *Cohorts* of similar policies for the purpose of calculating *Special Dividend* rates. These *Cohorts* aggregate policyholders into bands based on year of entry into the Fund, product type, and original purpose (e.g. Savings policies have separate *Cohorts* to Protection policies where Savings and Protection policies are identified by the level of sum assured at the policy inception).

The *Special Dividend* reflects the actual investment return achieved by the *Cohort* in excess of the amount already distributed through *Annual Dividends*. *Special Dividends* are updated quarterly to reflect the latest investment return on the Fund. *Special Dividends* are smoothed over time by declaring a rounded *Special Dividend* for each *Cohort* which is the average of the last declared *Special Dividend* and the updated *Special Dividend*.

The systems and methods used to determine *Special Dividends* may be changed from time to time as a result of changes in circumstances including system upgrades or to improve the efficiency of the process. The historical parameters may be updated to support a change to the systems or to improve the accuracy of the calculations.

The below principles are applied when declaring *Special Dividends*.

1. *Special Dividends* will aim to reflect the *Asset Shares* of policies.

2. All policies will be pooled and a consistent investment return will be applied when calculating *Asset Shares*.
3. *Special Dividends* will be subject to some smoothing but this is a dampening down of short-term movements rather than an attempt to forecast long-term investment trends.
4. *Special Dividends* will be calculated on a regular basis and will vary for different *Cohorts* of policies.
5. No *Special Dividends* will be awarded in the early years of a policy even if *Asset Share* calculations justify such. This reflects the long-term nature of the Fund and, in particular, that the smoothing of returns is only viable if policies are held for a long time.

In certain circumstances, such as a period of sustained negative market returns, encashment values may be reduced by the application of a *Market Level Adjustment* (*MLA*). The *Inherited Estate* will be used to avoid the application of an *MLA* if the *Inherited Estate* has the capacity to absorb the cost.

2.3 Guarantees

Any guarantees that may apply to a policyholder invested in the Fund are defined in their individual *Policy Document* and vary across product types and over time. Subject to the details in the relevant individual *Policy Document*, the guarantees which may apply fall into the following categories:

- Guaranteed Maturity Value ("GMV")
  On some policy types, the Company has provided GMV's which provide a guaranteed encashment/maturity amount on a set date. The cost of this guarantee will be absorbed by the *Inherited Estate* if the *Inherited Estate* has the capacity to absorb the cost. The cost of the GMV Guarantee is paid by the Company if the *Inherited Estate* is exhausted.

- Minimum *Annual Dividend* Guarantee
  Annual Dividends are distributed via the change in the daily unit prices and this is offset by the element of management charges deducted through the unit price. A small number of policyholders have a Minimum *Annual Dividend* Guarantee.

  The impact of the Minimum *Annual Dividend* Guarantee applying is that higher *Annual Dividends* will be distributed to policyholders with the guarantee and this will be offset by lower *Special Dividends* for these policyholders. Note that an *MLA* could ultimately apply if the *Special Dividend* for these policies falls below 0%.

3. Investment Strategy

3.1 Investment Objective of the Fund

The investment objective of the Fund is 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 over time.

3.2 Investment Strategy Governance

The Board is responsible for setting the Investment Strategy for the Fund. The Investment Strategy is designed to meet the investment objectives while having regard to the advice of the *WPC* and to the below principles:

1. Policyholders' Reasonable Expectations are to receive a regular return consistent with prevailing medium-term interest rates while having the potential for higher growth than a bank deposit account.
2. Policyholders' Reasonable Expectations are that the Fund is protected from significant market corrections and that this protection has a cost which is paid for through putting a ceiling on returns or through an explicit charge to the investments.
3. The Fund's Investment Strategy should reflect past practice and information provided to policyholders.

4. The Fund's Investment Strategy should reflect the Fund's capacity to take risk in the interests of all stakeholders in the Fund which is dictated by the size of its *Inherited Estate* and the level of guarantees provided to its policyholders.

The *ALMIC* sets and monitors adherence to the Fund's Investment guidelines which specify permitted asset classes, target allocations, tolerance limits, performance benchmarks, credit quality limits and concentration limits. Change to the Fund's Investment guidelines requires *ALMIC* approval.

3.3 Mix of Assets (including use of derivatives)

In order to achieve the investment objective of the Fund, the default position is to invest 70% of the Fund in bonds, 20% in equities with the remaining 10% invested at the discretion of the *ALMIC*. The allocation to the different asset classes can change over time as bond and equity markets move (e.g. if bond prices grow faster than equity prices, then the percentage of the Fund invested in bonds will rise over a given year). The asset allocation is reset to the default position annually.

If interest rates rise, bond values fall, so the Fund also holds interest-rate derivatives which will compensate for some of this fall and help the Fund protect the *Annual Dividend* as interest rates rise. The value of these instruments is secured by dealing with a panel of counterparties (e.g. Investment Banks) each of whom satisfies detailed approval requirements. In addition, Zurich requires counterparties to provide collateral payments to support any amounts due by them to Zurich. The cost of protection provided by interest rate derivatives is reflected in the Fund's investment return.

