

ESB Board
Terms of Reference

Contents

1. Role of the Board	3
2. Composition and Membership of the Board and Committees	3
2.1 Appointment to the Board	3
2.2 Appointment to Board Committees	4
2.3 Code of Conduct	4
3. Responsibilities	4
3.1 Chairman of the Board	4
3.3 Chief Executive (CE)	6
3.4 Secretary to the Board	7
4. Agendas, Minutes and Conflicts of Interest	7
a. Notice of Meetings	7
b. Agenda and Attendance at Meetings	7
c. Quorum	8
d. Minutes of Meetings	8
e. Frequency of Meetings	8
f. Conflicts of Interest	8
5. Authority and Decision Making	8
a. Information and Advice	8
b. Decision Making	9
6. Stakeholders	9
7. Communication and Reporting	9
a. Communication	9
b. Reporting	10
8. Effectiveness Reviews and Performance Evaluation	10
9. Review	10

1. Role of the Board

The role of the Board is to provide effective leadership and oversight of ESB and to promote its long-term success. The Board ensures that strategy is reflective of Our Purpose and Values and that ESB's culture is in alignment.

In doing so, the Board seeks to balance the interests of ESB's various stakeholders, including its Stockholders, customers, communities and employees.

The Board has adopted this Terms of Reference which sets out how the Board will fulfil its duties and functions. To the extent that there is any inconsistency between these Terms of Reference and the ESB Regulations, the ESB Regulations will prevail.

2. Composition and Membership of the Board and Committees

2.1 Appointment to the Board

The make-up of the Board is dictated by the ESB Regulations¹. In accordance with the Regulations, the Board shall be made up of not less than two and no more than twelve members. The number of Worker Board members that may be appointed is four.

The Chairman and members of the Board are appointed by: -

- (1) the Government in accordance with Section 2 of the Electricity (Supply) Act 1927 (the "**Act**")²;

and in the case of Worker Board Members by: -

- (2) the Minister for Communications, Climate Action & the Environment in accordance with the Worker Participation (State Enterprises) Act, 1977 and the Worker Participation (State Enterprises) Act 1988 (the "**WPA Acts**") ("**Worker Board Members**").

Board appointments under the Act are a matter for Government. Normally, Board members so appointed are appointed to serve for a period of up to five years, which may be extended for one further five year period.

Worker Board Members' terms of appointment shall be in accordance with the provisions of the WPA Acts and shall be for a period of four years.

Board members shall be indemnified by ESB in accordance with the ESB Regulations.

The Board may invite an individual to join the Board as an unpaid observer to promote diversity and inclusion on the Board or to access specialist skills if required. The

¹ The ESB Regulations are made under Section 6(1) of the Electricity (Supply) Act 1927 as amended by Section 5 of the Electricity (Supply) Amendment Act 2001, Section 21 of the Energy (Miscellaneous) Provisions Act 2006 and Section 16(4) of the Ministers and Secretaries (Amendment) Act, 2011 (the "**ESB Regulations**")

² References to legislative provisions in these terms of reference shall be read as references to such provisions as may be amended from time to time.

precise arrangements for joining the Board in this way will be decided by the Chairman.

The Board shall ensure that on appointment, Board members receive a formal letter of appointment from the Company Secretary setting out what is expected in terms of time commitment, committee service and involvement outside Board meetings.

2.2 Appointment to Board Committees

The Board may, from time to time, establish (or eliminate) such committees of the Board as are deemed necessary by the Board to assist it in the performance of its duties by delegation of certain roles and responsibilities.

Committees may include members who are not members of the Board, if specialist skills are required.

Where a Committee is put in place:

- the terms of reference shall be specified in writing, approved by the Board and reviewed annually;
- the Board, on the nomination of the Chairman, shall appoint its members; and
- the Board shall receive regular reports and/or minutes of their proceedings from the Board committees.

2.3 Code of Conduct

The Code of Conduct for ESB Board and Committee members is attached hereto in Appendix 1 and forms part of the Board Terms of Reference.

