



Energy for  
generations

# INVESTED IN A SUSTAINABLE FUTURE

2023 Annual Report and Financial Statements

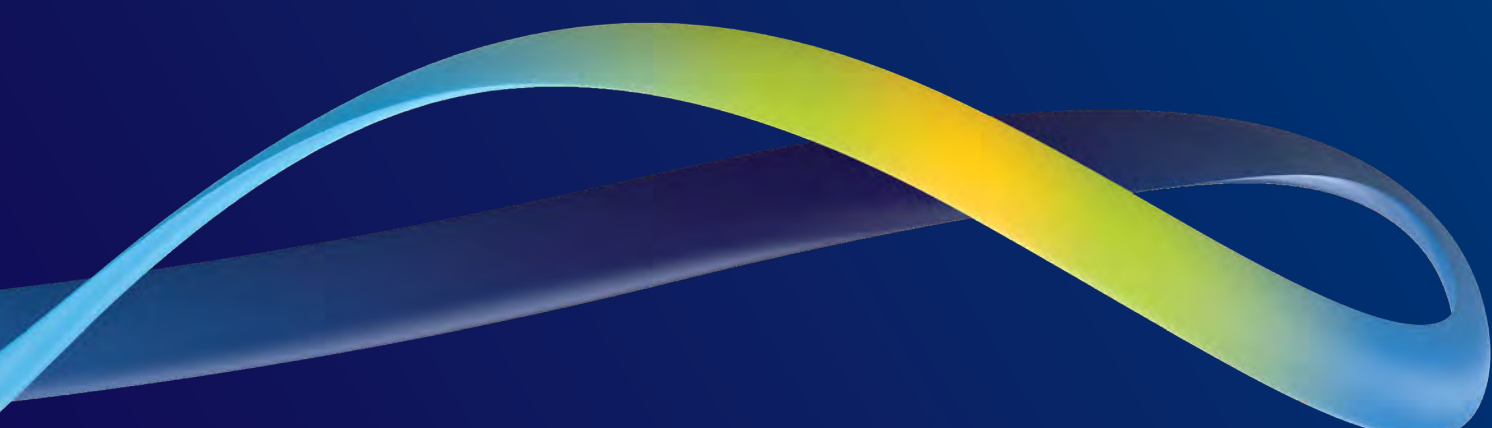


## About ESB

ESB was established in 1927 as a statutory body under the Electricity (Supply) Act, 1927. With a holding of 97%, ESB is majority owned by the Irish Government. The remaining 3% is held by the trustees of an Employee Share Ownership Plan. As a strong, diversified utility, ESB operates across the electricity market, from generation through transmission and distribution, to supply of customers in addition to using our networks to carry fibre for telecommunications. ESB is a leading Irish utility with a regulated asset base of approximately €13.2 billion (comprising ESB Networks €10.6 billion and NIE Networks €2.6 billion), a 27% share of generation in the all-island market and supply businesses supplying electricity and gas to over 2 million customer accounts throughout the island of Ireland and Great Britain. During the year ended 31 December 2023, ESB Group employed an average of almost 9,000 people.

## INVESTED IN A SUSTAINABLE FUTURE

Since ESB's foundation almost 100 years ago, we have always been fully invested in the lives of the customers and communities we serve. We plan for the long term, constantly striving to find solutions that benefit society, now and in the future. Today that means undertaking transformational changes across our business to support national climate action plans and address multiple, interlinking sustainability challenges. We have set a target to achieve net zero by 2040 and have committed to do this in a way that enables communities and natural habitats to thrive. Our focus is on developing and connecting renewables, building resilient infrastructure and empowering our customers to live healthier, more sustainable lives using clean electricity.

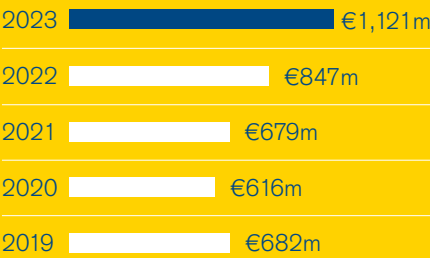




Key Figures

Operating Profit before exceptional items\*

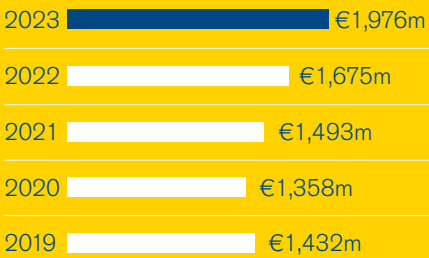
€1,121m



\*Operating profit before exceptional items separately disclosed in the Income Statement.

EBITDA before exceptional items\*

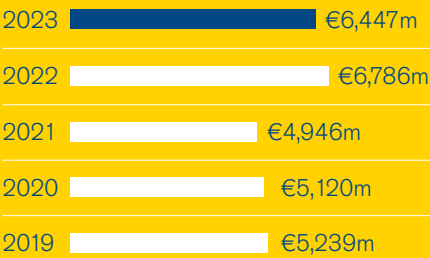
€1,976m



\*Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation, revenue from supply contributions and exceptional items separately disclosed in the Income Statement.

Net Debt\*

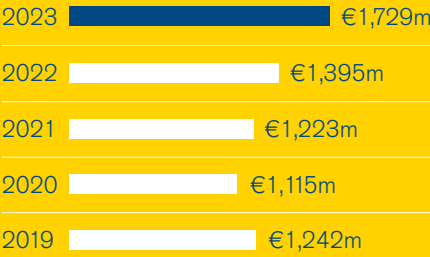
€6,447m



\*Total of borrowings and other debt plus lease liabilities less cash and cash equivalents (excluding any restricted cash).

Capital Expenditure\*

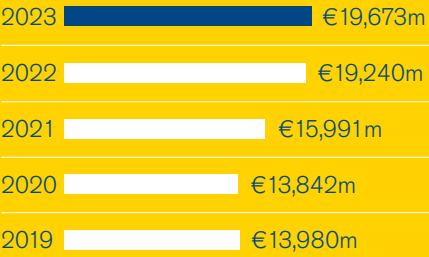
€1,729m



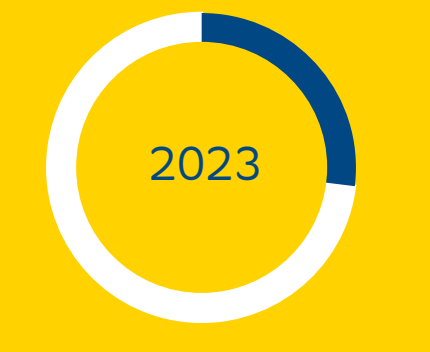
\*Additions to property, plant and equipment, intangible assets (excluding emissions allowances) plus additions to equity accounted investees.

Total Assets

€19,673m



Generation All-Island Market Share



● 27% ESB  
○ 73% Other Power Producers

Supply All-Island Electricity Market Share



● 40% ESB  
○ 60% Other Electricity Suppliers

Refer to page 288 for further details relating to Alternative Performance Measures noted above.

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# INVESTED IN DECARBONISED ELECTRICITY

Neart na Gaoithe is a joint venture offshore wind project with EDF Renewables UK. The wind farm is located off the east coast of Scotland and will have the capacity to generate 448 MW of renewable energy once commissioned. This will provide power for around 375,000 homes and will offset more than 400,000 tonnes of carbon dioxide emissions. Construction continued on the project throughout 2023.

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# Non-Financial Information

As a statutory body ESB is not subject to the disclosure requirements prescribed in the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 as amended. ESB is monitoring developments in relation to the EU Corporate Sustainability Reporting Directive and is making preparations for its implementation. ESB seeks to follow best practice by disclosing a wide range of non-financial information in its Sustainability Report.

The guide below illustrates where to find non-financial information and non-financial KPIs within this annual report in addition to the ESB Group policies which underpin these areas.

	Relevant Policies	Section(s) in Annual Report
Environmental	<ul style="list-style-type: none"><li>Environment and Sustainability Policy</li></ul>	<ul style="list-style-type: none"><li>Environment and Sustainability</li></ul>
Employee and Social	<ul style="list-style-type: none"><li>ESB Board Inclusion and Diversity Policy</li><li>Group Procurement Policy</li><li>ESB Equal Opportunities and Diversity Code of Practice</li><li>Health, Safety and Wellbeing Policy</li><li>ESB Whistleblowing and Protected Disclosures Policy</li><li>ESB Code of Ethics ("Our Code")</li></ul>	<ul style="list-style-type: none"><li>People, Planet, Society</li><li>Board Members' Report</li></ul>
Human Rights	<ul style="list-style-type: none"><li>ESB Group Policy on Human Rights</li><li>Modern Slavery Policy</li><li>ESB Code of Ethics ("Our Code")</li></ul>	<ul style="list-style-type: none"><li>Human Rights</li><li>Board Members' Report</li></ul>
Anti-Corruption and Bribery	<ul style="list-style-type: none"><li>ESB Anti-Bribery, Corruption and Fraud Policy</li><li>ESB Whistleblowing and Protected Disclosures Policy</li><li>ESB Code of Ethics ("Our Code")</li></ul>	<ul style="list-style-type: none"><li>Audit and Risk Committee Report</li><li>Board Members' Report</li></ul>
Business Model		<ul style="list-style-type: none"><li>Business Model</li></ul>
Principal Risks	<ul style="list-style-type: none"><li>ESB Risk Management Policy</li></ul>	<ul style="list-style-type: none"><li>Risk Report</li></ul>
Non-Financial KPIs		<ul style="list-style-type: none"><li>Key Performance Indicators (KPIs)</li><li>People, Planet, Society</li><li>Environment and Sustainability</li><li>EU Taxonomy Regulation</li></ul>

The Group also publishes a comprehensive "ESB Sustainability Report" which details ESB's sustainability strategy, corporate social responsibilities and commitments to social matters. The 2022 Sustainability Report is available on the ESB website.

# Business Overview

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# Chairman's Statement

## INVESTED IN MAKING A DIFFERENCE

**Terence O'Rourke**  
Chairman



### ESB's Board Invested in a Sustainable Future

Since the adoption of ESB's strategy; Driven to make a Difference: Net Zero by 2040 in December 2021, there have been major economic, political, market and policy developments. These include Russia's invasion of Ukraine, war in the Middle East, a sustained increase in inflation and borrowing costs, and a prolonged increase in fuel and power prices, albeit these have been lower and less volatile than 2022. We have also seen supply chain disruption and the growth of technologies such as artificial intelligence and, of course, more evidence of climate change with an unprecedented increase in temperatures making 2023 the hottest year on record.

Climate and energy policy at European and national level has continued to increase the impetus towards decarbonisation and electrification – increasing both the scale of the opportunities and the delivery requirements faced by ESB. And, in 2023, the Board maintained its focus to mitigate as far as possible the very real impact of the ongoing energy crisis on our customers, while continuing to oversee increased delivery of the infrastructure needed for the long-term secure and affordable provision of clean electricity.

Against this backdrop, ESB's role in delivering a more sustainable future for our customers and the communities we serve is critical. The Board remains steadfast in its commitment to ESB's strategy, and in stepping up to address a range of related social and environmental issues, cultivating a safe, sound and sustainable ethos in line with our values. As we work through this period of energy transition, ESB will navigate the challenges ahead, adapting where necessary while staying focused on our core objective to achieve net zero by 2040.

### Board Oversight of Strategy Delivery

Progress was made in the delivery of ESB's strategy, with the Board approving major investments in solar generation, onshore and offshore wind projects, and ESB's partnership with Ørsted to develop offshore wind projects in Ireland. Temporary emergency generation arrangements with EirGrid and other energy security related measures were also approved. The Board also monitored progress relating to investments in the Republic of Ireland and Northern Ireland's electricity networks under the ESB Networks and NIE Networks' regulatory programmes.

ESB's strategy implementation is planned and driven through the annual Integrated Business Planning (IBP) process, which brings together strategy, finance, people, and sustainability considerations in the plan for delivery of ESB's strategic objectives. As part of the IBP process in 2023, greenhouse gas (GHG) emission projections have been developed for all business areas, with an ambitious target set to 2028. This brings a valuable perspective to the business planning process and highlights the challenges associated with achieving the necessary emissions reductions to achieve net zero by 2040. As a Board, we continue to monitor the work ongoing to ensure a credible pathway to that critical net zero target.

The Board dedicated two full meetings to strategy in 2023. In spring, the focus was on key external drivers, including the policy environment (particularly climate policy) and international energy markets. We also considered the perspectives of the stockholders' advisors and undertook a deep dive into the strategic objective of "Our People", looking at the labour market and workplace culture trends alongside ESB's People Strategy.

At the autumn strategy meeting, the Board reflected on the strategic landscape for networks businesses, external developments relevant to ESB's strategy, and the implications and challenges for ESB's climate ambitions. These sessions provided the Board with useful insight ahead of its review of the latest five-year Integrated Business Plan, to ensure a high level of alignment between the Business Plan and our strategy.

The Board will continue to closely monitor strategy implementation throughout 2024.

### Financial Strength

ESB delivered record levels of capital investment in both 2022 and 2023 with aggregate capital expenditure through those years exceeding €3 billion. This level of investment, primarily in critical energy infrastructure, for the benefit of customers, the economy and wider society, is underpinned by continued strong financial performance of the Group. In this regard, ESB performed strongly in 2023, with operating profit of €1,121 million and profit after tax of €868 million.

ESB's financial capability is a foundational pillar of our strategy given its importance in enabling the delivery of net zero. A key measure of financial capability is the maintenance of a strong investment grade credit rating. The Board was pleased therefore to see that ESB maintained credit ratings at A-/A3 (BBB+ standalone) during 2023. It was also encouraging to see the bond market continue to respond well to ESB's strategic vision and growth ambition. Over €1.3 billion of additional funding was raised in 2023, €500 million of which was in the form of a green bond, recognising our continued investment in activities which contribute to sustainability objectives.

### Dividends for our Stockholders

ESB's dividend policy, as agreed with the Government as majority stockholder, provides for targeted dividends of 40% of adjusted profit after tax. In line with this policy, the Board is recommending a dividend for 2023 of €220 million. This will bring the level of dividends declared by ESB over the past 10 years to over €1.4 billion.

### Our Customers

The Board is acutely aware of the impact that electricity price increases over 2021 and 2022 have had on our customers. We remain committed to supporting them in whatever way we can and, in particular, protecting our vulnerable customers. After a period of sustained price increases, the Board was pleased to be able to approve a price reduction for over 1.1 million Electric Ireland residential electricity customer accounts in the Republic of Ireland in both September 2023 and January 2024 which is delivering an average cumulative electricity bill reduction of 17% for customers.

### Board Engagement

Four new Worker Board Members, Karen Halpenny, Gráinne O'Shea, Trevor Walsh and Owen Kilmurray, became members of the Board in January while Annette Flynn and Aisling Curtis joined as Independent Board members later in the year. Together, they have brought fresh and valuable perspectives to the work of the Board through 2023.

The Board was delighted to welcome the Minister for Public Expenditure, NDP Delivery and Reform, Paschal Donohoe TD, to the April meeting of the Board. The Board had an engaging discussion with the Minister about the international energy markets and ESB's strategy as well as sustainability, energy security and supporting customers.

### Our People

The delivery of our ambitious objectives depends on the knowledge and commitment of our people. At the end of 2023, ESB Group employed over 800 more people compared to the end of 2022. Ensuring that ESB has the right capability to deliver on our ambition is core to strategy delivery, and the Board was pleased to see the progress in growing and diversifying ESB's capability base during 2023.

### Conclusions

While acknowledging the developments in ESB's business environment and potential implications for our strategy, the Board is confident that the Group's business model and strategic priorities can deliver on our net zero ambition, for the benefit of our stockholders, our customers and the communities in which we operate.

On behalf of the Board, I would like to pay tribute to all of the people in ESB for their relentless efforts and commitment in 2023. While this has been a difficult period for our customers, the Board acknowledges the contribution that all employees have made in supporting customers throughout an unprecedented time in the energy sector, and working to deliver a secure, reliable and sustainable future for all.

In accordance with the ESB Acts 1927-2014, the Board presents the Annual Report and Financial Statements for the year ended 31 December 2023.

**Terence O'Rourke**  
Chairman  
28 February 2024



# Chief Executive's Review

## INVESTED IN THE CUSTOMERS AND COMMUNITIES WE SERVE

**Paddy Hayes**  
Chief Executive



**Invested in a Sustainable Future**

In a year of continuing high wholesale energy costs, macroeconomic challenges, and further evidence of the impact of climate change, ESB remained focused on protecting customers and delivering long-term energy solutions to enable a future that is more secure and sustainable. More than ever, we recognise the responsibility of ESB and others in the electricity sector to lead the transition to a net zero energy system.

**Protecting Customers**

Although energy prices softened during the year, they remained high and unpredictable. Electric Ireland and So Energy worked to protect customers from extreme price volatility through effective hedging and tailored customer supports, and by passing on price reductions when it was possible to do so. Throughout the energy crisis, Electric Ireland consistently offered one of the lowest standard variable electricity rates in the Irish market.

**Record Investment**

Solid operating profits of €1.1 billion have enabled us to invest a record €1.7 billion in critical energy infrastructure in 2023, most of which went towards building and enhancing network infrastructure in the Republic of Ireland (ROI) and Northern Ireland (NI), developing renewable generation and adding capacity to support energy security.

**Resilient Infrastructure for a Low-Carbon System**

ESB Networks and NIE Networks in aggregate invested over €1.2 billion to meet renewable connection targets, to service demand growth, to upgrade and expand the networks, and to prepare for the widespread adoption of electric transport and heating. There was a substantial increase in renewable generation connected into the distribution systems, with over 79,000 microgeneration projects now registered. By the year end, there was 1 GW of solar connected to the system, including 400 MW of rooftop, mini, micro and small-scale renewable generation. ESB Networks continued the roll out of smart meters on behalf of the CRU (Commission for Regulation of Utilities), passing the 1.5 million milestone during 2023 and expanding access to personalised insights through an online portal.

**Increasing Renewable Generation**

Together with our partners Bord na Móna, we commissioned Phase 2 of the Oweninny project, making it Ireland's largest wind farm to date. FuturEnergy (a joint venture (JV) between ESB and Coillte) continued the development of a portfolio of onshore wind projects while, the construction of Neart na Gaoithe offshore wind farm progressed in partnership with EDF. ESB continued the construction of four solar projects (including Timahoe North, a JV with Bord na Móna), with a further three solar projects in development. Of course, it is equally important to reduce the carbon intensity of the legacy generation portfolio, and good progress was made on the plan to cease the use of coal in Moneypoint by the end of 2025.

**Supporting Energy Security**

There was continued investment in energy security with progress on the construction of three aero-derivative gas turbines in the Dublin area with a total capacity of 190 MW. As part of arrangements entered into with EirGrid, ESB accommodated the provision of 200 MW of temporary generation capacity in North Wall in Dublin, with a further 262 MW under construction in Shannonbridge in Co. Offaly. Two battery projects totalling 105 MW were

commissioned, providing support for the system peak, with a further 180 MW in construction, while Project Winter saw further investment in the availability of existing generation capacity in ROI, NI and Great Britain.

**Innovation and Collaboration**

We continue to research, trial and deliver innovative solutions in collaboration with a range of partners. In 2023, ESB hosted the Free Electrons programme featuring 15 international startups and continued to invest in our X\_Site and X\_Potential programmes. We finalised a JV agreement with Simply Blue Group to co-develop the Saoirse Wave Energy project, a 5 MW innovation project to be located off the west coast of Ireland and are working in partnership with Bord Gáis Energy and dCarbonX on Project Kestrel, exploring long term energy storage options off the south coast.