The aim of the Fund's equity investment is to achieve the higher returns available from equities while minimising the volatility associated with them. Therefore, the equity holding is collared, meaning that the return in one year on these collared equities will always be within a certain range. The Fund has equity derivatives which limit maximum losses and gains on covered equities. The cost of protection provided by equity derivatives is paid for by foregoing upside above the upper collar. The equity derivatives are collateralised to mitigate credit risk.

4. Business Risk

There are a number of risks to be aware of when investing in the Fund. These risks are detailed below.

Policyholders invested in the Fund are entitled to a share of the Fund's distributable investment earnings. Such policyholders are therefore exposed to investment and credit risk. The Fund uses derivatives to reduce investment risk as discussed in Section 3 above. The Fund mitigates credit risk for example by holding high quality core Eurozone government bonds and collateralising derivative exposures.

Policyholders invested in the Fund are exposed to the risk of guarantees which are paid for by the Fund applying and depleting the *Inherited Estate*. The costs of GMV's and Minimum *Annual Dividend* Guarantees are absorbed by the *Inherited Estate* if the *Inherited Estate* has the capacity to absorb the cost. The costs of these guarantees are paid by the Company in the event that the *Inherited Estate* has been exhausted.

The *Inherited Estate* is the excess of the fund value over policyholder *Asset Shares*. Normal practice is that policyholders, in aggregate, receive exactly 95% of any distributions with the remaining 5% being a charge collected by the Company. The *Inherited Estate* has been built up since the commencement of the Fund primarily from past early surrenders which did not qualify for a *Special Dividend*. The *Inherited Estate* does not belong to any single group of policyholders but is available to support the Fund. The *Inherited Estate* provides the capacity for taking investment risk and acts as a buffer to absorb the cost of guarantees. The *Inherited Estate* will be used to avoid the application of an *MLA* if the *Inherited Estate* has the capacity to absorb the cost.

The Board use the below principles in managing the *Inherited Estate*:

1. The Company seeks to maintain the Fund's *Inherited Estate* so that it continues to provide adequate working capital to support the Fund. However, the *Inherited Estate* should not be built to disproportionate levels nor held back for too long a period.

2. Policyholders should not have an expectation that they will receive an allocation of the *Inherited Estate* other than through meeting guarantees in adverse investment conditions.
3. The Board will consider the below principles to distribute the *Inherited Estate* of the closed Fund.
    a. The Company's objective is to ensure a fair and orderly distribution of all the assets in the Fund, including the *Inherited Estate*, if any, over the remaining lifetime of the policies in force in the Fund.
    b. The Company will aim to manage the timing of the distribution of the assets of the Fund in such a way that at all times the available financial resources of the Fund are adequate to meet the expected level of benefits, including any underlying guarantees.

5. Charges and Expenses

There are a number of charges to be aware of when investing in the Fund. These are detailed in your *Policy Document* and described below.

Policyholders invested in the Fund will, in aggregate, receive at least 95% of the earnings on their collective investment in the Fund over the long term. Normal practice is that policyholders, in aggregate, receive exactly 95% of distributable earnings with the remaining 5% being a charge collected by the Company.

For products which allow investment in the Fund, the management charges are defined at the product level. The impact of these charges is to reduce the level of the *Investment Account*. The calculation of *Asset Shares* is undertaken at the policy level and reflects the charging structure for each individual policy.

The cost of administration is borne by the Company as policyholders only share in the investment surplus. Administration expenses are not allocated to policies when calculating *Asset Shares*.

Investment management expenses (e.g. transaction costs, investment research fees) are paid by the policyholders through a reduction in the Fund's investment return which is reflected in the calculation of policy level *Asset Shares*.

6. Equity between With-Profits Policyholders and the Company

The Board will exercise its responsibilities in relation to the management of the Fund so as to protect the interests of policyholders. The principles that the Board will observe in exercising these responsibilities are outlined below.

1. The Company will not break the rule that policyholders invested in the Fund will, in aggregate, receive at least 95% of the earnings on their collective investment in the Fund over the long term.
2. Normal practice is that policyholders, in aggregate, receive exactly 95% of distributable earnings. Dividends are not funded from Company funds unless there is a contractual guarantee that has arisen following exhaustion of the *Inherited Estate*.
3. The Fund's Investment Strategy will reflect the interest of all stakeholders in the Fund and will not be tailored solely to reduce the risk for the Company
4. *Annual Dividend* rates will reflect the long-term sustainable dividend and will be not set solely to attract new business to the detriment of existing policyholders

7. Glossary

An explanation of the technical terms found in this document follows. These terms have been printed in *italics* during the course of this document.

Annual Dividend

The *Annual Dividend* is the amount distributed to policyholders via a change in the daily unit price of the underlying *Unitised With-Profits Fund* units in a calendar year. An interim *Annual Dividend* is declared at the start of each calendar year and a final *Annual Dividend* for that calendar year is confirmed at the start of the next calendar year. The final *Annual Dividend* may differ from the interim *Annual Dividend*.