3. Responsibilities

3.1 Chairman of the Board

3.1.1 The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. This includes:

- i. chairing its meetings having agreed a balanced agenda with the Chief Executive and Company Secretary, and ensuring that adequate time is available for discussion of all agenda items;
- ii. constructive board relations and discussions at the Board which facilitate the effective contribution of all Board members and promote a culture of trust and openness;
- iii. ensuring accurate, timely and clear information is provided to the Board to assist in effective decision making and that time is focussed on the right topics;

- iv. ensuring that the Board applies sufficient challenge to management proposals, particularly on risk and examines and reviews management achievement of agreed performance targets;
- v. ensuring that once a Board decision is reached, there is appropriate delegation of authority to the Chief Executive and Executive Directors;
- vi. good information flows within the Board and its committees and between senior management and Board members;
- vii. Leading on governance matters to ensure that there is a clear structure for, and effective running of, the Board and its committees.
- viii. leading the annual review of Board effectiveness and ensuring that committee chairs do the same;
- ix. facilitating induction, mentoring and assisting with ongoing professional development of Board Members, as required; and
- x. advising the Minister of any specific skills requirements when Board vacancies are due to arise.

The Chairman also acts as a sounding board for the Chief Executive and in particular in the formulation of strategy.

3.1.2 The Chairman shall carry out her/his functions in accordance with the relevant provisions of the ESB Regulations.

3.1.3 In the absence of the Chairman for all or part of a duly convened Board meeting the remaining members present shall elect one of the non-executive Board members to chair the meeting (or part thereof) in accordance with the ESB Regulations.

3.2 The Board

The Board is responsible for:

- i. establishing ESB's purpose, values and strategy and ensuring that these are reflected in the strategic plans and culture of the organisation;
- ii. ensuring that ESB conducts its affairs in compliance with its legal and regulatory obligations and duties and in a socially responsible manner;
- iii. ensuring the accuracy of financial accounting and reporting of information to the Stockholder(s) as required by the ESB Regulations and applicable legislation;
- iv. reviewing on an annual basis and (as deemed necessary) revising and reissuing the Board Consolidated Authority Levels;

- v. overseeing the Chief Executives and management's effective execution of strategy, performance and delivery against the Integrated Business Plan, achievement of key financial and growth targets and the embedding of an appropriate culture throughout the organisation by providing clear support and constructive challenge;
- vi. monitoring internal controls (including financial controls) and ensuring robustness of systems of risk management. The Board shall review such controls on an annual basis;
- vii. approving the appointment of the Chief Executive, Executive Directors and the Company Secretary;

The Board shall: -

- i. make all decisions in respect of those matters specifically reserved to it in the Consolidated Authority Levels (except to the extent delegated by the Board to a Board committee or to management);
- ii. demonstrate objective judgement;
- iii. act with integrity and fairness in the interests of ESB, asking the right questions and challenging poor behaviours always;
- iv. oversee cultural governance including setting the tone at the top on conduct and ethics;
- v. establish structures and procedures to facilitate the Board's independence from management and to avoid conflicts of interest;
- vi. commit sufficient time and effort keeping up to date and informed about strategic issues and changes affecting ESB and the environment in which it operates;
- vii. keep under review corporate governance developments (including ethics-related matters) relevant to ESB;
- viii. ensure that the Secretary of the Board has the necessary skills to discharge his/her duties;
- ix. review, on an annual basis, its performance in carrying out the above responsibilities (see Part 8 below).

3.3 Chief Executive (CE)

The CE has responsibility for:

- i. executing the Board's strategy and reporting regularly on the progress and performance of ESB;

- ii. the day-to-day running of the business and for delivery of profitable business performance in accordance with targets set by the Board and
- iii. ensuring that appropriate management structures are in place to drive the success of ESB in pursuing the objectives set by the Board.

The CE shall:

- promote ESB's culture, values and behaviours through leading by example and engagement;
- build and maintain an effective Executive Director Team (EDT) and effective management structures within the organisation;
- maintain on-going dialogue and consultation with the Chairman to ensure the information needs of the Board are met and timely decisions are made; and
- be accountable to the Board for all authority delegated to executive management.

3.4 Secretary to the Board

- i. The Secretary of the Board will support the Chairman and Chief Executive to ensure that the Board and Board committees receive appropriate information in a timely manner to enable full and proper consideration to be given to issues for review or decision by the Board.
- ii. All Board members shall have access to the advice of the Secretary, who is responsible for ensuring that Board procedures are complied with and for advising the Board through the Chairman on governance matters generally.
- iii. The Secretary of the Board is also responsible for organising on behalf of the Chairman the formal induction of new members of the Board and also for assisting with ongoing professional development for all Board members.