**Digital and Data**

Leveraging digital and data to drive productivity, improve efficiency and enhance customer experience is central to ESB's strategy. Highlights include a new mobile app for residential customers of Electric Ireland and the exploration of Generative AI to support productivity and collaboration via Microsoft Co-Pilot.

**Sustainability Leadership**

Climate action is central to the strategy and carbon emissions from ESB's generation portfolio, which had increased through 2021 and 2022, reduced significantly during 2023. In relation to other sustainability challenges where ESB can make a difference, we finalised our Sustainability Leadership Plan which set out a range of priority impact areas including biodiversity, community engagement and resource use supported by an in-house community of more than 80 Sustainability Navigators.

**Supporting Customers to Decarbonise**

Supporting customers to use clean electricity to decarbonise included ramping up the delivery of deep retrofits through Electric Ireland Superhomes (a JV with the Tipperary Energy Agency) and enhancing electric vehicle charging infrastructure (supported by the Climate Action Fund in ROI and by the Levelling Up Fund in NI). ESB's Smart Energy Services supported business customers to decarbonise on a range of projects including the installation of industrial grade heat pumps and the electrification of public transport, while SIRO, our JV with Vodafone, continued the roll out of gigabit broadband, now passing 550,000 homes in communities across Ireland.

**Community Support**

Through our Energy for Generations Fund and Wind Farm Community Funds, ESB distributed almost €2 million to charities and community groups. We also worked with artists and arts organisations, including Dublin Dance Festival, the Nerve Centre Derry and Business to Arts, on projects to promote sustainability and climate action under our Brighter Future Arts Fund.

**Maintaining and Developing an Inclusive and Diverse Workforce**

ESB's ROI Gender Pay Gap reduced again this year and 27% of the 2023 intake into ESB Networks' apprenticeship programme were women (up from 24%). However, more work is needed. During 2023, we supported a number of initiatives to promote diversity in Science, Technology, Engineering and Mathematics (STEM) through our Generation Tomorrow education programme and through engagements with Engineers Ireland and Connecting Women in Technology.

**An Enduring Focus on Safety**

Minding the health, safety and wellbeing of our colleagues, contractor partners and the public remains of primary importance for ESB. Through our "Safe and Sound" and "Safer Together" programmes, we continue to work on building an open and inclusive workplace where people feel valued and trusted, and a culture where everyone chooses to take responsibility both for their own safety and the safety of others.

**Enhancing Capability and Expertise**

Our capable and professional staff have shown great commitment and flexibility, with record delivery through 2023. Compared to December 2022, there was a net increase of over 800 people in ESB, bringing our numbers to just over 9,200, ensuring we are continuing to build the capacity and skills to serve our customers and deliver our net zero ambition.

**Outlook**

The accelerated global warming experienced in 2023 makes clear the importance and urgency of developing and connecting more renewables and using clean electricity to decarbonise heat, transport and the economy. We remain focused on supporting the customers and communities we serve through 2024 while continuing to invest in a more sustainable energy future, driving for net zero by 2040.



**Paddy Hayes**  
Chief Executive  
28 February 2024



# 2023 Highlights

## ESB Networks

### Revenue



### Operating profit



### Capital expenditure



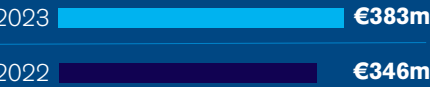
### Average employee numbers



See page 60 ESB Networks Operational Review

## Northern Ireland Electricity Networks (NIE Networks)

### Revenue



### Operating profit



### Capital expenditure



### Average employee numbers



See page 64 NIE Networks Operational Review

## Generation and Trading (GT)

### Revenue



### Operating profit



### Capital expenditure



### Average employee numbers



See page 68 GT Operational Review

## Customer Solutions

### Revenue



### Operating loss



### Capital expenditure



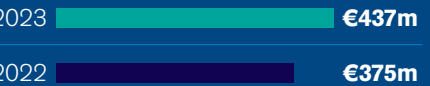
### Average employee numbers



See page 72 Customer Solutions Operational Review

## Other Segments

### Revenue



### Operating loss



### Capital expenditure



### Average employee numbers



See pages 76 and 78 Engineering and Major Projects and Enterprise Services

See note 3 (Segment Reporting) in the financial statements for further detail.

## Stockholders

Dividend of **€220 million** for 2023

Return on Capital Employed of **7.9%**

Re-affirmed **credit rating A-/A3** (BBB+ on a standalone basis)



## Customers

**€5 million hardship fund** supporting customers

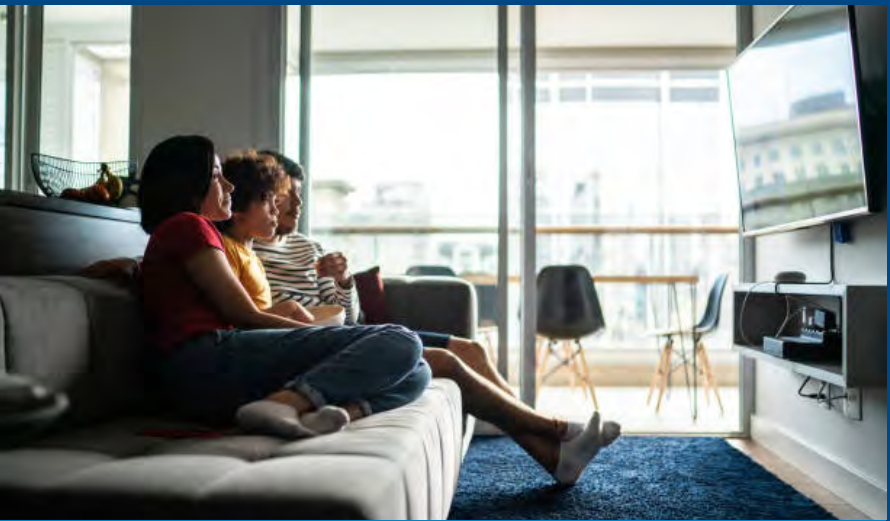
Administering **Government energy cost support** schemes

Electric Ireland residential electricity customer satisfaction of **73%**

Almost **48,000 new customer** connections by ESB Networks and NIE Networks

**465,000 smart meters** installed in 2023

Over **33,000 microgeneration applications** processed in 2023 by ESB Networks



## Economy

**Over €1.7 billion** of capital expenditure in 2023

**Over 9,200** employees as at 31 December 2023

**Over €2.7 billion** contribution to the Irish economy in the form of payroll, taxes, dividends and purchases from domestic suppliers

**Over €2.4 million** disbursed across a range of community initiatives

## Environment

ESB is designated as a **A- listed company** by the Carbon Disclosure Project, in the Leadership band

Generation **Carbon intensity** of 370g CO<sub>2</sub>/kWh - a reduction of 45% (on baseline year 2005)



## Recruitment

**96 1st year apprentices** began in ESB Networks in 2023

Increase in average headcount of **694 in 2023**







# Strategic Report

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Strategy

ESB's strategy is informed by developments in the external environment and driven by our enduring commitment to deliver a brighter future for all.

ESB's Strategy  
Driven to Make  
a Difference:  
Net Zero by 2040

Strategic Objectives

ESB has identified three strategic objectives, aligned with Sustainable Development Goals 7, 9 and 13, which are core to the delivery of our net zero<sup>1</sup> ambition.

Foundational Capabilities

Underpinning the strategic objectives are four foundational capabilities which are essential to success.



**Decarbonised Electricity**  
Develop and connect renewables to decarbonise the electricity system by 2040



**Resilient Infrastructure**  
Provide resilient infrastructure for a reliable low-carbon electricity system



**Empowered Customers**  
Empower, enable and support customers and communities to achieve net zero



**Our People**  
Ensure we have the people capability to deliver our strategic objectives with a strong values-based and inclusive culture



**Digital and Data Driven<sup>^</sup>**  
Leveraging data and technology, transform ESB to a data driven digital utility



**Financial Strength**  
Maintain the financial performance and strength required to deliver our purpose



**Sustainable and Socially Responsible**  
Step forward on social and environmental responsibility, cultivating a safe, sound and sustainable ethos in line with our values

Selected Strategic Performance Indicators (SPIs)

	Indicator	2021 Baseline	Progress as at end of 2023	2030 Target (unless otherwise stated)	SDG Contribution
<b>Decarbonised Electricity</b> Develop and connect renewables to decarbonise the electricity system by 2040	ESB renewable generation portfolio~ (installed capacity)	983 MW	981 MW	5,000 MW	  
	Scale of zero-carbon electricity enabled by our networks	4.7 GW in ROI 1.8 GW in NI	6.2 GW in ROI 1.8 GW in NI	22 GW in ROI 2.6 GW in NI	
	Share of ESB generation output from zero-carbon sources~	14%	20%	63%	
<b>Resilient Infrastructure</b> Provide resilient infrastructure for a reliable low-carbon electricity system	Networks Regulated Asset Base (RAB)	ESB Networks: €8.8bn NIE Networks: £1.8bn	ESB Networks: €10.6bn NIE Networks: £2.2bn	ESB Networks: €13 - 14bn NIE Networks: £2.7 - 3.2bn	  
<b>Empowered Customers</b> Empower, enable and support customers and communities to achieve net zero	Number of smart meters installed	620,000	1.57 million	2.6 million	    
	Electrification of transport network: public EV chargers*	c.704 (island of Ireland and GB)	c.867 (island of Ireland and GB)	3,000 (total)	
	Customer satisfaction	81% (Electric Ireland residential electricity)	73% (Electric Ireland residential electricity)	>85% across all customer-facing business lines	
<b>Our People</b> Ensure we have the people capability to deliver our strategic objectives with a strong values-based and inclusive culture	Employee engagement (Our Voice Staff Survey)	7.0/10	7.5/10	>8/10	  
	Health and Wellbeing score (Our Voice Staff Survey)	6.9/10	7.5/10	>8/10	
<b>Digital and Data Driven^</b> Leveraging data and technology, transform ESB to a data driven digital utility	Digital maturity	N/A	Foundational/ Mainstream	Mainstream/ Leader	   
<b>Financial Strength</b> Maintain the financial performance and strength required to deliver our purpose	Strong investment grade credit rating	Credit ratings of A- or equivalent and BBB+ on a standalone basis	Credit ratings of A- or equivalent and BBB+ on a standalone basis	BBB+/Baa1 on a standalone basis	  
	Return on Capital Employed (ROCE)	5.6%	7.9%	ROCE > WACC	
<b>Sustainable and Socially Responsible</b> Step forward on social and environmental responsibility, cultivating a safe, sound and sustainable ethos in line with our values	Carbon intensity of ESB's generation assets and activities~	440g CO <sub>2</sub> /kWh	370g CO <sub>2</sub> /kWh	140g CO <sub>2</sub> /kWh	   

<sup>1</sup> Defined in the Glossary on page 294.  
<sup>^</sup> This metric does not include NIE Networks or So Energy.

~ Joint venture projects are included in these metrics based on ESB's shareholding in the relevant entity.  
\* In the 2022 Annual Report, the reported progress against this target referred to the number of charge points installed. This has been updated in 2023 to refer to the number of chargers installed which is the correct measure against the 2030 target.

Strategic Framework

Driven to Make a Difference: Net Zero by 2040 has been developed using ESB's Strategy Framework which ensures that strategic actions and decisions are consistent with ESB's purpose and values, and that there is a clear and consistent 'line of sight' both for those within the organisation and for external stakeholders.



Refer to the ESB website for further information relating to our strategy.



ESB's Business Environment

In December 2021, the Board adopted a new strategy - Driven to Make a Difference: Net Zero by 2040 - based on an extensive review of the internal and external factors impacting the overall strategic direction of the Group.

Since December 2021, there have been several major external developments in the broader economic, political, market and policy landscape within which ESB's strategy must be framed. 2023 has continued to see developments in ESB's business environment which may have potential implications for ESB's strategy over the short and long-term. These developments are summarised opposite and in Figure 1.

High Energy Prices and Market Disruption

The level of volatility in global energy markets experienced in 2022 eased somewhat during 2023. Wholesale prices are much reduced from the peaks of 2022 but are still significantly higher than the levels seen prior to the energy crisis. The energy market is currently not as sensitive to developments in the Russian-Ukraine War. However, the recent instability in the Middle East region may see reductions in oil and gas production. Other factors impacting the market include large-scale fiscal support for households and businesses, policies to reduce energy demand and measures to lower dependence on fossil fuels by accelerating the deployment of renewables and the use of hydrogen and increasing electrification.

Energy and Climate Policy

Energy and climate policy are evolving at European and national level, partly in response to the issues stemming from the events described above (proposed and actual changes to market structure and regulation) but also reflecting the increasing impact of physical climate change stemming from greenhouse gas emissions. In Ireland, this factor was reflected in the enhanced ambitions contained in the Climate Action Plan 2024 (CAP24) which was published in late 2023. These policies are increasing opportunities for investment in renewable generation and regulated electricity networks in each of the markets in which ESB operates.

Uncertain Macroeconomic Environment

The macroeconomic, financial and interest rate environments remains challenging, driven in part by the issues in the energy sector described above but also by post-COVID factors (e.g. supply chain disruptions). 2023 has seen challenging short-term signals in the macroeconomy, including persistent inflation and rising interest rates. This year has also seen the potential end to the era of cheap financing with those higher interest rates persisting for longer as central banks sought to tame inflation. In general, growth in the global economy has slowed.

Supply Chain and Labour Markets

2023 has seen challenges to global supply chains driven by factors such as geopolitical and trade tensions and post-COVID bottlenecks. Increased demand, concerns over dependence on suppliers from key geographies, and continued uncertainty over the availability of key components proved challenging throughout 2023 along with ballooning costs driven by the severity and frequency of extreme weather, overall inflation, and the increased need for diversification. In addition, labour markets remain very competitive – especially for skills in areas associated with the delivery of the energy transition.

Security of Supply

Europe-wide security of supply concerns endured throughout 2023. In terms of the Irish Single Electricity Market (SEM), capacity margin issues remain due to the delivery of renewable generation in SEM at a slower pace than anticipated as well as continued projected growth in electricity demand.

Technology and Digitalisation

Long-term technology drivers shape ESB's context, most relevantly in the areas of zero-carbon dispatchable generation, large-scale/long duration storage and in the capability and application of digital technologies. The uptake of technologies leveraging data analytics such as machine learning and artificial intelligence are driving the transformation of many businesses and industries including those within the utility sector.

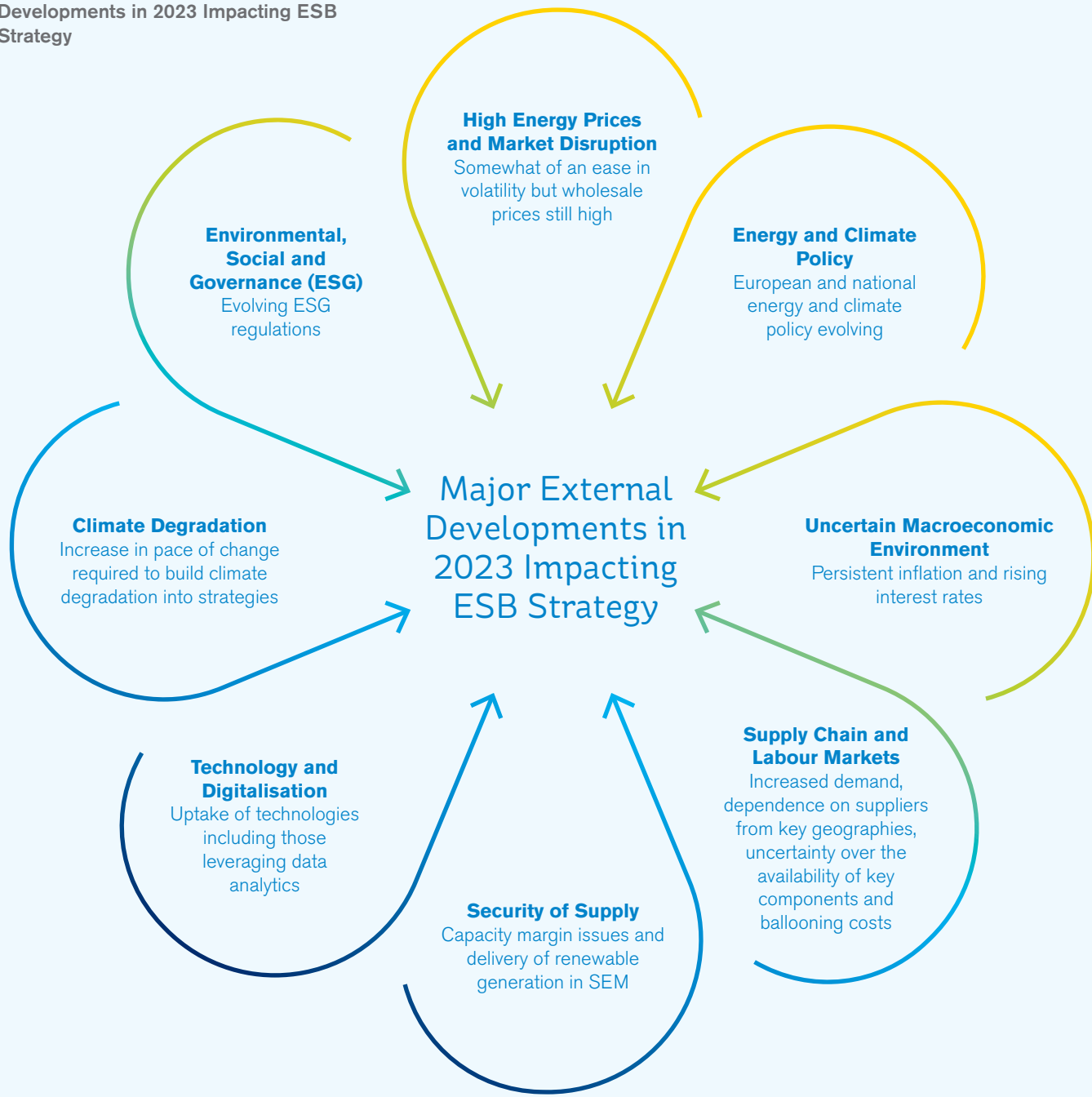
Climate Degradation

Climate change is happening and as the long-term impacts of climate change begin to take hold, an increased recurrence of extreme weather events threatens business continuity and vulnerable critical infrastructure. This signals that an increase in the pace of change is required for organisations to build climate degradation into their strategies.

Environmental, Social and Governance (ESG)

Evolving ESG regulations and increased stakeholder scrutiny mean organisations must continue to build meaningful ESG policies into their strategies.

Figure 1 - Major External Developments in 2023 Impacting ESB Strategy



# Business Model

## Capital Inputs

### Manufactured Capital

- >5 GW of generation capacity
- Almost 240,000 km of network across ROI and NI

### Financial Capital

- Liquidity of €3.7 billion
- A-credit rating (BBB+ on a standalone basis)
- Net assets of over €5 billion

### Intellectual Capital

- Sustainability and environmental management expertise
- Promotion of innovation
- Stakeholder insights

### Human Capital

- Over 9,200 employees at 31 December 2023

### Social and Responsible Capital

- Relationships with the customers and communities ESB serves

### Natural Capital

- 981 MW of renewable generation



## Key Outputs

### Customers

- 73% customer satisfaction (residential electricity ROI)
- 40% supply all-island market share
- 27% generation all island market share

### Employees

- 694 increase in average headcount in 2023

### Stockholders

- Dividend of over €1.4 billion over the last decade
- Return on capital employed 7.9%

### Economy

- Over €1.7 billion in capital expenditure
- Contributed over €2.7 billion to the Irish economy in the form of payroll, taxes, dividends and purchases from domestic suppliers
- Over €2.4 million disbursed to communities

### Environment

- Carbon intensity reduced 45% since 2005
- CDP 'A-' score

## Value for our Stakeholders

### Customers

Offering our customers access to a clean, secure and affordable electricity supply while also empowering them on their net zero journey through investment in services and solutions.