Asset Liability Management Investment Committee ("*ALMIC*")

The *ALMIC* is an internal management committee which forms part of the Company's overall governance structure.

Asset Share

A measure of the share of assets in a *Unitised With-Profits Fund* which is theoretically attributable to an individual policy or *Cohort* of policies, calculated by accumulating all inflows (e.g. premiums, fund switches) at the rates of return earned on the Fund, after allowing for all outflows (e.g. policyholder charges and encashments).

Cohorts

Policies investing in the CAPP Fund are grouped with similar policies for the purpose of calculating *Special Dividend* rates. Such groupings are known as "*Cohorts*". These *Cohorts* aggregate policyholders into bands based on year of entry into the Fund, product type, and original purpose (e.g. Savings policies have separate *Cohorts* to Protection policies where Savings and Protection policies are identified by the level of sum assured at the policy inception).

Guaranteed Benefits

The guaranteed minimum level of benefits payable on a claim under a life insurance or pension policy, as defined in the policy conditions. Different levels of *Guaranteed Benefits* may apply in different circumstances, such as on death or at maturity.

Head of Actuarial Function ("*HoAF*")

Under Solvency II all (re)insurance undertakings are required to have in place an effective Actuarial Function. The Domestic Actuarial Regime issued by the Central Bank of Ireland prescribes a governance framework relating to the Actuarial Function which includes a requirement to appoint an individual to take responsibility for that key function, called the *Head of Actuarial Function* ("*HoAF*").

Inherited Estate

The *Inherited Estate* is the excess of the fund value over policyholder *Asset Shares*. Normal practice is that policyholders, in aggregate, receive exactly 95% of any distributions from the *Inherited Estate* with the remaining 5% being a charge collected by the Company.

Investment Account

Every policy invested in the Fund has an *Investment Account*. The *Investment Account* is the value of all inflows (e.g. premiums, fund switches) after allowing for all outflows (e.g. charges, encashments), accumulated at the *Annual Dividends* declared by the Company.

Market Level Adjustment ("*MLA*")

An adjustment which may be applied to the amount payable under a Unitised With-Profits policy in certain circumstances if the value of the *Asset Share* is lower than the value of the *Investment Account*. An *MLA* may be applied to the entirety of the Fund or to one or more *Cohorts* of the Fund.

Policy Document

For a given life insurance or pensions policy, the legal document which sets out the respective rights and obligations of the Company and the policyholder.

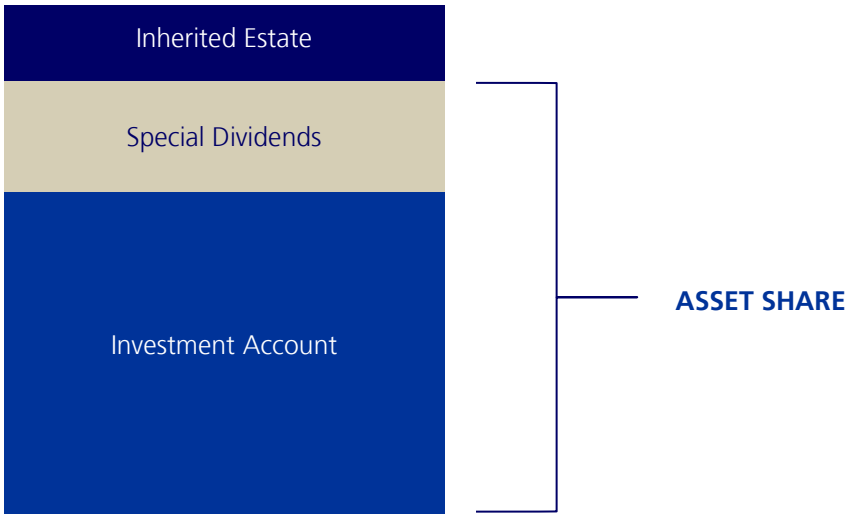
Special Dividend

A bonus which may become payable on withdrawal of money invested in the Fund for five or more years. *Special Dividends* are updated quarterly to reflect the latest investment return on the Fund.

Unitised With Profits ("*UWP*") Fund

The CAPP Fund is a *Unitised With-Profits Fund*. This means that although the percentage of investment earnings distributed to individual policyholders will vary, policyholders in aggregate will receive at least 95% of the earnings on their collective investment in the Fund. Normal practice is that policyholders, in aggregate, receive exactly 95% of distributable earnings, with the remaining 5% being a charge collected by the Company. Dividends are not funded by the Company unless there is a contractual guarantee that has arisen following exhaustion of the *Inherited Estate*.

The following diagram illustrates how the component parts of a *UWP* Fund (defined above) combine in adding up to the total invested assets of the Fund:



With-Profits Committee (*WPC*)

The *WPC* is an internal management committee which forms part of the Company's overall governance structure.

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