4. Agendas, Minutes and Conflicts of Interest

Board meetings shall be convened, take place, and be conducted in accordance with the ESB Regulations.

a. Notice of Meetings

Board meeting agendas and papers shall be circulated at least one week prior to the Board meeting. Late papers or presentations will be accepted on an exceptional basis. From time to time, emergency meetings of the Board or a Board Committee may be required subject to appropriate notice being given to all Board members.

b. Agenda and Attendance at Meetings

- i. The Chairman and the Chief Executive, supported by the Company Secretary, are responsible for the effective management of the Board's agenda.

- ii. Only members of the Board are entitled to be present at Board meetings. However, others (e.g. members of the Executive Director Team and/or external advisers) may be invited by or on behalf of the Chairman to attend for all or part of any Board meeting or Board committee meeting.
- iii. Board members will use their reasonable endeavours to attend all Board meetings.
- iv. The Company Secretary's duties include attendance at Board meetings.

c. Quorum

The quorum for a Board meeting is established by the ESB Regulations and is one third of the Board members.

d. Minutes of Meetings

- i. The Secretary of the Board shall minute the proceedings and resolutions of all meetings of the Board and of its committees including recording the names of those present and in attendance.
- ii. Minutes of the Board meetings and minutes of Board committees (or a report by the Committee Chairman) shall be filed electronically and provided to all members of the Board.
- iii. The Secretary will maintain a Register of Actions for follow up on behalf of the Board and Board committees.

e. Frequency of Meetings

In accordance with the ESB Regulations, general meetings of the Board shall take place on such dates and at such times and place as may be determined by the Chairman or the Board.

The Company Secretary will provide Board members with a schedule of general board meetings and board strategy meetings at the start of each year.

f. Conflicts of Interest

If a member of the Board finds that he or she has a conflict of interest, he or she shall immediately disclose this to the Chairman and the Company Secretary as required by the Board's Code of Conduct. In accordance with the ESB Regulations, a Board member may not vote in respect of any contract, appointment or arrangement in which he or she is interested. The Board Code of Conduct provides further guidance in this regard.

5. Authority and Decision Making

a. Information and Advice

- i. The Board is authorised to seek all information it requires in order to perform its duties.

- ii. The Board is authorised to obtain, at ESB's expense, outside legal or other professional advice where the Board judges that this is necessary to allow Board members discharge their responsibilities.

b. Decision Making

- i. Questions arising at Board meetings shall be decided by a majority of votes. Where there is equality of votes the Chairman will have a second or casting vote³
- ii. Specific matters reserved to the Board are documented in the Consolidated Authority Levels approved by the Board.
- iii. The Consolidated Authority Levels document may be amended by resolution of the Board from time to time. For the avoidance of doubt, where, following the adoption of Consolidated Authority Levels, the Board approves authority levels in connection with a particular transaction or category of transactions, the authority delegated by the Board in such subsequent resolution shall, to the extent that there is any inconsistency with the approved Consolidated Authority Levels, prevail.
- iv. The Board may decide to delegate authority to a Board committee and to management within limits approved by the Board.

6. Stakeholders

In carrying out its role, the Board seeks to balance the interests of various stakeholders to ensure that ESB has a successful and sustainable future, true to its purpose and values. The Board will seek opportunities to engage with, and encourage participation from, these parties.

7. Communication and Reporting

a. Communication

- i. The Chairman and Chief Executive, on behalf of the Board, shall ensure ESB reports to the Minister of Communications, Climate Action and Environment as provided for in the ESB Regulations and /or in the Code of Practice and shall keep the Minister informed of any major developments arising within ESB.
- ii. The Chairman and Chief Executive will report to the Board on formal meetings with the Stockholders.

³ Except where there are only four Board members present, in which case the Chairman does not have a casting vote and the matter should be adjourned to a future meeting of the Board if agreement cannot be reached.

b. Reporting

The Chief Executive shall report to the Board at each Board meeting on company operations, performance, key risks and provide insights into matters likely to impact the future prospects of ESB.

8. Effectiveness Reviews and Performance Evaluation

- i. The Board shall, at least once a year, review its own performance to ensure it is operating effectively. An external Board evaluation will take place every third year.
- ii. The Board shall review the results of the evaluation and agree improvements as required.
- iii. The Board shall review the effectiveness of Board committees in fulfilling their responsibilities and duties as set out in their Terms of Reference.
- iv. The Chairman will meet individually with non-executive directors annually to share views and insights and to discuss individual's development needs.

9. Review

The Board will review these Terms of Reference at least annually and will approve such amendments as it deems necessary.