### Employees

Creating a workplace with caring, courageous people who are collaborating on a once-in-a lifetime challenge where everyone can make a difference to achieve net zero by 2040.

### Stockholders

Enabling the delivery of key strategic priorities for ESB and the Irish Government such as decarbonised electricity and resilient infrastructure in line with the Irish Government's Climate Action Plan. ESB's dividend policy provides for targeted dividends at a rate of 40% of adjusted profit after tax.

### Debt Investors and Rating Agencies

Strong financial strength, underpinned by efficiency and investment discipline, will ensure that ESB can deliver appropriate shareholder returns, maintain a strong investment grade credit rating and secure optimal long-term funding to match investment plans for a net-zero energy future.

### Communities

Since its foundation in 1927, ESB has supported charities and community groups that enhance the economic and social fabric of the communities it serves. Further details are outlined on pages 102 to 105.

### Suppliers, Contractors and Partners

Ensuring suppliers, contractors and partners benefit from our business by treating all suppliers fairly in all our procurement processes which are undertaken in a non-discriminatory, transparent, and proportionate manner.

### Regulators, Environmental and Safety Authorities

Collaborating on policy development and reforms to help deliver on key issues such as security of supply, progressing sustainability targets and supporting our vulnerable customers while always striving to do these things safely.

### Other Industry Bodies

Working together to help create positive change for society and a better built environment.

## Our Values

ESB's values are deeply rooted in the organisation and encapsulate the integrity and ambition that ESB stands for. They are integral to the development and delivery of the strategy - they inform decisions and they underpin ESB's commitment to earning the trust that customers and communities place in ESB.

### WE'RE COURAGEOUS

Each of us is prepared to challenge the way we've always done things, stand up for what we feel is right and try better ways of working.

### WE'RE CARING

We're putting customers' current and future needs at the heart of what we do and we keep ourselves and others safe and healthy.

### WE'RE DRIVEN

We bring passion and persistence to what we do every day, innovating and collaborating to meet the challenges and opportunities ahead.

### WE'RE TRUSTED

We each play our part, taking ownership of our responsibilities, seeing the job through and protecting our own health and safety, as well as others.





## Engaging with our Stakeholders

ESB's actions can have an impact on a broad range of stakeholders. It follows that ESB aim to maintain open and positive dialogue with all our stakeholders to understand, consider and evolve our strategy in a way that meets their expectations. An additional aim is to enable stakeholders to provide feedback and insights to ESB to inform our deliberations and decision making. ESB gains invaluable insights into the priorities and material concerns of our stakeholders through a multifaceted approach at both a Group and business unit level.

### At a Group Level

ESB conducts stakeholder research approximately every three years. In addition, ESB undertake to survey members of the public every quarter via brand and reputation trackers. ESB also continually monitor social media channels and engage directly with stakeholders (including Government as ESB's largest stockholder) and members of external organisations. These include Business in the Community Ireland, Irish Business Employers Confederation, Economic and Social Research Institute, Chambers of Commerce and relevant industry and membership groups such as Engineers Ireland.

### At a Business Unit Level ESB Networks

The Strategic Stakeholder Engagement Framework sets out ESB Networks' enduring engagement strategy to enable open and ongoing dialogue with all its stakeholders. ESB Networks publishes an annual Stakeholder Engagement Report which describes their wide ranging engagement with stakeholders over the past year. While the framework sets out an enduring approach, each year ESB Networks also publishes an annual Stakeholder Engagement Strategy and Plan which details the strategy and plans for the year ahead. This is shaped through ongoing customer and stakeholder engagement and collaboration. Refer to the ESB Networks website ([www.esbnetworks.ie](http://www.esbnetworks.ie)) for further details.

### NIE Networks

NIE Networks carries out stakeholder engagement to ensure stakeholders have their say during the current regulatory price review period (RP6). The engagement provides insights on performance and an opportunity to gather feedback to help shape and modify service delivery. It also helps to craft plans for the future and was taken into consideration as NIE Networks developed its business plan for RP7. Further details can be found on the NIE Networks website ([www.nienetworks.co.uk](http://www.nienetworks.co.uk)).

### Generation and Trading (GT)

GT invested in a substantial stakeholder engagement programme throughout 2023. The programme was implemented by those with business plan responsibilities for specific areas, with multiple engagement channels used to successfully support it. These channels included digital media, traditional media, thought leadership opportunities, set-piece engagements, detailed submissions in response to calls for evidence and consultations, project-related local community engagement meetings/open evenings and a programme of bilateral meetings. Good progress has been made to date and has been used to inform the strategic direction of the GT business. A sustained effort will continue to be invested in this key area.

### Customer Solutions

Throughout a continuing period of high prices, customer support hubs on the Customer Solutions' websites, particularly in the Electric Ireland and So Energy businesses, have provided customers with access to information, guidance and support to help manage bills and energy consumption.

Understanding the expectations, concerns and interests of our customers and stakeholders is front and centre to everything we do at ESB. The process begins at the business unit level and continues to cross Group level engagement. ESB's key stakeholder groups and details of our stakeholder engagement are set out below.

### Our Key Stakeholders

#### Customers

ESB's customer base covers a broad spectrum, including customers connected to the ROI and NI electricity networks, the people that ESB supplies electricity, gas and other retail offerings to across ROI, NI and GB and ESB's engineering consultancy clients.

**Why we Engage:** ESB has a proud history of serving customers through delivery and innovation. It is vital that we continue to listen to our customers so that ESB can understand their evolving needs. This enables us to balance short-term pressures during a period of current high prices with long-term sustainability goals.

**How we Engage:** ESB interacts with customers across multiple channels, including:

- Customer surveys
- Formal market research
- Focus groups
- Company websites and social media
- Dedicated relationship and account managers

ESB is investing in sustainable services and solutions that help customers save time, money and energy while also improving overall customer satisfaction. In addition, ESB is committed to providing extra support for those customers who need help with energy bills.



Engaging with our Stakeholders (continued)



Employees

Our colleagues and contractors who work in our business.

**Why we Engage:** Employee feedback is key to attracting, developing and retaining a talented, dedicated and motivated workforce, which is required for the successful delivery of ESB's strategy. To continually drive progress, ESB needs to understand what matters most to our employees.

**How we Engage:** Regular engagement is maintained with employees through different methods including:

- Team meetings
- Performance reviews/career development discussions
- ESB Employee All-Hands Webcast
- Staff surveys ("Our Voice")
- The Hub (ESB's information resource and employee communication platform)
- One-to-one meetings/briefings
- Online learning and training resources
- Engagement with trade unions

Stockholders

ESB is 97% owned by the Irish Government and 3% by the Trustees of the Employee Share Ownership Plan (ESOP).

**Why we Engage:** Active engagement ensures that ESB understands and responds to the evolving needs of our owners and secures support for our strategy. It also provides ESB with an opportunity to communicate our views as national policy and targets are developed. Ongoing engagement ensures that ESB's stockholders are aware of our business environment, strategy, business model, performance and sustainability commitments. ESB believes electricity is an enabler for societal regeneration and ongoing communication on our commitments to biodiversity, water consumption, waste and resource use, amongst others, is key.

**How we Engage:** ESB engages in active and ongoing consultation with the Government on key policies and strategic issues as required by legislation and the Code of Practice for the Governance of State Bodies. This happens through formal quarterly briefings with Government representatives, written submissions to the relevant Government departments, bilateral discussions (including with the Chairman and Chief Executive) and through attendance at the Annual General Meeting by representatives of the relevant Government Ministers. It includes providing financial planning and performance

information including the annual budget, five-year business plan and quarterly financial performance updates. ESB also engages and consults with the Trustees of the ESB ESOP through regular formal briefings.

Debt Investors and Rating Agencies

Lenders/debt holders that fund ESB's capital investment programme as well as the rating agencies which independently assess the financial strength and creditworthiness of ESB.

**Why we Engage:** Engagement with existing and prospective investors and rating agencies helps ESB to better understand the expectations of lenders and rating agencies in relation to our financial and sustainability performance.

**How we Engage:** The Investor Relations team, including the Group Treasurer and the Executive Director, Group Finance and Commercial, regularly engage with institutional debt investors and rating agencies in the form of formal announcements, media briefings, investor roadshows and investor briefings (for example after the release of interim and annual financial results). More information is available on the investor relations section of ESB's website.

Communities

People living in communities that are located adjacent to ESB's sites and operations, and also people in the wider community, allowing ESB fulfil its broader social responsibility to the communities it serves.

**Why we Engage:** Communities expect organisations to positively contribute and support issues that are important to them. ESB is proud to support charities and always seeks to enhance our relationship with neighbouring communities in which we operate.

**How we Engage:** ESB supports local and national charities and community groups to raise awareness and funds to help deserving causes. ESB interacts with our communities through various different channels, including:

- Open days/site tours
- Participation in local and national events
- Corporate partnerships
- Energy For Generations Fund (ESB's social giving fund)
- Wind farm community fund
- Employee volunteering (including programmes run by Business in the Community)
- River and habitat management

Further information on the above is available on pages 102 to 105.

Suppliers, Contractors and Partners

ESB partners and suppliers of products and services.

**Why we Engage:** The ESB Supplier Charter sets out the standards required of all suppliers. By engaging with suppliers, we can ensure they continue to meet ESB's high standards in product safety, quality, and business conduct and ethics, whilst respecting human rights and the environment. Collaboration across the supply chain also helps secure a stable supply of services and solutions.

**How we Engage:** ESB interacts with suppliers in many ways, including tender processes, contract review meetings, preliminary market consultations and Meet the Buyer events. Sustainability features are generally sought from tenderers where such features contribute to the delivery of ESB's sustainability goals. Further detail is outlined in the 2022 Sustainability Report which is available on the ESB website.

Regulators, Environmental and Safety Authorities

National government bodies, agencies and other authorities who implement and enforce applicable laws across the industry.

**Why we Engage:** To communicate our views to those who have responsibility for implementing policy, laws and regulations as these regulatory policies can have an impact on how ESB do business.

**How we Engage:** ESB interacts with regulators and other authorities across multiple channels, including industry associations, briefings and direct meetings and other multi-stakeholder forums as well as through inspections and formal

compliance reviews. Through these interactions, ESB can effectively support policy development and reforms to help deliver on key issues like security of supply, progressing sustainability targets and supporting vulnerable customers.

Other Industry Bodies

Networks operators, industry Non-Governmental Organisations (NGOs), sustainability NGOs and other industry bodies who aim to maintain a safe, secure and reliable supply of electricity while enabling a sustainable, low-carbon economy and society.

**Why we Engage:** To advance progress for our businesses and industry and help create large-scale positive change for society and the environment.

**How we Engage:** Ongoing dialogue and participation in business and industry advisory groups which allows ESB to be involved in developing industry best practices across a range of established sustainability topics.





Engaging with our Stakeholders (continued)

Key Issues

Through our stakeholder engagement process and research, ESB have identified and prioritised the following key issues:



Eliminate greenhouse gases from our activities and reduce dependence on fossil fuels

We are developing and connecting renewable energy to decarbonise the electricity system and deliver net zero by 2040. We continue to heavily invest in the development of new renewable generation, including onshore and offshore wind and solar, and will significantly increase the amount of renewable generation connected to our electricity networks.



Maintain reliable and secure energy supplies for our customers

We will invest in infrastructure to maintain reliable and secure electricity supplies. This is necessary to accommodate high levels of intermittent renewable generation on the system and to support a growing dependence on electricity across all sectors of society. We will develop smarter, more resilient networks to accommodate the electrification of transport and heating that will be crucial to reducing emissions across society. We will also invest in storage assets and zero-carbon dispatchable generation that can compete to meet the need for non-intermittent sources of energy and ensure continuity of supply.



Accelerate the electrification of society and empower low-carbon living

We will empower, enable and support our customers and the communities we serve to achieve net zero. This reflects our long-standing commitment to providing the latest and most innovative infrastructure, products and services to help our customers live more efficiently and sustainably into the future.



Maintain affordable supplies of energy, protect vulnerable customers and tackle fuel poverty

Our retail brand in Ireland – Electric Ireland – is committed to delivering the best value it can for our customers and continues to offer one of the lowest standard rates in the market. Supports that Electric Ireland has put in place for customers with financial challenges include flexible payment plans, payment holidays and PAYG meters, in addition to smart meter tariffs and sharing the latest energy saving advice. Electric Ireland provides support through its long-standing partnerships with organisations such as the Money Advice and Budgeting Service (MABS) and the Society of St. Vincent de Paul (SVP), and by utilising its €5 million Customer Hardship Fund.



Operate to the highest standards of fairness, ethics and transparency

ESB is committed to the highest standards of corporate governance, business integrity and stakeholder engagement in all its activities. ESB's management team and staff strictly adhere to our Code of Ethics and Group policies, comply in all material respects with the Code of Practice for the Governance of State Bodies and publish relevant documents on our website for transparency.

The Board is cognisant of our stakeholders' views when making decisions regarding strategy, investments/ divestments or matters which may impact the wider economy or environment and thereby increasing the likelihood of long-term sustainable success for ESB. The Board also recognises the need to maintain high standards of business conduct in its actions and decisions and the need to act fairly between all of ESB's stakeholders. Feedback from all engagement activities and research is considered by the Board as part of its decision-making processes. Refer to page 131 for further details.

Double Materiality under the EU Corporate Sustainability Reporting Directive (CSRD)

Double materiality is a concept which provides criteria for the determination of whether a sustainability matter is required to be included in an undertaking's sustainability reporting. Double materiality is the union of impact materiality and financial materiality. A sustainability matter meets the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.

As part of ESB's preparation for the transition to CSRD aligned reporting, during 2023, the scoping of ESB's double materiality assessment was completed with the full assessment expected to take place in 2024.

Risk Report

Approach to Risk Management

The effective management of principal risks and uncertainties supports the development and implementation of ESB's strategy while protecting the interests of its stakeholders and stockholders.

ESB is exposed to a number of risks and opportunities which could have a material impact on its performance and long-term development. The effective identification, management and mitigation of these risks and opportunities is a core focus of ESB Group.

How ESB Manages Risk

The Board has overall responsibility and accountability for risk management and internal control. The current UK Corporate Governance Code 2018 (the UK Code) (Clauses 28, 29 and 31) and related guidance sets out the Board's responsibility for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Code of Practice for the Governance of State Bodies (the State Code) (Section 7.2) also refers to the Board's oversight of risk management including the requirement to *"approve the risk management plan and risk register at least annually"*. The Board must also ensure that an appropriate culture has been embedded throughout the organisation to ensure that risks are assessed and managed effectively.

The Board ensures that the Group's risk exposure is proportional to the pursuit of its strategic objectives and creation of longer-term stockholder value. It has adopted a Risk Management Policy to support its oversight of risk throughout the Group.

The Board delegates responsibility for oversight of its principal and emerging risks to Board Committees in accordance with the Committees' Terms of Reference and their respective areas of expertise. The Committee Chairs report to the full Board on key developments and matters requiring further discussion and consideration. The Audit and Risk Committee has overall responsibility for ensuring that enterprise risks and opportunities are properly identified, assessed, reported and controlled on behalf of the Board.

The Audit and Risk Committee advises the Board on its consideration of the overall risk appetite, risk tolerance and risk strategy of the Group.

The details of the activities undertaken by the Board and the Audit and Risk Committee during 2023 in respect of their risk responsibilities are outlined on page 142.

ESB's approach combines a top-down strategic assessment of risk and risk appetite, which takes account of the external business environment and any changes to the business model, along with a bottom-up identification and reporting process arising from a review and assessment of business unit operational risk registers.

ESB's risk management approach is dynamic. ESB regularly and proactively manages risks in a fast-changing business environment, updating and continuously improving risk information to support decision making at all levels. Business environment developments summarised on page 19 provide a backdrop for identifying and assessing risks and has an influence on risk appetite.

Risk Oversight Activities during 2023

In early 2023, the Audit and Risk Committee reviewed and recommended to the Board the Group Risk Plan for 2023 which set out the principal and emerging risks facing the Group, including the controls and mitigating actions proposed to manage the risks over 2023.

The Group Risk Plan also included a comprehensive work plan for the Committee detailing its risk oversight activities for the year. In addition, to facilitate the Committee in remaining up to date with movements in the risk landscape that are relevant to ESB, a range of additional publications and papers on key risk topics were provided to the Committee over the year. The Committee's annual risk deep dive session focused on fraud risk and included consideration on the impact on corporate reputation. Internal and external speakers brought details on fraud trends to the Committee.

The Audit and Risk Committee and Board approved the revised ESB Risk Management Policy early in 2023. This policy is a concise formal acknowledgement of the commitment of the organisation to the effective management of risk. A comprehensive Mid-Year Risk Review was undertaken, reviewed and approved by the Audit and Risk Committee and Board and the Group Risk Plan for 2023 updated accordingly. The Audit and Risk Committee was provided with quarterly reports which considered the status and impact of implementing the identified controls and mitigating actions which provided assurance to the Committee of a robust risk management process. During 2023, ESB identified and reported on a range of key performance indicators for the Committee to aid them in monitoring the efficiency and effectiveness of their risk oversight activities and responsibilities.

ESB also identifies and seeks to mitigate a range of High Impact Low Probability (HILP) risks relevant to the Group. HILPs are a class of risks with the potential to cause long-term, catastrophic damage to the business. A full review of HILPs is normally completed on a biennial cycle. However at the request of the Audit and Risk Committee, in light of developments and potential developments in ESB's risk environment, an additional review was undertaken in September 2023 in order to identify any changes to the overall risk outlook.

Group Risk, Group Internal Audit, Group Finance and a number of other key second line functions met regularly during the year in relation to internal control and risk management matters. This ensures alignment between the functions, better information-sharing and opportunities to identify areas for improvement in the overall internal control framework.

Under the State Code and ESB's own Risk Management Policy, ESB is required to conduct periodic external reviews of the effectiveness of its Enterprise Risk Management (ERM) framework and processes. The last external review took place in 2021 and implementation of actions arising has progressed during 2023.

Risk Report (continued)

Risk Culture

The Board is ultimately responsible and accountable for setting the tone at the top of the organisation. ESB's risk culture determines the way in which employees identify, understand, discuss and act on the risks they take and are faced with on a daily basis.

To enhance risk awareness, ESB's values continue to be a focus for discussions with all employees to ensure there is a clear and consistent understanding of ways of working. To support the embedding of risk culture, ESB has adopted policies (such as ESB's Code of Ethics, "Our Code") which facilitate and encourage an environment where people can feel comfortable raising issues and where management treat concerns seriously, professionally and in accordance with legal obligations that apply under the Protected Disclosures Act, 2014.

Decision making is supported by having clear authority levels, conducting risk analysis as part of business/project planning and detailing the consideration of the alignment between investments and ESB's risk appetite for all Board approved submissions. Specific training is provided for high-risk activities including health, safety and wellbeing, cyber risk awareness, network operations, sustainability, data privacy and energy trading activities. This approach has ensured that risks and uncertainties are highlighted at an early stage so that prompt action can be taken to minimise any impact they might have on employees and other stakeholders.

Risk Appetite

ESB's Risk Appetite Framework is focused on setting the risk appetite at the Group level across the major sources of risk faced by ESB in the delivery of its purpose and strategic objectives (i.e. ESB's Risk Universe) and provides the basis for communicating risk appetite down through the organisation.

Risk appetite guides the annual business planning process by defining the desired forward-looking risk profile of the Group in achieving strategic objectives. It is embedded in day-to-day risk management decisions through the use of risk tolerances and limits for material risk types (e.g. energy trading and treasury operations).

This ensures the risk profile remains aligned with risk appetite by balancing risk and returns.

The Group Risk Appetite Statement is approved by the Board on the advice of the Audit and Risk Committee. ESB's strategy is consistent with the Risk Appetite Statement approved by the Board. The principal risks continued to be monitored by reference to the approved Risk Appetite Statement throughout 2023.

ESB's risk appetite, as approved by the Board, is aligned with, and informed by, ESB's Net Zero by 2040 Strategy. The Risk Appetite Statement reflects ESB's appetite for risk under each of the six risk categories identified under ESB's Risk Universe – 1. Strategic, 2. Financial, 3. Environment, Social and Governance (ESG)/Climate, 4. Culture, People-Related and Safety, 5. Compliance, and 6. Operational and Technology.

Group Principal Risks in 2023

The Group principal risks for 2023 are set out on page 30. These risks are considered material to understanding how ESB creates value. A number of principal risks remained constant over 2023. Other principal risks changed during the year as part of a robust mid-year risk review process, in conjunction with the relevant oversight committees. They have been developed having taken into consideration ESB's strategy, external market developments, legal and regulatory matters and augmented by a 'bottom-up' review of operational risk registers. Emerging risks are also included insofar as possible.

The Group Risk Plan for 2023 was designed to ensure that:

- specific consideration has been given to the risk of not achieving ESB's strategic objectives
- risks have been properly identified and assessed on a bottom-up basis by the businesses and key functions and also adequately challenged and reviewed on a top-down basis by Group Risk, the Risk Management Committee and the Executive Committee Risk Forum. Risks have also been challenged and reviewed by the Audit and Risk Committee and Board

- risks and risk appetite have been aligned
- appropriate controls and risk mitigations to reduce the probability of risks emerging and recovery mechanisms to reduce the impact of an event are in place
- emerging risk developments over time are being tracked
- management preparedness to manage risk is understood
- responsibility for risk is allocated to ensure accountability
- a communications plan is in place to brief the Board and the relevant sub-committees on key risk topics throughout the year

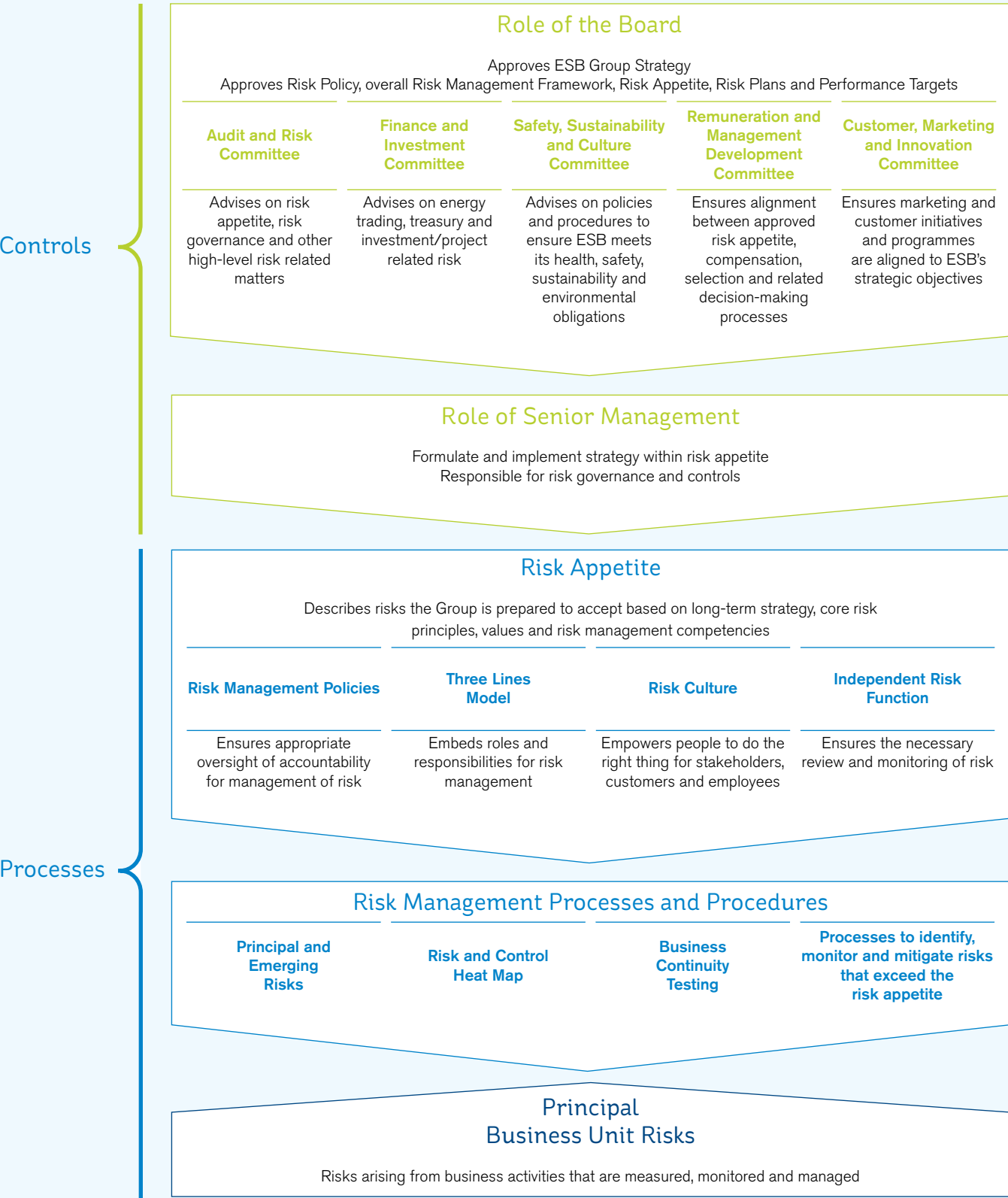
Group Emerging Risks

The Risk Management Framework enables the Group to identify, analyse and manage emerging risks to help identify potential exposures as soon as possible. This is managed as part of the same process that identifies the principal risks. These are reviewed in conjunction with principal risks.

Business Continuity

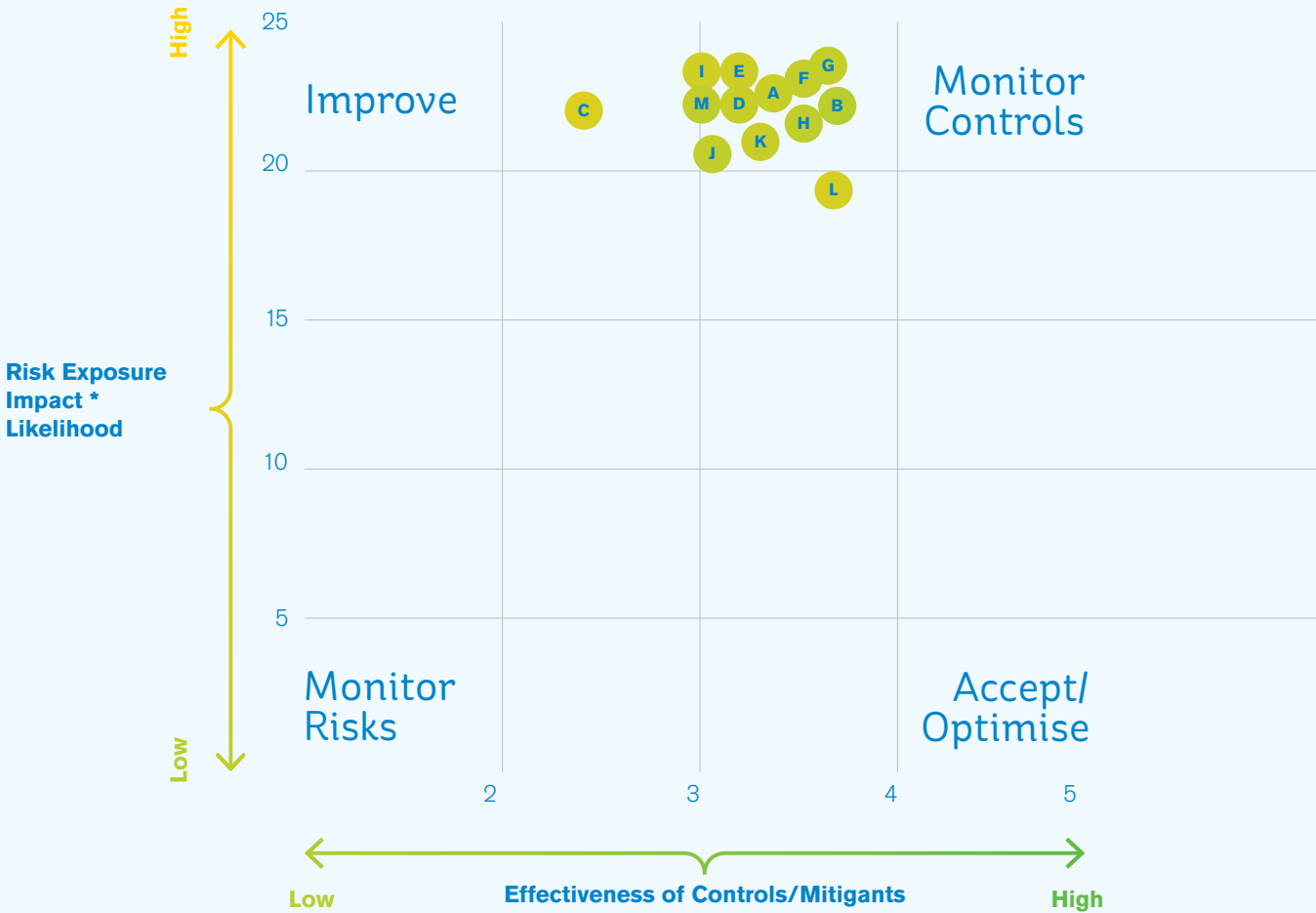
ESB is responsible for the provision of critical infrastructure and disruptions to certain services and operations are potentially damaging to the economy, to society and to ESB's business. ESB has in place a robust set of business continuity plans and processes to ensure that ESB's response is well managed and executed. A number of these plans are exercised as part of an annual test plan, based on scenarios that could adversely impact ESB and assess the degree to which these risks can be mitigated. Results and lessons learned arising from the annual review and testing programme are reported to the Audit and Risk Committee.

Risk Management Framework





Risk and Control Heat Map



- A. Financial Strength and Unfavourable Macroeconomic and Financial Environment
- B. System Outage/Cyberattack/Data Leakage
- C. Compliance (Laws, Regulations, Licence)
- D. Climate Transition
- E. Delivery of Complex Network Infrastructures and Systems
- F. Security of Supply
- G. Energy Market and Supply Chain Disruption
- H. Energy Affordability
- I. Delivery of Renewable Pipeline, including Project Quality Management
- J. Resourcing/Capability
- K. Climate Change Physical and/or Major Environmental Incidents
- L. Health, Safety and Wellbeing
- M. Brand, Customer Satisfaction, Reputation, Stakeholder Trust

Strategic Objectives (SO)



Decarbonised Electricity



Resilient Infrastructure



Empowered Customers

Foundational Capabilities (FC)



Our People



Digital & Data Driven



Financial Strength



Sustainable & Socially Responsible

Principal Risks

The principal risks and opportunities that have the potential to impact the Group's strategic objectives are set out below, together with an indication of the current strategic objective(s) to which they relate, any change in the risk climate during the year, who is responsible for monitoring the risk, the principal mitigations, developments in relation to the risk during 2023 and the areas of focus for 2024. The risks are not listed in order of importance or priority.

A. Financial Strength and Unfavourable Macroeconomic and Financial Environment



Risk Climate

What is the risk?

Failing to maintain ESB's financial strength and liquidity, due to under delivery of required performance, including Environmental, Social and Governance (ESG), low investment returns, and growing capital intensity or negative developments in the external macroeconomic and financial landscape (e.g. recession, sustained inflation and high interest rates, geopolitical tensions)

Risk drivers

- The failure to deliver the CapEx and OpEx within the regulatory allowances
- The failure to deliver Group performance improvement targets
- Continued volatility in wider energy markets impacting on margins
- Increase in the competitive environment in supply businesses in Ireland and GB
- Failure to secure an adequate renewable development project pipeline (with acceptable risk/return profile)
- Reputational ESG perspective and the potential to limit ESB access to funds
- Rising interest rates stemming from monetary policy or increasing risk premiums on sovereign or ESB debt
- Inflation increases ESB cost levels faster than can be reclaimed under regulatory price indexing or in competitive markets

Mitigations

To prevent the risk materialising:

- Implement appropriate hedging strategies to safeguard the business
- Ensure that a robust trading and risk management framework is in place
- Continue thorough and comprehensive monitoring of market developments for low-carbon generation acquisition opportunities
- Continue ongoing engagement with policy makers, regulators, investors and others
- Proactive engagement with relevant stakeholders and Government
- Dedicated ESG programme in place
- Ensure stress testing of working capital facilities, ensuring ESB can absorb higher prices and taking on a large supplier's customer base
- Building flexibility into ESB's cost base and capital expenditure programme with continued focus on performance improvement

If the risk materialises:

- Defer/reduce planned capital expenditure, if needed
- Implement financial flexibility measures to re-position capital in more attractive investment opportunities
- Implement cost reduction programmes to restore competitiveness, if required
- Consider alternative funding and financial partnership options to deliver capital intensive projects (as required)
- Implement regular strategic reviews taking macroeconomic climate into account; respond strategically and operationally as required
- Continue to regularly inform policy makers of best options

Developments in 2023

- Market volatility reduced compared to 2022, however, the market outlook remains uncertain
- Interest rate policy saw rates increase and for longer periods than first predicted while inflationary pressure and supply chain challenges remained
- 2023 saw increased capital investment ambition realised as part of the delivery of the net zero strategy
- A five-year business plan that supports delivery of ESB's strategy, while maintaining financial strength, was approved

Oversight: Finance and Investment Committee and Audit and Risk Committee

2024 Area of Focus

- Performance improvement and flexibility in ESB's cost base
- Continued access to funding and liquidity
- Investment returns and robust Investment Framework
- Monitor market/government interventions
- ESG performance/reporting requirements

Risk Report (continued)

B. System Outage/Cyberattack/  
Data Leakage



Risk  
Climate



What is the risk?

Extended outage of critical IT/OT systems arising from non-malicious infrastructure failures or successful cyberattacks and/or significant data leakage

Risk drivers

- Successful cyberattack, including ransomware or phishing attack
- Malicious or non-malicious breach of personal or commercially sensitive data
- Hardware issue, software error or networking failure, resulting in failure of IT or OT infrastructure/systems affecting critical business processes
- Inadequate process and controls in place to manage the IT/OT risks appropriately across ESB (internal and with 3rd party providers)
- Increased threats due to hybrid working

Mitigations

To prevent the risk materialising:

- Cyber policies, strategy and governance model in place and continued development of cyber IT/OT operating model
- The cyber operating model in place to manage the first line and second line of defence for IT and OT
- Data protection policies and operating model in place across the organisation
- Implementation of Cyber 2024 Project
- Regular testing (including simulation exercises) of Critical Response Plans to test the organisation's readiness
- Integrated Enterprise Security Council implemented - integrated governance of cyber, physical assets and personnel across IT and OT assets and sites

If the risk materialises:

- Crisis Management and Business Continuity Plans are in place
- Cyber Incident Response and Disaster Recovery Plans have been developed
- Breach management process, including trend and root cause analysis, in place for data protection incidents
- ESB continues to strengthen cyber IT and OT response and recovery capability, including developing responses to new threats
- IT Incident Management Process is now in place including incident review and lessons learned
- Continue to strengthen relationship with the National Cyber Security Centre

Developments in 2023

- Cyber project deliveries/ implementations
- Roles filled/positions added to CISO (Chief Information Security Officer) team
- Security Council meetings are operational
- Cybersecurity maturity assessment in progress and expected to close Q1 2024
- Cybersecurity campaign for awareness and training programmes. Awareness of phishing threat has increased
- NIS Directive Regulation (the directive on security of network and information systems) compliance progress
- Management of incidents continued in line with procedures/timelines
- Lessons learned exercise completed/enhancements made as a result of learnings

Oversight: Audit and Risk  
Committee

2024 Area of Focus

- Continue to meet requirements to be compliant with the NIS Directive Regulation
- Continue to enhance awareness and training programme, building on success of 2023
- Cybersecurity maturity assessments planned to be completed early 2024
- Cybercrime is expected to continue to become more sophisticated. 2024 will likely see supply chain and third-party risk management becoming ever more prominent as has been seen in the last two quarters of 2023. Generative AI and the threats and opportunities it poses is expected to be an area of focus

Strategic Objectives (SO)

Foundational Capabilities (FC)



C. Compliance (Laws,  
Regulations, Licence)



Risk  
Climate



What is the risk?

Failure to comply with applicable legal and governance obligations whether imposed by law, regulation or licence

Risk drivers

- Increasing levels of legal obligations - volume, complexity, and interconnectivity
- Increasing expectations regarding compliance standards by regulatory authorities
- Policy framework fails to keep up with the pace of change
- Human factors leading to inadvertent breach of regulations
- Compliance fatigue increases likelihood of governance failure
- Inadequate competence due to lack of training and awareness of obligations
- Potential failure of ageing assets (process, workplace, tools and plant and equipment)

Mitigations

To prevent the risk materialising:

- A separate Compliance Function established and resourced appropriately
- The framework for Group policies will be enhanced and supported by the Compliance Function
- Continued and ongoing engagement with relevant external stakeholders, including regulatory authorities
- Confidential reporting mechanisms and investigation procedures in place within the organisation
- Our Code and Our Values, together with ESB's Anti-Bribery, Corruption and Fraud Policy, describe the type of behaviours that are acceptable and those that are not

If the risk materialises:

- Regulatory Inspections Manual in place, investigation teams identified
- Ongoing monitoring of reportable incidents to identify patterns that may signify an underlying issue or exposure
- Formal investigation of any breaches, including a lessons learned review
- Engagement with relevant external stakeholders, including regulatory authorities
- Incident management and response procedure in place
- Business continuity processes in place
- Lessons learned and shared after any incident

Developments in 2023

- External scrutiny and monitoring in this area has continued to increase
- Internal awareness and monitoring of governance, compliance and control matters has increased
- Core to mitigating this risk is successful delivery of the Governance, Risk, Compliance (GRC) programme which has been progressing through 2023
- Sustainability, Transformation and Enablement Programme (STEP) continues to develop ESG capability
- Investigation Manager hired within Group Internal Audit

Oversight: Board

2024 Area of Focus

- Growing scrutiny and increasing external requirements and expectations in this area are likely to continue
- ESB to continue to evolve and strengthen its compliance arrangements to ensure they are sufficiently robust to meet current and emerging obligations
- Continue to monitor this area with a view to ensuring ESB continues to meet its legal and governance obligations, engaging with stakeholders as appropriate
- Rollout of a number of GRC programme deliverables and associated policies



Risk Report (continued)

D. Climate Transition



Risk  
Climate



What is the risk?

Failure to meet ESB's sustainability targets per ESB's Net Zero by 2040 Strategy or to inform or respond to climate change policies and/or capture opportunities and manage challenges presented by those policies, resulting in reduced performance along with growing public, customer and investor concerns and negative impact on the environment

Risk drivers

- Failure to achieve early market position due to lack of appropriate regulatory or policy regime change/clarity
- Lack of progress in implementing the Irish Government's Climate Action Plan
- Adverse external decisions (regulatory, economic, financial, environmental) that negatively impact market rules
- Failure to track and monitor changes in EU and national legislation, regulation in response to climate change
- General planning and legal issues can delay the delivery of necessary low-carbon infrastructure
- Additional thermal generation in the portfolio due to security of supply concerns

Mitigations

To prevent the risk materialising:

- Keep up to date with EU and national policy, regulatory and legislation developments
- Maintain a stakeholder engagement plan with policymakers and regulatory authorities
- Maintain the Group list of climate risks and opportunities and regularly review and track indicators
- Maintain strong strategic intelligence through external information sources
- Seek to lead or at least be heavily involved in the conversation on the net-zero power system

If the risk materialises:

- Reassess and improve ESB's scanning of the external business and policy environment
- Critically assess success or lack of progress on key strategic objectives
- React swiftly to decisions negative to ESB. Inform policy makers of best available options
- Reassess progress on digital and seek to expedite key initiatives
- Seek to be a class leader in community engagement and successful project permitting

Developments in 2023

- Climate action has seen challenges throughout 2023. The buildout of offshore wind from the first Offshore Renewable Electricity Support Scheme (ORESS) auction and the second ORESS auction has been delayed compared to what was expected. The third RESS auction cleared lower volumes than had been expected
- Climate Action Plan delivery has slowed and progress on key policy issues such as hybrids has been slow
- There are some positives in that EV sales make up close to 20% of car sales this year and the majority of new houses now install heat pumps
- There has also been progress on retrofit finance. However, resource capability to complete work within the sector remains tight
- ESB continued to monitor industry and peer developments nationally and internationally

Oversight: Audit and Risk Committee

2024 Area of Focus

- The focus needs to remain on policy implementation in 2024
- 2024 will see a continuation of the core measures monitored in 2023
- Continue monitoring of the Climate Action Plan and Northern Ireland's energy strategy
- Continue work to identify ESB's own pathway to net-zero emissions

Strategic Objectives (SO)



Foundational Capabilities (FC)



E. Delivery of Complex Network Infrastructures and Systems



Risk  
Climate



What is the risk?

Failing to deliver the growing and increasingly complex network infrastructures and systems required to meet future customer and societal needs of accommodating more renewables, supporting wholesale electrification and distributed energy services

Risk drivers

- Lack of available resources and capability needed to plan and deliver required works
- Requirement for meeting Enduring Connections Policy (ECP) deadlines for grid connection offers as well as accelerated delivery of grid connections as a result of the RESS auctions
- A possible lack of capacity on the low-voltage network to accommodate the large scale up-take of wholesale electrification
- Increasing lead times on materials/supply chain
- Security of supply preventing Transmission System Operator (TSO) and Distribution System Operator (DSO) allowing outages to deliver works
- Not implementing the right systems and processes to efficiently deliver major projects and engineering solutions
- Shortage of skilled workers
- Difficulty obtaining planned outages to facilitate work

Mitigations

To prevent the risk materialising:

- Integrated Business Planning, which informs the Strategic Resource Plan and succession planning
- Contractor Strategy and Procurement Strategy
- Implementation of ESB Project Management Methodology to efficiently deliver all major projects
- Stakeholder management plans prepared with early local and national interaction with key stakeholders
- Low voltage (LV) system development – proactive management of the LV network to ensure ready for wholesale electrification
- The National Network, Local Connections (NNLC) programme has been established to deliver the capabilities needed in ESB Networks (people, processes and systems) to fundamentally change how the electricity distribution system is developed and managed

If the risk materialises:

- Short term redeployment of resources to critical roles and projects
- Review options for short term resourcing
- Stakeholder engagement
- Extension of procurement frameworks and advance purchasing
- Critical incident management procedures and incident investigation procedures for any safety or environmental issues

Developments in 2023

- Continued inflationary pressure and geopolitical instability impacted upon trade flows and caused supply chain disruption especially for key materials and components
- Security of supply has been identified as a risk in recent system operator forecasts and will likely continue into 2024
- The risk of outages has remained amid systemic generation capacity issues and seasonal factors
- The ambition to deliver the Net Zero Strategy by 2040 has seen increased investment on network infrastructure and resilience in addition to facilitating connections throughout the year
- Procurement and supply chain constraints were present throughout the year

Oversight: Audit and Risk Committee

2024 Area of Focus

- The growing and strong demand for network infrastructure and systems will continue
- ESB will continue to proactively monitor and manage developments throughout 2024
- Focus areas will include obtaining the necessary transmission outages and continued stakeholder engagement

Risk Report (continued)

F. Security of Supply



Risk  
Climate



What is the risk?

Electricity generation capacity shortfall and/or fuel supply issues leading to potential demand management measures and negative impact on ESB's reputation

Risk drivers

- Insufficient generation capacity on the transmission system to meet the forecasted peak demand
- Increased demand due to:
  - Organic economic growth in a post-COVID-19 environment
  - Addition of new data centres to the system
  - Ongoing electrification of transport/heat
- Potential lack of firm generation capacity in the market – particularly at times of low wind and low interconnection availability
- Distribution system response to an emergency event does not proceed per plan
- Possible insufficient gas available on the island of Ireland

Mitigations

To prevent the risk materialising:

- DSO Load Shedding Plan as approved by Commission for Regulation of Utilities (CRU)
- Engagement by ESB Networks with large distribution connected customers (transmission connected customers by the TSO) and critical infrastructure customers e.g. HSE, Irish Water, Irish Rail
- Mandatory demand curtailment methodology applied to customers
- Engagement with stakeholders
- Familiarisation and implementation of the mitigations within the Severe Weather Response Plan
- Continued use of ESB's Project Management System to manage outage duration(s)
- CRU Security of Supply Programme of Actions, including temporary emergency generation and ESB Networks' "Beat the Peak" initiative

If the risk materialises:

- Clear, prompt and effective stakeholder communications
- ESB Networks' Emergency Response Plan implemented
- Joint communications plan agreed with TSO implemented
- Measures under the Severe Weather Response Plan implemented
- Root cause analysis to identify learnings/opportunities for improvement

Developments in 2023

- Demand has increased, the system has tightened during 2023 and the latest forecast issued by the system operator has restated the heightened security of supply risk that will continue into 2024
- Positive outcomes in trade bids, Temporary Emergency Generation (TEG) installations in line with arrangements with EirGrid, battery installations and flexible services
- TEG projects have advanced over the year with four units delivered in Q1 and Q3
- A series of exercises conducted to refine emergency response processes internally along with collaborative efforts with external entities to strengthen preparedness
- Availability reduced over the year to optimise availability in winter

Oversight: Audit and Risk Committee

2024 Area of Focus

- Continued engagement with transmission system operators in ROI and NI
- Continued focus on the severe weather response plan and winter readiness planning
- Continued focus on Long-Term Asset Planning, investments and performance drivers
- Continue with work on TEG and ESB Networks' Beat the Peak Plan

Strategic Objectives (SO)



Foundational Capabilities (FC)



G. Energy Market and Supply Chain Disruption



Risk  
Climate



What is the risk?

Continued volatility in, and disruptions to, energy markets and other elements of global supply chains negatively impact ESB financial performance and ability to deliver ESB's strategic objectives

Risk drivers

- Increased wholesale electricity costs – due to increases in commodity (gas/carbon) prices as a result of the Russia/Ukraine war
- Political instability in the Middle East (e.g. attacks on shipping in the Red Sea) could compromise gas supplies and other elements of ESB's supply chain
- Increases in manufacturing/product costs driven by supply/demand pressures and increases in energy costs
- Regulatory action and intervention
- Suppliers becoming financially distressed or failing
- Increases in carbon prices driven in the main by increased coal thermal generation across Europe
- Increases in general manufacturing and product costs driven by supply/demand pressures and increases in energy costs associated with raw material production, manufacturing costs and distribution
- Regionalisation and onshoring policies e.g. the US Inflation Reduction Act

Mitigations

To prevent the risk materialising:

- Consideration to more frequent price changes, ultimately moving to more dynamic pricing model once systems/process allow
- Proactive regulatory, political, customer and media engagement during the period of market volatility
- Continued and enhanced levels of monitoring of supply chain disruptions/forecasts
- Appropriate approved hedging strategies to reduce the impact of volatility
- Advance ordering and increased stock levels for recurring and critical items of equipment and consumables

If the risk materialises:

- Defer/reduce planned investment if required
- Explore benefits and ability to utilise partnership models and/or acquisitions
- Adhere to ESB Treasury and ESB Trading hedging strategies
- Advance awarding of contracts or parts of contracts as committed volumes in order to secure production slots and/or constrained contractor resources
- Make provision for and identify alternate sources of supply for all business critical and strategically important frameworks

Developments in 2023

- Energy market volatility remained high throughout 2023 but price levels did not reach the peaks experienced in 2022
- As the year progressed, wholesale energy prices decreased slowly, which resulted in price drops by many suppliers, resulting in a return to moderate levels of switching in the market
- ESB Trading strategies and control measures continued to perform well in 2023 ensuring exposure was managed effectively
- Supply chain remained uncertain with high prices and extended lead times due to the continued impact of the Russia/Ukraine war, on-going geopolitical tensions, high rates of inflation, and uncertain energy prices

Oversight: Audit and Risk Committee

2024 Area of Focus




- The ongoing monitoring of business critical and strategically important suppliers and contractors
- Advance ordering of key items of equipment and consumables
- Continued focus on trading position to manage price and financial volatility
- Credit requirements and liquidity will continue to be an area of focus
- Markets expected to remain sensitive to capacity and geo-political issues such as instability in the Middle East (e.g. attacks on shipping in the Red Sea) and threats to gas supplies and other elements of ESB's supply chain







Risk Report (continued)

H. Energy Affordability


SO



FC



Risk Climate



**What is the risk?**  
Increasing fuel and other costs and wider economic pressures negatively impact the affordability of ESB's products and services, impacting ESB's customers and giving rise to negative political or regulatory intervention

**Risk drivers**

- Cost of living crisis, energy price rises and high winter bills
- Energy prices remain very high for a prolonged period
- Potential Supplier of Last Resort implications e.g. suppliers exiting market could lead to new unhedged customers moving to ESB as Supplier of Last Resort
- Increased levels of fuel poverty and high prices may lead to sustained negative traditional and social media coverage
- Increased likelihood of businesses failing due to increased energy costs
- Increased political, social and regulatory concerns
- War in Ukraine accelerates the focus of EU countries on decarbonisation which increases global demand for scarce and critical networks electrical equipment

**Mitigations**  
**To prevent the risk materialising:**

- Measures in place to support customers
- Communications and stakeholder engagement plans in place
- Implementation of Government measures to assist with the high cost of energy
- ESB engages positively with market wide measures and returns profits above Government set caps
- Constant review to ensure resources allocated to manage the cost of energy crisis are sufficient

**If the risk materialises:**

- Stakeholder engagement plan in place

**Developments in 2023**

- Energy prices remained a cause for concern for customers over the course of 2023. Wholesale energy market prices, while still high compared to historical norms, have reduced compared to 2022 and as the year progressed suppliers were able to pass on those reductions to customers through moderate price reductions
- Government energy support schemes have been critical in supporting homes and businesses throughout 2023 and their re-introduction in part for the winter was welcomed by most
- Electric Ireland introduced a 10% price reduction in electricity and 12% in gas in Q4 for ROI residential customers (with further reductions in early 2024)

Oversight: Audit and Risk Committee

2024 Area of Focus

- Continued monitoring of the business environment, political climate and ESB/Electric Ireland supports
- Continued monitoring of Ireland's delivery of the Climate Action Plan
- Given the investment required by ESB to meet Ireland's decarbonisation targets along with increasing interest rates, the cost of funding will be a focus
- ESB will also continue to monitor and manage risks associated with geo-political instabilities/implications of the Middle East conflict, including potential impact on gas supply, price volatility, supply chain, energy and fuel price volatility and uncertainty in energy markets




1 Strategy and Performance

2 Corporate Governance





3 Financial Statements

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Strategic Objectives (SO)





Foundational Capabilities (FC)







I. Delivery of Renewable Pipeline, including Project Quality Management


SO



FC



Risk Climate



**What is the risk?**  
Failing to deliver the scale and manage the project quality of renewable generation assets required to meet market and societal needs and achieve strategic objectives

**Risk drivers**

- Failure to secure stakeholder/regulatory support for ESB's renewable generation strategy
- Growing competition from adjacent sectors (e.g. oil/gas)
- Selection of incorrect technology choices for renewable generation
- Failure to secure key contracts for project delivery
- An underdeveloped grid infrastructure to accommodate increase in renewables
- Growing prevalence of different business models incorporating joint ventures/partnerships
- Increased public resistance to infrastructure
- Potential for delays to enabling policies for offshore wind (e.g. seabed allocation)

**Mitigations**  
**To prevent the risk materialising:**

- Alignment of ESB strategic goals with Irish Government Climate Action Plan goals
- Stakeholder engagement to build support for ESB's renewable generation strategy
- Secure strategic technical resource/capability partners to complement ESB's capability and experience
- Carry out suitable and sufficient surveying, site investigations, wind monitoring, etc.
- Build and retain engineering and project management skills base
- Implement robust lessons learned transfer process from existing project to future opportunities

**If the risk materialises:**

- Explore benefits and ability for partnership models and/or acquisitions
- Review target markets to identify wider market investment opportunities
- Divest shareholding if needed and review current sites in terms of repowering/life extension

**Developments in 2023**








- Regulatory progress on RESS roll out in Ireland continues at a slow pace
- Generation and Trading renewables pipeline continues to grow strongly. A number of key partnerships (e.g. Coriolis (onshore wind), Harmony (solar), FuturEnergy Ireland (onshore wind) and Ørsted (offshore wind)) are helping to drive this
- The Neart na Gaoithe project progressed albeit commercial operations will be later than originally expected
- The portfolio of projects has evolved during 2023 with key work streams progressing
- Positive policy developments on hydrogen, security of supply and offshore wind
- ESB staff seconded into key roles on projects and also de-risking their respective areas of focus
- Work continued through the Community Outreach programme








Oversight: Audit and Risk Committee




2024 Area of Focus

- Engage relevant stakeholders in relation to achievement of ESB's pathway to net zero
- Continue to build ESB's development pipeline with a focus on bringing assets to market
- Continue to strongly build capability and capacity to ensure ESB can deliver on the pipeline of projects

Risk Report (continued)

J. Resourcing/Capability		SO						FC						Risk Climate	
															
<b>What is the risk?</b> Failing to secure the internal and external resourcing and capability required to deliver ESB's strategy															
<b>Risk drivers</b> <ul style="list-style-type: none"><li>Failure to attract and retain key capabilities specifically in engineering (e.g. renewables), IT, Sustainability/ESG and finance</li><li>Failure to continuously develop ESB's capability to keep abreast of changing business needs</li><li>Competition for resources due to external labour market at full employment and unprecedented pay escalation in certain areas that have been identified as "hot jobs"</li></ul>															
<b>Mitigations</b> To prevent the risk materialising: <ul style="list-style-type: none"><li>Maintain strategic focus on future workforce trends</li><li>Delivering people capability review initiatives and focusing on ESB's attraction and retention strategy</li><li>Appropriate resourcing model (total workforce) in place to ensure delivery of strategic intent</li><li>Embed the hybrid working model using positive experience of Smart Working and Team Charters</li><li>The use of contracting frameworks</li></ul> If the risk materialises: <ul style="list-style-type: none"><li>Define changing people/capability requirements and gain an understanding of changing market and industry trends</li><li>Utilise appropriate trends and metrics available</li><li>Monitor and move at a fast pace to keep up with changing talent needs</li><li>Continue to deliver flexible total workforce solutions</li><li>Short term redeployment of resources to key vacancies (based on skill sets from previous roles)</li></ul>															
<b>Developments in 2023</b> <ul style="list-style-type: none"><li>Increased resourcing and capability mix achieved to meet increased resourcing requirements (a net increase in headcount of over 800 as at 31 December 2023 compared to 31 December 2022)</li><li>Critical roles reviewed and succession solutions identified</li><li>ESB employee turnover is considered low relative to market benchmarks and new hire attrition is below national levels</li><li>Employee engagement score has increased compared to both the 2022 and 2021 outcome</li><li>ESB continued its Smart Working approach throughout 2023</li></ul>															
<b>Oversight: Audit and Risk Committee</b>  <b>2024 Area of Focus</b> <ul style="list-style-type: none"><li>There is a need to focus on and secure specific skill sets/expertise across a number of key areas for strategy delivery</li><li>Capability and leadership development at all levels will continue as a priority focus for 2024</li><li>Focus on delivery of commitment for 1,500 jobs over five years per ESB Networks' strategy</li><li>Against the backdrop of a tight labour market there is a focus on retaining the existing capability and expertise (not only new) inside the organisation</li></ul>															

Strategic Objectives (SO)			Foundational Capabilities (FC)				
 Decarbonised Electricity	 Resilient Infrastructure	 Empowered Customers	 Our People	 Digital & Data Driven	 Financial Strength	 Sustainable & Socially Responsible	

K. Climate Change Physical and/or Major Environmental Incidents		SO	FC	Risk Climate	
					

**What is the risk?**

Increasingly extreme and unpredictable weather patterns, and/or major environmental incidents (e.g. flooding, oil spill), impacting performance of ESB assets and societal energy security

**Risk drivers**

- The cumulative and individual risk of increased frequency of asset damage due to severe weather events such as high temperatures/drought, wildfires, flash flooding, ice storms, wind events, increased lightning strike frequency
- Increased cost of maintaining and repairing network assets due to shortened asset life
- Increased loss of electricity customer supply and reduced network reliability
- Plant and material specification changes to address impact on physical assets
- Changes in duration and timing of seasons
- Accelerated Government policy on climate action
- Impact of long-term sea-level rise on hydro generation

**Mitigations**

**To prevent the risk materialising:**

- Review of maintenance policies, standards and materials specifications to ensure assets are fit for purpose
- Accounting for climate impact on assets' operation and life
- Continue to explore flood risk profile assessment for high voltage stations
- Stakeholder engagements with relevant governmental and external bodies
- Least cost technically acceptable forecasting to ensure timely interventions are made to increase network capacity where required
- Designing resilience into assets, minimum design specifications e.g. building bigger overhead lines (bigger conductors and structures)

**If the risk materialises:**

- Ensure asset performance KPIs are managed and tracked
- Ensure policy alignment on how to manage impacts of climate risk on the network with internal and external stakeholders
- Deliver required asset repair and maintenance to improve network reliability
- Monitor network performance/resilience to protect against physical damage as a result of climate change
- Ensure increased strategic spares holding to respond to increased demand caused by replacement requirements

**Developments in 2023**

- Work undertaken throughout the organisation to understand the impact of climate change on physical assets
- Unusual weather patterns such as the particularly wet summer and increased storm frequency have shown the importance of preparation when mitigating against this risk
- The potential for unusual demand trends as a result of unpredictable weather has been reviewed

**Oversight: Audit and Risk Committee and Safety, Sustainability and Culture Committee**

**2024 Area of Focus**

- Continuation of work on resilience in response to projected impacts in affected areas of ESB
- Increased focus on physical and financial impact on assets, on resilience and on continuity of supply is key for 2024
- Climate risk assessments being led by the STEP programme across ESB which will support CSRD reporting requirements
- Continued focus on new business cases - ensuring climate and environmental impacts are considered



Risk Report (continued)

L. Health, Safety and Wellbeing



Risk Climate



What is the risk?

Serious harm to the safety, health or wellbeing of employees, contractors or the public resulting from ESB's operations

Risk drivers

- Inadequate policies and procedures
- Inadequate competence (training, knowledge and experience)
- Lack of compliance with standards and procedures
- Lack of maintenance (process and workplace, tools, plant and equipment)
- Lack of awareness, knowledge or due care and attention by a member of the public

Mitigations

To prevent the risk materialising:

- Adaptive leadership/open culture, risk assessments, safe systems of work including safety rules, supervision
- Contractor safety management processes
- Maintenance Management Systems, equipment inspection and certification, statutory inspections
- Assurance and audit process (external and internal)
- Critical incident management and response procedure and scenario testing

If the risk materialises:

- Critical incident management and response
- Crisis management process, pandemic response
- Business continuity processes and compliance frameworks in place
- Incident investigation standards, procedures including shared learning
- Occupational health and wellbeing services
- Monitoring, tracking and reporting of serious incident action completions

Developments in 2023

- Continued to develop Centres of Competence and their role in risk management
- Safety Management Systems continue to provide operational control of risk across ESB
- Safety response plans were introduced in response to recent incident patterns to mitigate their impact
- Mental health first aid training continued

Oversight: Safety, Sustainability and Culture Committee

2024 Area of Focus

- Health and safety will continue to be a central focus in 2024 and the Group strives to embed a high-performance culture as part of ESB's strategy
- Maintain focus on safety and wellbeing, in particular the risks associated with human factors, asset integrity and systems of work
- ESB will maintain its focus on health risk areas while supporting employees during times of ill health or distress

Strategic Objectives (SO)



Decarbonised Electricity



Resilient Infrastructure



Empowered Customers



Our People



Digital & Data Driven



Financial Strength



Sustainable & Socially Responsible

Foundational Capabilities (FC)

M. Brand, Customer Satisfaction, Reputation, Stakeholder Trust



Risk Climate



What is the risk?

Damage to brand, customer satisfaction, reputation and stakeholder trust

Risk drivers

- Failure to understand and respond to stakeholder and customer expectations (relating to material issues) or to manage expectations (relating to issues that are outside of ESB's control)
- Failure to effectively manage communications with customers and stakeholders in a crisis
- Risk of damage to brand arising from significant energy price increases
- Failure to engage effectively with communities leading to national and local resistance to public infrastructure projects
- Failure to proactively engage with politicians, policymakers and other key stakeholders/inappropriate engagement with politicians on relevant issues
- Cost of living crisis, energy price rises and high winter bills driving up fuel poverty levels and business closures

Mitigations

To prevent the risk materialising:

- Energy Crisis Communications Group established to manage and coordinate ESB's external response to the energy crisis
- Stakeholder forum to coordinate and drive stakeholder engagement
- Media relations strategy in place. Press Office and support in place to proactively manage media relations
- Regular brand tracking, media monitoring and social listening tools in place to identify emerging issues
- Brand and sponsorship programmes in place to drive community support
- Constant review to ensure resources allocated to manage the cost of energy crisis across operations, trading and customer service are sufficient

If the risk materialises:

- Activate relevant emergency plans, storm action plans, crisis and stakeholder management/communications plans, as appropriate
- Supplement resources of Corporate Communications Team in a crisis situation, if required
- Timely, accurate response to issues with the fullest information possible
- Ensure response to any crisis is consistent with our purpose and values
- Post major event reviews and regular communication with stakeholders

Developments in 2023

- Pricing and profitability sensitivity - ESB managed a coordinated programme of public and stakeholder engagement and helped to inform and educate customers and stakeholders about the challenges facing the Group and the proactive steps ESB are taking for the good of society
- While Reptrak Pulse score is below target it has shown a positive trend from Q1 to Q4 2023
- Customer Satisfaction (CSAT) – Customer Focus Days were held resulting in the establishment of Customer Satisfaction Improvement Working Groups tasked with identifying actions to improve customer satisfaction along with a roadmap for implementation
- ESB Networks' satisfaction rating of National Customer Care Centre (ESATRAT) and the Brand Health Tracking (BHT) score were maintained above target in 2023
- There was continued focus on engagement on ESB's strategy
- ESB sponsorship of key events/ initiatives continued e.g. ESB Science Blast, Darkness into Light and the Brighter Future Arts Fund

Oversight: Customer, Marketing and Innovation Committee

2024 Area of Focus

- ESB will strive to further enhance its brand and reputation in 2024 through: continued investment in brand and sponsorship initiatives, leading the conversation about the transition to a low-carbon energy future and further developing excellence in stakeholder engagement
- External focus on energy pricing/ costs, security of supply in SEM and climate is likely to continue
- A proactive approach to climate and ESB deliverables is required





# Operating and Financial Review

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# Executive Committee

The Executive Committee focuses on the execution of the ESB strategy, technological and commercial developments, sustainability matters, financial and competitive performance, people development and organisational development.

The Executive Committee also has a role in overseeing business conduct matters across ESB including through the development of appropriate organisational structures and Group-wide policies (including ESB's Code of Ethics). The Chief Executive, the Deputy Chief Executive, the Executive Director, People and Sustainability, the Executive Director, Group Finance and Commercial, and the Company Secretary all have specific roles related to matters and policies pertaining to Enterprise Risk Management, internal control, people policies, sustainability, compliance, fraud, corruption and bribery, and general business conduct matters. All have experience in dealing with such matters as set out opposite and all are supported by further expertise in areas such as Enterprise Risk, Group Internal Audit, People and Sustainability, Finance, Governance, Legal, Compliance and Company Secretariat.

## Composition of Executive Committee (Gender)\*



## Length of tenure\*



\* Includes Managing Director, ESB Networks DAC



**Paddy Hayes**  
Chief Executive

**Appointed:** August 2021  
**Career experience:** Paddy Hayes was appointed Chief Executive in August 2021. Previous to this, Paddy was Managing Director of ESB Networks and Executive Director of ESB's Generation and Wholesale Markets business. A Fellow of the Institute of Engineers of Ireland, he holds a master's degree in engineering from University College Dublin (UCD) and an MBA from the University of Warwick. Paddy is also on the Board of Directors of EPRI, the Electric Power Research Institute, and is Chair of the Open Doors Initiative.



**Jim Dollard**  
Executive Director, Generation and Trading

**Appointed:** July 2013  
**Career experience:** Jim Dollard was appointed to the position of Executive Director, Generation and Trading in May 2018. Prior to this he held the position of Executive Director for Business Service Centre (BSC) and Electric Ireland for five years. An accountant, he began his career in ESB in 1992 and has held a number of senior management positions throughout the Group in both financial and managerial roles. Jim holds a B. Comm and a Master's in Business Studies from UCD.



**Marguerite Sayers**  
Deputy Chief Executive

**Appointed:** November 2014  
**Career experience:** Marguerite Sayers was appointed ESB Deputy Chief Executive in July 2022. Immediately prior to this, she held the role of Executive Director, Customer Solutions since 2018. She has worked in various technical and managerial positions in ESB for over 30 years, including Generation Manager, Head of Asset Management for ESB Networks and Managing Director of ESB Networks DAC. She has a degree in Electrical Engineering from University College Cork (UCC). She is a Chartered Engineer, a Fellow and Past President of Engineers Ireland, a Fellow of the Academy of Engineers, a member of the Board of Energy UK and a Governor of the Irish Times Trust.



**Pat Fenlon**  
Executive Director, Customer Solutions

**Appointed:** July 2016  
**Career experience:** Pat Fenlon was appointed Executive Director, Customer Solutions in September 2022. Prior to this, Pat held the role of Executive Director, Group Finance and Commercial. He previously held a number of senior financial and general management positions across ESB including General Manager of Electric Ireland, Corporate Change Manager and Group Finance and Commercial Manager. He is a fellow of Chartered Accountants Ireland and worked with PwC in Dublin before joining ESB in 1993.



**Geraldine Heavey**  
Executive Director, Enterprise Services

**Appointed:** June 2018  
**Career experience:** Geraldine Heavey was appointed to the position of Executive Director, Enterprise Services in June 2018. Prior to this she held the role of Group Finance and Commercial Manager. She has worked in various finance and managerial positions in ESB since 1993, including Financial Controller, BSC and Electric Ireland, Manager, ESB Trading and Financial Controller, ESB Power Generation. She is an accountant and holds a master's degree in Business Administration from Dublin City University (DCU). Geraldine is an external member of the DCU Educational Support Services DAC and chairs its Audit Committee.



**Paul Smith**  
Executive Director, Engineering and Major Projects

**Appointed:** January 2022  
**Career experience:** Paul Smith was appointed to the position of Executive Director, Engineering and Major Projects in January 2022. Prior to this Paul held a number of senior management roles in ESB including Manager of Generation Operations and, more recently, Head of Asset Development where he led the expansion of ESB's renewables portfolio in Ireland and the UK. He joined ESB in 1992 and holds a B.Eng. in Electrical and Electronics Engineering from Queen's University Belfast and an MBA from UCD Michael Smurfit Graduate Business School. He is a Council Member of the Irish Management Institute.



**Sinéad Kilkelly**  
Executive Director, People and Sustainability

**Appointed:** April 2022  
**Career experience:** Sinéad Kilkelly joined ESB in April 2022 as Executive Director, People and Sustainability. Prior to this, Sinéad was Chief People Officer with Bus Éireann, a position she held since 2018. Previously she held a number of senior leadership roles in Ireland and overseas including Vice President People Services at Etihad Aviation Group in Abu Dhabi, where her responsibility included leading major organisational change programmes. She also held senior HR roles in Ulster Bank and Intel Ireland. Sinéad has a B.Sc. (Management) and an MBA from Trinity College Dublin (TCD), is a Chartered Fellow with CIPD and a Board member of Self Help Africa.



**Paul Stapleton**  
Executive Director, Group Finance and Commercial

**Appointed:** October 2022  
**Career experience:** Paul Stapleton was appointed Executive Director, Group Finance and Commercial in October 2022. Prior to this, Paul was Managing Director of Northern Ireland Electricity (NIE) Networks, an independent subsidiary of ESB. He joined ESB in 1991 and has worked in various roles in finance and managerial positions across the Group including General Manager of Electric Ireland, ESB Group Treasurer and Financial Controller of ESB Networks. He is a member of the Chartered Institute of Management Accountants and an IOD (Institute of Directors) Chartered Director.



**Marie Sinnott**  
Company Secretary

**Appointed:** August 2019  
**Career experience:** Marie Sinnott is Group Company Secretary of ESB. Prior to her appointment in 2019, Marie was ESB's Group Head of Compliance and Enterprise Risk Management and previously held a number of senior management roles across the organisation. A UCD Commerce Graduate, she holds an M.Sc. in Economic Policy Studies from TCD and a Postgraduate Diploma in Corporate Governance from UCD Michael Smurfit Graduate Business School. Marie is a member of the DCU Governing Authority and a Director and Company Secretary of the board of the Institute of International & European Affairs.



**Nicholas Tarrant**  
Managing Director, ESB Networks DAC

**Appointed:** June 2018  
**Career experience:** Nicholas Tarrant was appointed Managing Director of ESB Networks in September 2021. Prior to this he held the positions of Executive Director, Engineering and Major Projects and Managing Director, NIE Networks. He has held a number of senior management positions including Generation Manager with responsibility for ESB's generation portfolio. He is a Chartered Engineer at the Institute of Engineers of Ireland, a Chartered Director and holds an M.Sc. (management) from TCD.

Note: The Managing Director, ESB Networks DAC is not a member of the Executive Committee but attends meetings as appropriate and subject at all times to compliance with relevant provisions of licences.

# Market Structure and Operating Environment

## 1. Market Structure

### 1.(a) Overview of the Electricity Markets Structure in the Republic of Ireland (ROI) and Northern Ireland (NI)

The electricity market in both ROI and NI can be categorised into four key segments: generation, transmission, distribution and supply. In ROI and NI, electricity generation and supply operate under full competition, while electricity transmission and distribution are subject to regulatory oversight as monopolies, with the respective regulatory authorities determining the permissible revenue for each price review period.

Energy policies are formulated by the Minister for the Environment, Climate, and Communications in ROI and the Department for the Economy in NI. These policies and the regulatory framework are influenced by European Union (EU) legislation. In ROI, the Commission for Regulation of Utilities (CRU) serves as the independent regulator for the energy market, while in NI, the Utility Regulator (UR) holds the role for overseeing the energy market.

#### Electricity Networks

The electricity transmission system comprises a high-voltage network designed for transporting large-scale electricity supplies at voltages of 110kV or higher. The electricity distribution system is responsible for delivering electricity to individual customers at voltages of 110kV or lower. In ROI, the transmission and distribution system network is owned by ESB, with EirGrid managing the transmission system network and ESB operating the electricity distribution system network. In NI, NIE Networks, which is owned by ESB, owns the electricity transmission and distribution system network, and oversees the electricity distribution system network. The System Operator for Northern Ireland (SONI) manages the transmission system network in NI.

#### Single Electricity Market (SEM/I-SEM)

The Integrated Single Electricity Market (I-SEM) functions as the wholesale electricity market covering both ROI and NI. Within the I-SEM market structure, there are various competitive markets, including the Day-Ahead, Intraday, and Balancing Markets (BM), as well as a competitive capacity remuneration mechanism. These arrangements are aligned with EU harmonised regulations for cross-border energy trading throughout Europe and adhere to EU State Aid Guidelines governing capacity remuneration.

The capacity remuneration mechanism in I-SEM involves an auction where power generators compete for capacity contracts. Additionally, it imposes reliability penalties on contract holders if they fail to deliver capacity when called upon. Generators primarily compete for Reliability Options on a four-year ahead basis (T-4), with additional adjustment auctions taking place on a one-year (T-1), two-year (T-2), and three-year (T-3) ahead basis as required.

#### Renewable Electricity Support Schemes

The Irish Government has in place a Renewable Electricity Support Scheme (RESS) and an Offshore Renewable Electricity Support Scheme (ORESS)

with the aim of achieving 80% renewable electricity by 2030 (similar targets have also been announced in the Climate Change Act for NI). Successful participants in the various RESS auctions will secure 15-year contracts.

#### Electricity Generation

The I-SEM generation capacity is approximately 16 GW and is connected to the system on an all-island basis. The capacity connected to the system includes a mix of older generation plants alongside modern gas fired Combined Cycle and Open Cycle Gas Turbine (CCGT/OCGT) plants and renewable energy sources such as hydro, wind and solar power. These stations generate electricity from fuels such as gas, coal and oil as well as indigenous resources including hydro, wind, solar and biomass. I-SEM has c.6 GW of wind installed, with plans to expand on both this and solar power as part of the aim to have up to 80% of electricity generation from renewable sources by 2030. Wind contributed approximately 36% of generation in 2023 (33% in 2022)<sup>1</sup>.

2023 also saw c.73% availability of baseload thermal generation in I-SEM. Gas was the primary fuel in the market, with coal generation dropping off due to reduced gas prices and significant interconnector imports.

#### Interconnection

For geographical reasons, the electricity transmission systems on the island of Ireland are isolated compared to systems in mainland Europe and Great Britain (GB). The Moyle Interconnector links the electricity grids of NI and Scotland. The East-West Interconnector (EWIC) links the electricity transmission system in ROI to the electricity transmission system in Wales. The total interconnection capacity with GB is approximately 1,000 MW. The Greenlink Interconnector, with a capacity of 500 MW, between Ireland and Wales is proposed to come online in 2024, while the Celtic Interconnector between Ireland and France with a capacity of 700 MW is due to be in operation by 2026.

In 2023, SEM was a net importer of electricity from GB as prices in GB were lower than SEM on average.

### 1.(b) Overview of the Electricity Markets Structure in Great Britain (GB)

In GB, electricity generation and supply are open to full competition. Electricity transmission and distribution are regulated monopolies in GB, with the Office of Gas and Electricity Markets (OFGEM) determining the allowed revenue for the price review period. Energy policies are set by the Secretary of State for Business, Energy and Industrial Strategy (BEIS). OFGEM is the regulator of the energy market in GB.

#### British Electricity Trading and Transmission Arrangement (BETTA)

BETTA is the wholesale electricity market operating in GB. Unlike I-SEM, trading can take place between generators and suppliers either bilaterally or through exchanges, and both physical and financial contracts can be struck to manage price volatility, for time scales ranging from several years ahead to intra-day trading markets. National Grid, acting as the Electricity System Operator (ESO), is responsible for balancing supply and demand in real time, by utilising the BM and other system services. BETTA operates a capacity remuneration scheme, where generators are awarded capacity contracts based on the outcome of an auction, that enable them to receive payments for the provision of generation capacity while also incurring penalties for non-delivery during scarcity events.

#### Contracts for Difference (CfD) Scheme

The main support mechanism for low-carbon technologies is through CfDs; awarded through competitive auctions (Allocation Rounds (AR)). The fifth round of allocation (AR5) results were announced in October 2023 with a total of 3.7 GW awarded. Solar received the largest capacity with 1.9 GW and a strike price of £47/MWh and onshore wind received almost 1.5 GW (strike price of £52.29/MWh). In contrast to 2022's AR4 where offshore capacity dominated the auction, no offshore bids were entered for 2023's AR5 due to the lower strike price. With the AR6 process already underway for 2024, the strike price for offshore (fixed bottom) will see a 55% increase, rising to £76/MWh.

#### Electricity Networks

In GB, the transmission network is owned by Scottish Hydro Electricity Transmission Limited (SHETL), Scottish Power Transmission (SPT) and National Grid Electricity Transmission (NGET). However, the entire transmission network is operated by one national electricity transmission system operator, the ESO. At distribution network level, the network is owned and operated by a number of regional distribution companies.

#### Interconnection

In addition to interconnection with Ireland, GB is interconnected with France, Belgium, the Netherlands, Norway and Denmark with the total GB import/export capacity at approximately 8,400 MW. Despite Brexit, a number of new interconnector projects are being planned, including further interconnections with France, Ireland and Norway, as well as new interconnections with Germany. The 1.4 GW Viking Interconnector completed testing in September 2023 and came into commercial operation at the end of December 2023 offering an initial capacity of 800 MW. Both National Grid and Energinet are working towards full capacity operation by the end of 2024.

## 2. Operating Environment

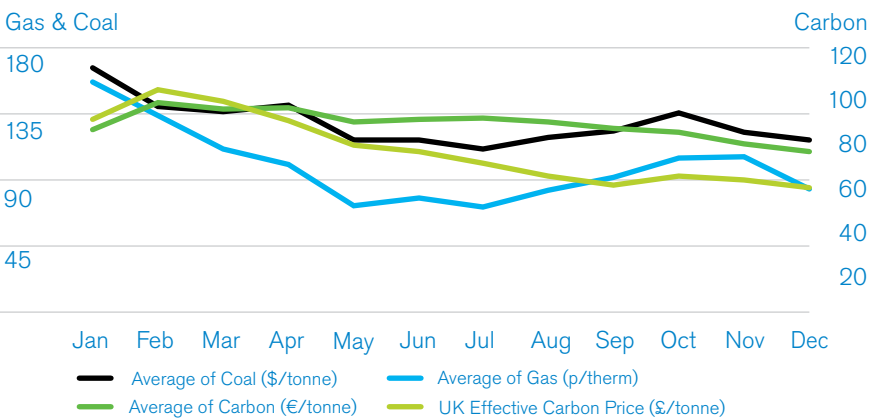
### 2.(a) Commodities - the Global Energy Markets

The cost of the underlying fuels used to generate electricity is critical to both commodity prices and energy markets overall and is driven by international markets which are discussed below.

#### Gas Prices

Gas prices started high but then reduced early in the year due to a combination of seasonally milder weather and lower demand in Europe. This also enabled storage to be filled earlier than in previous years. Planned strikes in LNG facilities in Australia led to concerns over supply and resulted in a rise in prices later in the year. Prices have been less volatile compared to previous years. Gas prices (monthly average of daily values) averaged 99p/therm, down from 201p/therm in 2022. The lowest monthly average price was 71p/therm in July, while the highest was 156p/therm in January.

Figure 1: 2023 Gas, Coal and Carbon Prices



1. Wind share of generation is defined as total wind generation as a percentage of positive metered generation and an estimated 2 TWhrs embedded generation.



Market Structure and Operating Environment (continued)

Coal Prices

Coal prices dropped off during the year, trending downwards with the gas prices, as concerns over gas supplies lessened. Prices averaged \$129/tonne, down from \$291/tonne in 2022. The lowest monthly average was \$111/tonne in July, while the highest monthly average was \$167/tonne in January.

Carbon Prices

Within the EU Emissions Trading Scheme (EU ETS), generators are required to buy carbon allowances for the carbon that they emit while generating electricity. Carbon prices were less volatile than gas and coal prices in 2023. The annual average carbon price for 2023 was €85/tonne, up from €81/tonne in 2022. The lowest monthly average was €73/tonne in December, while the highest monthly average was €95/tonne in February.

2.(b) Operating Environment - SEM

Market Interventions

In October 2022, the EU published regulations in relation to emergency intervention in the energy sector, with it being left at a national level to determine how this could be implemented. In November 2022, the Irish Government agreed a cap on all market revenues of non-gas electricity generators, comprising a cap of €120/MWh for wind, hydro and solar assets, the greater of €180/MWh or an allowable margin above the cost of production of €35/MWh for oil and coal fired generation, and €180/MWh for all other technologies. This cap was effective for the period from December 2022 until June 2023.

Figure 2: I-SEM Electricity Demand (GWh)

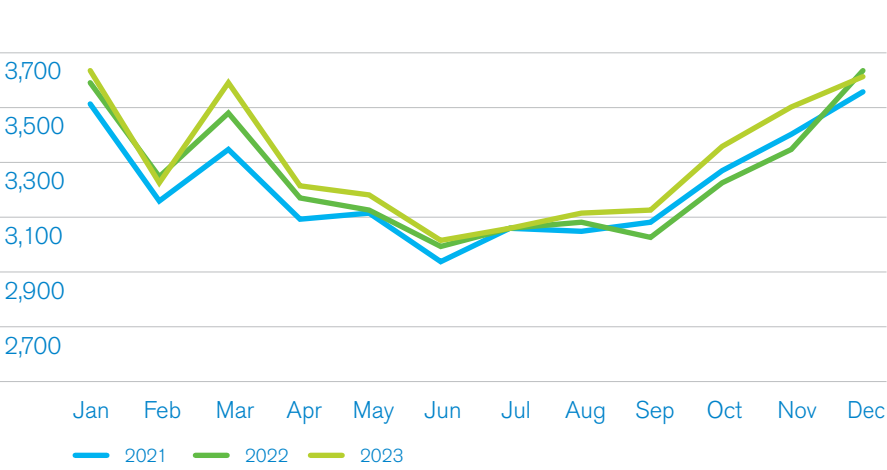
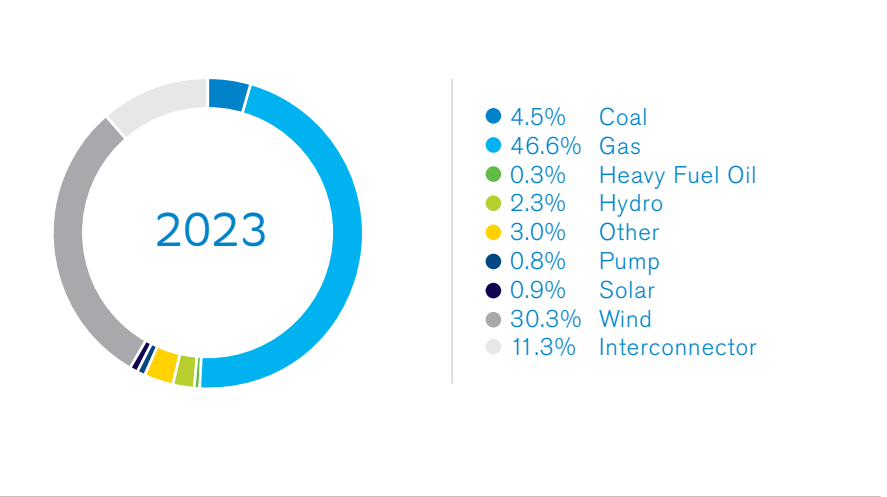


Figure 3: Electricity Generation in I-SEM by Fuel Type<sup>2</sup>



Security of Supply

Despite the increase in demand, there was an improvement in security of supply in 2023 with three system alerts issued, compared to eight in 2022. The primary reason for this was the large volumes of interconnector imports (compared to a net export in 2022) resulting in a reduction in SEM generation. Additional capacity in the form of temporary emergency generation is being commissioned to support security of supply, some of which came into operation before the end of 2023.

Demand

Demand was strong in 2023, with most months showing an increase in demand over 2022, with the largest increases in the final third of the year (Figure 2). Overall, demand in 2023 was 2% higher than in 2022.

I-SEM Wholesale Electricity Market

In 2023, 54% of metered generation (Figure 3) in I-SEM was met by fossil fuels. Wind generation increased to 30% of I-SEM volume in 2023, with generation

from gas plants dropping to 47% of the generation on the system. The electricity price has historically been closely linked to the wholesale gas price, and under I-SEM the Day-Ahead Market (DAM) price on average has not shown any notable change in this behaviour and is still fundamentally driven by the gas price, as can be seen from Figure 4, which shows how the monthly average DAM price has tracked gas prices across the year. However, on a day-by-day basis much greater variability between DAM price and gas price can be observed, depending on factors such as high wind and/or low demand.

Year on year, the DAM price has decreased by 46% to an average value of €122/MWh, from €226/MWh in 2022. This was primarily driven by a drop-off in commodity prices. The DAM price generally followed the prices in the gas market, with some deviations depending on the level of wind penetration during the month. The lowest monthly average DAM price was €89/MWh in December with a monthly average high of €162/MWh in January.

I-SEM Balancing Market (BM)

While volatility continued to be a feature of the BM in 2023, it is less obvious than in previous years. During individual half-hourly periods, prices reached a low of minus €235/MWh and high of over €544/MWh, compared to a low of minus €10/MWh and a high of €348/MWh in the DAM.

2.(c) GB Electricity Market and Prices

Market Interventions

The Electrical Generator Levy came into effect beginning 1 January 2023. This is a 45% charge on wholesale electricity sold when the average price is more than £75 per MWh. The levy only applies to groups generating electricity from nuclear, renewable and biomass resources that are not operating under a CfD.

Figure 4: Average of DAM (€/MWh) and Gas (p/therm)

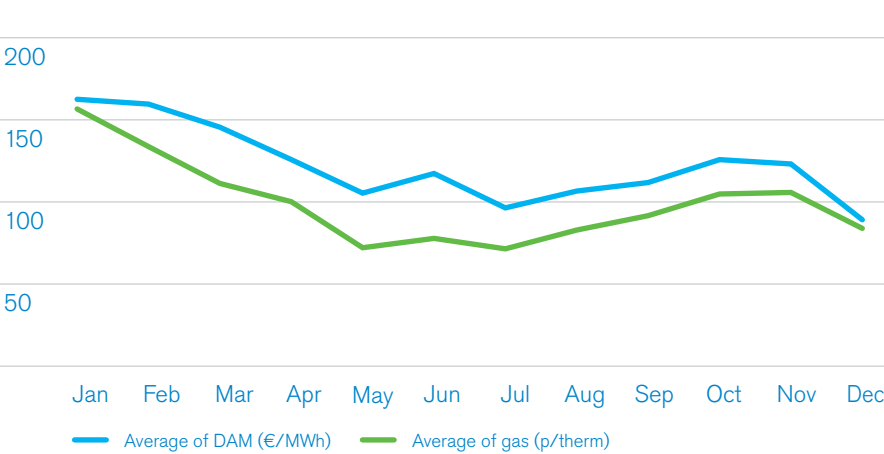
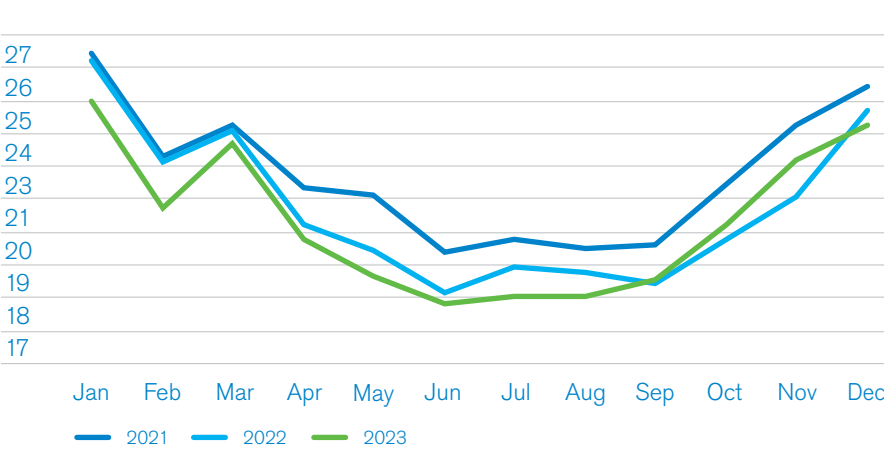


Figure 5: GB Electricity Demand (TWh)



Demand

Demand on the transmission system at market level in GB in 2023 was lower overall than in 2022, despite being higher in some months later in the year. The total annual demand was c.2% lower than 2022, and lower than any of the last three years. Figure 5 presents the 2023 GB electricity demand compared to the previous two years.

Generation Mix

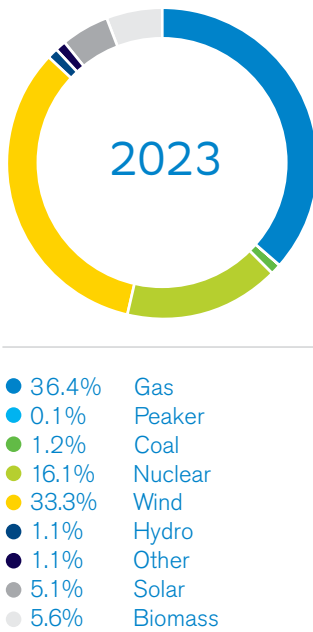
Figure 6 shows the GB generation mix in 2023, with over 38% of generation coming from wind and solar. Wind and solar generation output in 2023 has been higher than the previous two years. Total wind generation in 2023 was c.2% higher than 2022, while total solar generation increased by <1%.

2. Electricity generation in I-SEM by fuel type is defined as the percentage of generation by units in the market grouped by fuel type, including interconnectors as a distinct group. The 30% referenced in Figure 3 above is inclusive of interconnectors and SEM market participants only. The 36% referenced on page 48 is inclusive of both market and non-market wind generators and also 2 TWhrs of embedded generation.



Market Structure and Operating Environment (continued)

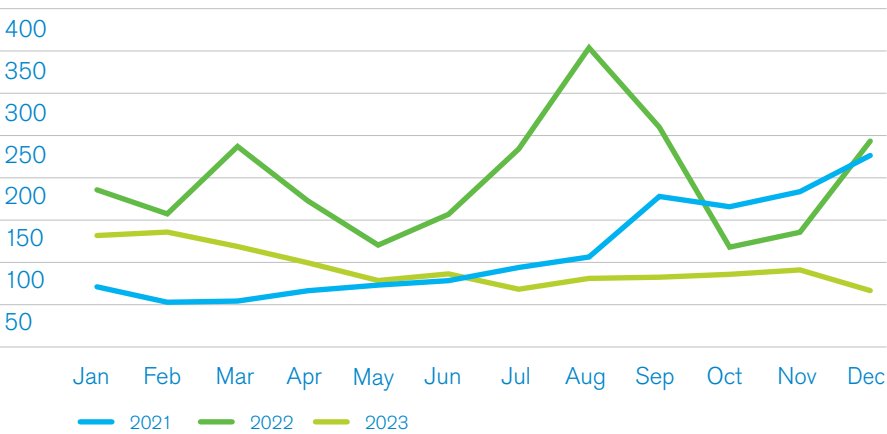
Figure 6: GB Generation Mix



Gas-fired generation contributed 36% of overall generation in 2023, down from 41% in 2022. Total gas-fired generation was down 22%. This was primarily a result of GB reverting to being a net importer of power, after being a net exporter in 2022. In addition to this, demand in 2023 was down on 2022 demand. In 2023, GB was a net importer from continental Europe as power prices were generally higher in GB, with Ireland being the only market GB was an exporter to as power prices in GB were relatively lower.

The UK government has decided to close all coal generation plants by 2025. Coal generation dropped from 2% of the generation fuel mix in 2022 to 1% in 2023. Lower gas prices, GB being a net importer and reduced demand were all factors.

Figure 7: GB Baseload Power Prices (£/MWh)



Power Markets and Prices

January power prices started out, on average, 46% less than the previous month at £132/MWh. This decrease in average prices was driven by a 42% decrease in gas prices and a 6% decrease in carbon. The decrease in the average power prices continued over the year until August when there was a 19% increase to £81/MWh. This was largely attributed to lower generation from renewables. August through to November saw month on month increases, before dropping in December to finish at the year's lowest monthly average price of £67/MWh. Overall, 2023 saw a fall of 53% of average power prices - corresponding to 24% lower carbon prices and 51% lower gas prices.

The GB Balancing Market (BM) is important to dispatchable and relatively flexible plants such as Carrington CCGT. The BM price, often referred to as cash-out price, reflects the system marginal cost within the BM market time frame (near to real time). Generally, the BM prices spike when the system is short and the ESO calls on expensive plants to generate. This is an opportunity for flexible plants to earn additional revenue, especially when they are not in-the-money to run in the DAM. Average monthly BM prices have been largely trending according to commodity prices and therefore tend to be more volatile than DAM prices. System prices in 2023 remained volatile, while not as extreme as in 2022. The same system factors that dampened the Day-Ahead prices also impacted the system prices. Half-hourly BM prices reached a peak of £1,950/MWh on 7 March 2023, with an average daily price reaching £238/MWh. DAM prices peaked at over £541, also on 7 March 2023.





# Financial Review

2023 saw a second consecutive year of record levels of capital investment by ESB in critical energy infrastructure. This ambitious capital expenditure programme can only be sustained by continuing to deliver significant levels of profitability and ESB's strong financial performance in 2023 provides a basis from which we can continue to invest at scale on our journey to net zero.

**Paul Stapleton**  
Executive Director, Group Finance and Commercial



## Highlights

**EBITDA\***  
**€1,976m**  
(2022: €1,675 million)

**Operating Profit\***  
**€1,121m**  
(2022: €847 million)

**Profit after Tax before exceptional items**  
**€868m**  
(2022: €649 million)

**Capital Expenditure\***  
**€1,729m**  
(2022: €1,395 million)

**2023 Dividends**  
**€220m**  
(2022: €327 million)

**Return on Capital Employed\***  
**7.9%**  
(2022: 6.9%)

**Consolidated Net Debt Percentage (previously called Gearing)\***  
**49%**  
(2022: 58%)

\* Refer to Alternative Performance Measures on page 288 for definitions and calculations.

While the extraordinary volatility experienced in global energy markets in 2022 eased in 2023, wholesale prices were still somewhat unpredictable and significantly higher than the levels seen prior to the energy crisis. These market conditions continued to influence ESB's financial performance in 2023. We continued to see strong profitability in our generation business while energy supply remained challenging, albeit more stable. There are continuing demands for enhanced liquidity and additional borrowings as we invest at scale in critical low-carbon energy infrastructure in both Ireland and the United Kingdom (UK). Broader macroeconomic issues notably high inflation, increasing interest rates and supply chain disruption also continue to impact. We are monitoring and managing these risks closely.

In 2023, ESB delivered Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of €1,976 million, an operating profit of €1,121 million and capital investment of €1,729 million.

Operating profit has increased by €274 million on 2022. Higher income was earned in ESB Networks due to regulated network tariff changes as the scale of investment in the networks continues to increase. ESB's businesses in Great Britain (GB) contributed an increasing share of the Group profits in 2023, growing by 40% on 2022, with continued positive margins in GB generation and significantly improved performance in So Energy, our energy supply business in GB. Offsetting this, profits in Generation and Trading (GT) in Ireland reduced somewhat compared to

2022, and Electric Ireland profitability was lower than 2022 with margins tightened to the benefit of end customers.

The level of Group profit after taxation (after exceptional items) at €868 million represents a €310 million (56%) increase on 2022. From these profits, a dividend of €220 million is proposed to be paid to stockholders, 97% of which goes to the Irish Government.

In addition, in January 2024, ESB paid €76 million to the Irish State under the Irish Government's scheme to cap the market revenues of certain electricity generators from December 2022 to June 2023. This amount was provided for in the financial statements as at 31 December 2023.

Our profitability in 2023 reflects the performance of our main business units as follows:

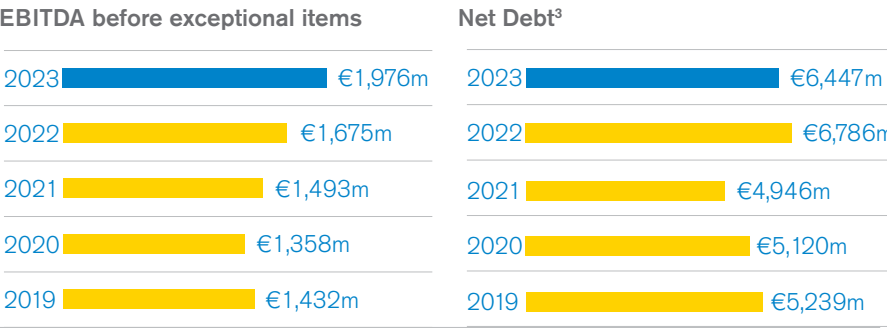
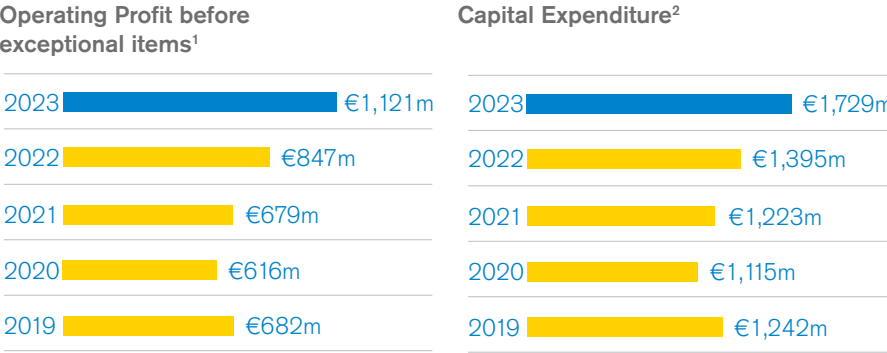
- ESB Networks operating profit for 2023 is up €152 million on 2022, due primarily to higher regulated income partially offset by higher operating expenditure, depreciation and payroll. ESB Networks continued to deliver progress on its regulated capital and maintenance programmes under their agreed price control.
- Northern Ireland Electricity Networks' (NIE Networks) operating profit is €14 million higher than 2022 with higher regulated revenue in 2023, reflecting the continued investment in the NIE Networks' Regulated Asset Base, being partially offset by higher costs including higher staff costs due to an increase in headcount.

Figure 1: Five-year summary

- GT operating profit is €44 million down on 2022 mainly due to the Irish Government's scheme to cap market revenues, increased headcount and increased business development costs (including in relation to hydrogen and renewables). GT continued to develop its renewable portfolio, notably through continued investment in onshore and offshore wind projects, and solar projects both in Ireland and GB. The GT business also contributed strongly to maintaining security of electricity supply in Ireland throughout 2023, including facilitating emergency generation capacity under arrangements with EirGrid.
- Customer Solutions' operating loss is €12 million compared to a loss of €109 million in 2022. This movement was substantially driven by improved performance in So Energy (GB). After price reductions during the year, Electric Ireland's profitability was lower than 2022 (2022 included provision for a €50 credit for all residential electricity customers in the Republic of Ireland).

The overall level of operating profit earned in 2023 is a considerable increase on previous years. However, this level of profitability is required given the scale of capital investment being undertaken and the scale of ESB's net debt position at €6.4 billion. During 2023, over €1.3 billion of additional debt was raised with strong investor appetite for the three bonds issued. This reflects strong investor support for ESB's strategy and confidence in ESB's underlying financial position. Looking forward, both sustaining and growing profitability and further borrowings will be needed to enable the scale of investment necessary to deliver a net zero resilient energy system.

**Capital Investment**  
ESB's record level of capital expenditure in 2023 at €1.7 billion represents a 24% increase on 2022. Approximately 70% of this capital expenditure relates to investment in electricity network infrastructure in line with agreed regulatory programmes. This investment will enable economic growth, enhance network resilience and help to progress Government Climate Action targets. €418 million of this capital expenditure was on electricity generation projects growing ESB's renewable generation base and enhancing system flexibility and security of supply.



In addition to this, €124 million was advanced by way of shareholder loans to joint venture projects (the majority of which related to our continued investment in onshore and offshore wind both in Ireland and GB) bringing the total level of capital investment to over €1.8 billion.

**EU Taxonomy Regulation**  
ESB has once again included disclosures on the sustainability of its activities in the Annual Report under the EU Taxonomy Regulation on a voluntary basis. While guidance on the EU Taxonomy continues to evolve, an alignment assessment has been completed and KPIs calculated outlining the proportion of ESB's turnover, OpEx and CapEx which relate to Taxonomy-Aligned activities. Based on this assessment, 85% of ESB's capital investment relates to Taxonomy-Aligned activities including the

continuing development of the electricity networks in both the Republic of Ireland and Northern Ireland and the investment in renewable generation projects. See page 108 for the full EU Taxonomy Regulation disclosure. ESB's green bond framework was revised during the year to align with the requirements of the EU Taxonomy's alignment criteria for environmentally sustainable economic activities.

**Outlook**  
As Ireland's leading energy utility, ESB has a stable business profile with c.55% of earnings (EBITDA) accounted for by regulated electricity networks on the island of Ireland which operate under established and transparent regulatory frameworks. ESB remains financially strong with net assets of €5.3 billion at 31 December 2023. Three additional bonds were

1. Before the following exceptional items: 2022: Neart na Gaoithe impairment (€91 million). 2021: Profit on asset sales (including impairment reversals) €152 million, Neart na Gaoithe impairment (€154 million), So Energy impairment of goodwill and onerous contract provision (€61 million). 2020: Impairment charge (€188 million) and increased Asset Retirement Provisions (€59 million). 2019: Severance and associated costs (€60 million) and impairment charge (€34 million).  
2. 2019 - 2023 capital expenditure is gross of customer contributions for network connections (in line with IFRS 15 'Revenue from Contracts with Customers').  
3. 2019 - 2023 net debt includes lease liabilities recognised in accordance with IFRS 16 'Leases'; 2023: €136 million, 2022: €129 million, 2021: €120 million, 2020: €125 million, 2019: €132 million. It excludes ESB share of debt associated with investments in joint ventures and associates all of which are equity accounted. It also excludes restricted cash of €550 million (2022: €754 million).

Financial Review (continued)

raised during 2023 and a strong liquidity position was maintained (€3.7 billion at 31 December 2023). Credit ratings of A- and A3 (BBB+ on a standalone basis) with Standard & Poor's and Moody's respectively were reaffirmed again during 2023.

ESB's financial position at the end of 2023 provides the basis for continued strong investment in a more sustainable and resilient energy future, while maintaining financial strength, consistent with ESB's strategic ambition to achieve net zero by 2040.

Revenue (Figure 2)

Revenue and other operating income at €8,785 million has increased by €1,170 million compared to 2022 (€7,615 million). The increase is primarily driven by higher revenue in Customer Solutions (due to the cumulative impact of price increases in 2022 (as a result of wholesale price changes) and by regulatory price cap changes in GB) along with higher hedged income in GT and increased regulated tariff income in both networks' businesses.

Share of Equity Accounted Investees Profit/(Loss) (Figure 2)

This reflects ESB's share of the profits from its equity accounted investments. The profit in 2023 primarily relates to ESB's share of profits in renewable projects notably the Galloper offshore wind farm project in GB and onshore wind projects in Ireland.

Taxation (Figure 2)

The tax charge of €134 million is lower than 2022. ESB's effective tax rate on profits before JV profits and exceptional items has also decreased on 2022 with the 2022 charge being impacted by a higher deferred tax charge associated with the increase in the UK tax rate to 25%, higher levels of non-tax deductible items and a higher ratio of UK profits to Irish profits taxed at 19%. A reconciliation of the total tax charge is provided in note 21 of the financial statements.

Operating Costs (Figure 3)

Overall operating costs at €7,664 million have increased by €896 million.

- Fuel and other energy costs have increased by €832 million reflecting

higher hedged commodity costs in 2023 compared to 2022.

- Depreciation is higher primarily in ESB Networks and NIE Networks due to the growing and changing nature of the asset base.
- Employee costs are up €67 million due to increased headcount across almost all business units, increased overtime and expenses and the impact of pay increases.
- Operating and maintenance costs have decreased by €63 million primarily due to a non-cash foreign exchange translation loss on sterling denominated intercompany positions in 2022. Offsetting this are higher operating costs notably in GT due to increased business development costs.

- Net impairment of financial assets (mainly bad debts provision in Customer Solutions) is up on 2022 due to the impact of price increases and the ageing of customer debt in ESB's retail businesses in Ireland and GB.

A breakdown of the operating costs by business segment is provided in note 3 to the financial statements.

Impairment of Equity Accounted Investees (Figure 2)

An impairment charge has been recognised in 2023 in respect of the Neart na Gaoithe offshore wind project owing to further delays to construction. See note 16 of the financial statements for further details.

Figure 2: Summarised Income Statement

	2023 €m	2022 €m
Revenue and other operating income	8,785	7,615
Operating costs*	(7,664)	(6,768)
<b>Operating profit</b>	<b>1,121</b>	<b>847</b>
Net finance costs	(97)	(111)
Fair value movements on financial instruments	(21)	86
Impairment of equity accounted investees	(15)	(91)
Share of equity accounted investees profit/(loss)	14	(31)
<b>Profit before tax</b>	<b>1,002</b>	<b>700</b>
Tax charge	(134)	(142)
<b>Profit after tax</b>	<b>868</b>	<b>558</b>

\* Includes non-exceptional impairments (see note 8).

Figure 3: Operating Costs

	2023 €m	2022 €m
Fuel and other energy related costs	5,459	4,627
Depreciation and amortisation	942	915
Employee costs	599	532
Operating and maintenance costs	589	652
Net impairment losses on financial assets	70	39
Impairment (excluding exceptional items)	5	3
<b>Total operating costs</b>	<b>7,664</b>	<b>6,768</b>

Operating Profit (Figure 4)

Operating profit has increased by €274 million. The movement in operating profit between 2022 and 2023 is set out in Figure 4.

Total Finance Costs (Figure 5)

Total finance costs for 2023 are €93 million higher than 2022.

The net finance costs are marginally lower than 2022, with increased interest rates and higher levels of cash and borrowings leading to higher finance income broadly offsetting higher finance costs. Included in finance income are amounts in respect of loans to joint venture projects.

The movement in inflation (RPI) linked interest rate swaps reflects movements in inflation rate assumptions underpinning the fair value of these instruments.

Further detail is included in note 9 to the financial statements.

Segmental Performance

The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Details on the financial performance of the business segments are included in the business unit review sections pages 60 to 79 and in note 3 to the financial statements.

Net Debt

Net debt has decreased to €6.4 billion in 2023 from €6.8 billion in 2022. Borrowing levels are higher than 2022 (as a result of additional bonds raised) with higher cash on hand (excluding restricted cash) at 31 December 2023 compared to 31 December 2022. The decrease in net debt is due mainly to cash profits during the year, positive movements in net cash collateral and other positive working capital movements. These have been offset to some extent by the level of capital expenditure during the year and interest, tax and dividend payments.

Figure 4: Reconciliation of Operating Profit 2022 to 2023

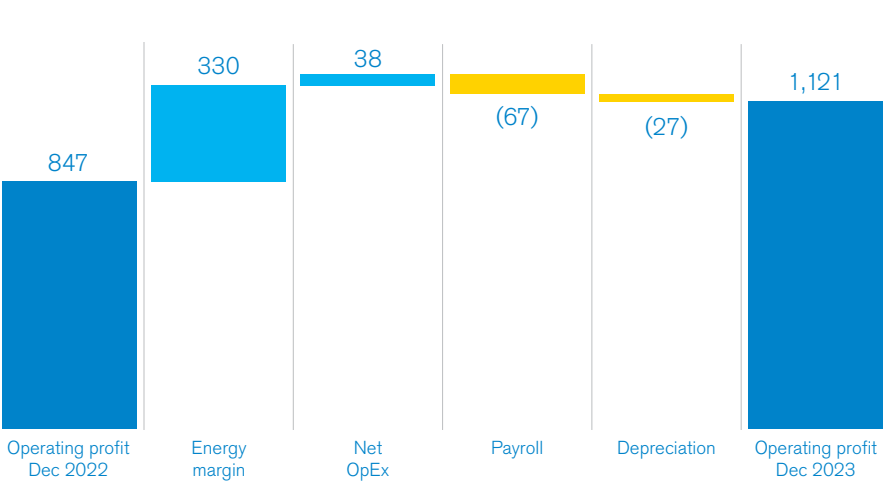


Figure 5: Total Finance Costs

	2023 €m	2022 €m
Net interest on borrowings	191	132
Financing charges	19	15
Finance income	(113)	(36)
<b>Net finance costs</b>	<b>97</b>	<b>111</b>
Fair value movement on RPI linked interest rate swaps	38	(102)
Fair value (profit)/loss on financial instruments	(17)	16
<b>Total finance costs</b>	<b>118</b>	<b>25</b>

Figure 6: Summarised Cash Flow

	2023 €m	2022 €m
EBITDA*	1,976	1,675
Provision utilisation and other movements	1,090	(1,487)
Interest and tax	(316)	(279)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,750</b>	<b>(91)</b>
Capital expenditure and JV loans (net of repayments and dividends)	(1,810)	(1,578)
Other (including FX)	85	16
<b>Net cash outflows from investing activities</b>	<b>(1,725)</b>	<b>(1,562)</b>
<b>Net cash inflows from financing activities</b>	<b>170</b>	<b>1,376</b>
<b>Restricted cash - net amounts received on Government energy cost support schemes</b>	<b>(205)</b>	<b>754</b>
<b>Net increase in cash - including restricted cash</b>	<b>990</b>	<b>477</b>

\* Refer to Alternative Performance Measures on page 289 for the calculation of this metric.



Financial Review (continued)

The consolidated net debt percentage (previously called gearing) has decreased from 58% to 49% reflecting higher cash on hand, higher debt and increased net assets at year end. Refer to Alternative Performance Measures on page 292 for the calculation of this metric.

Capital Expenditure (Figure 7)

Capital expenditure was €1,729 million in 2023, an increase of €334 million on 2022.

GT invested €418 million in 2023 including over €300 million in flexible gas generation capacity and battery storage technology. It also continued to invest in renewable projects (including solar and wind, both onshore and offshore) as well as maintenance of its existing fleet.

Capital expenditure in ESB Networks has increased by c.14% compared to 2022 and includes the spend on the Smart Metering project as well as continued investment in the distribution and transmission networks under the PR5 programme. Excluding movements in 2022 related to asset retirement obligations of c.€35 million, NIE Networks' underlying capital expenditure is also increased on 2022 and reflects an increase in work programmes as part of NIE Networks' RP6 price control, as well as connecting additional customers to the electricity grid and maintaining reliability of supply.

Capital expenditure of €70 million in other segments includes various Group projects, mainly IT and digital projects.

Liquidity and Funding Activities

The funding activities managed by ESB Group Treasury are of strategic importance to the Group, supporting ESB's capital expenditure programme, the refinancing of maturing debt and the maintenance of an appropriate liquidity buffer to guard against future economic shocks which may have an impact on cash flows and financial markets.

A €1.4 billion Sustainability-Linked Revolving Credit Facility is in place with a group of 13 international banks. This facility currently extends to February 2027. The cost of this standby liquidity facility is directly linked to the delivery by ESB of specific decarbonisation targets aligned with ESB's strategy. In 2022, an additional Revolving Credit Facility of £750 million was agreed and currently extends to June 2024. No amounts were drawn down from these Revolving Credit facilities as at 31 December 2023.

ESB successfully raised three bonds in 2023. The first, a €350 million 3.75% fixed-rate bond maturing in 2043 was issued in January. In September, in ESB's inaugural dual tranche issuance, two €500 million benchmark bonds were issued, a five year 4.00% fixed-rate bond and a 12 year 4.25% fixed-rate green bond. The green bond funds will be allocated to finance eligible green projects which will include investment in smart meters, battery storage, solar and wind generation. ESB also executed an interest rate hedge on the green bond which will result in ESB receiving fixed interest from the hedge counterparties and paying floating (Euribor). This essentially delivers a variable interest rate over the bond's 12-year tenor.

All issuances were supported by a strong orderbook with oversubscription reflecting the strength of the credit and investor support for ESB.

Prior to the September issuances, ESB published a Green Bond Framework reflecting changes in sustainable finance best practices since the publication of ESB's initial framework in 2019. Eligible green project categories within the framework were streamlined to match the EU Taxonomy's classification system for environmentally sustainable economic activities and to align with the latest Green Bond Principles published by the International Capital Markets Association. ESB's Green Bond Framework was reviewed by Sustainalytics, a leading ESG research, ratings and data firm, who issued an opinion that the framework was both credible and impactful, aligning with the four core components of the Green Bond Principles. ESB will continue to update its framework to align with best practice, as the technical screening criteria of the EU Taxonomy advances over time.

At 31 December 2023, ESB had €3.7 billion of available liquidity, comprising over €1.4 billion of cash on hand and Revolving Credit Facilities of €2.3 billion. At 31 December 2023, c.€0.6 billion was receivable relating to net cash collateral amounts paid in respect of exchange traded gas, carbon and power contracts. These are temporary cash requirements which will reverse prior to the delivery of the related trades.

In addition, €550 million relating to the Irish Government's Electricity Credit Scheme and the UK Government's Energy Bills Support Scheme was on hand at year end. This cash (which is restricted) is not available to ESB and is to be distributed to Irish electricity suppliers and UK customers in 2024. Given this cash is restricted, this has not been included in the calculation of ESB's available liquidity, net debt or consolidated net debt percentage (previously called gearing).

Figure 7: Capital Expenditure

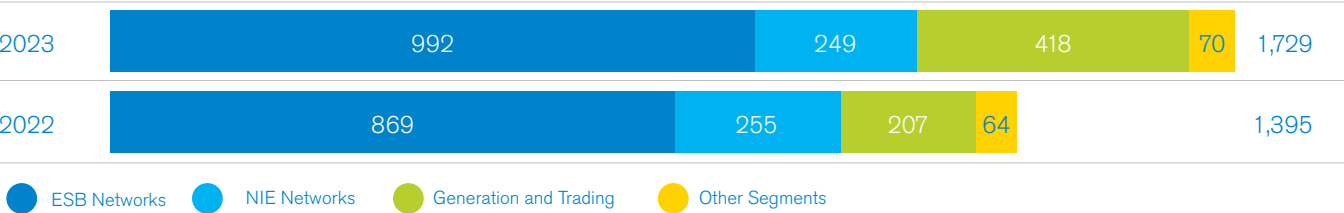
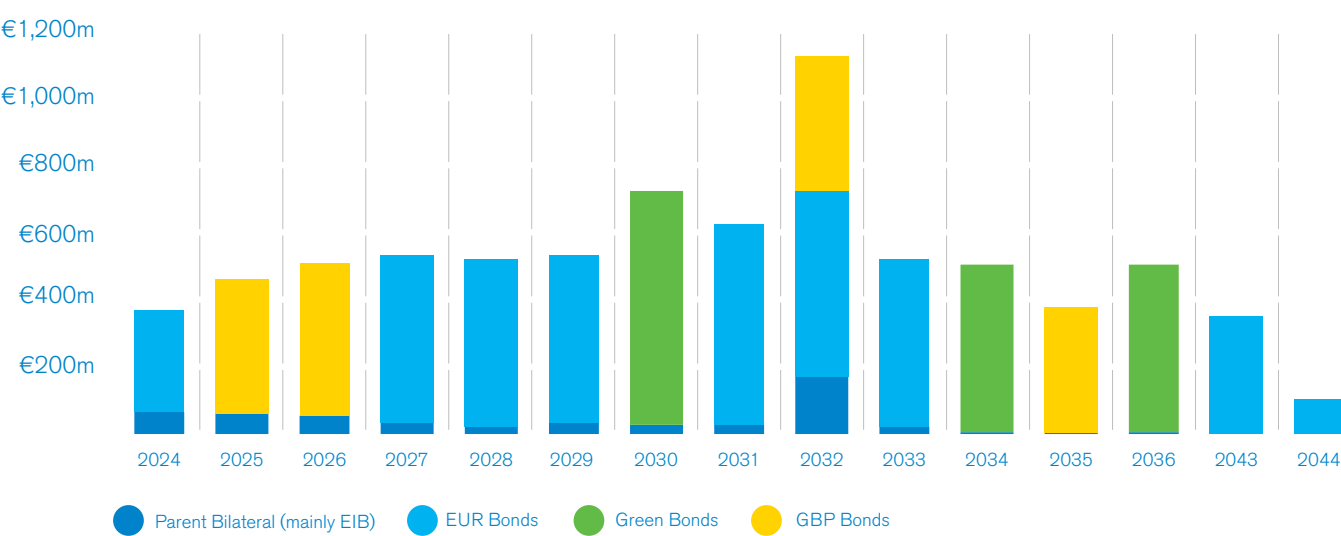


Figure 8: Debt Maturity\* Profile at 31 December 2023 (excluding non-recourse project finance debt held in joint ventures):



\* Cash flows reflect hedging arrangements in place.

The weighted average interest rate on the Group's portfolio of outstanding borrowings at 31 December 2023 rose to 3.1% (31 December 2022: 2.6%). In recent years, the Group has been able to issue longer dated (10 to 20 year) bonds, reducing medium term refinancing risk. The average duration of the Group's debt portfolio is consistent with the long-term nature of Group assets. During 2023, Standard & Poor's and Moody's both reaffirmed ESB's credit ratings at A- and A3 (BBB+ on a standalone basis) respectively.

Foreign Exchange and Interest Rate Risk Management

The Group's business is primarily located in the Republic of Ireland and the UK. Accordingly, the majority of operating and investing cash flows are denominated in euro or sterling. ESB's policy is to hedge any material foreign currency exposures as they arise using currency derivatives such as FX forwards, at competitive rates in the market.

The Group's policy is to finance its investments in the currency of the related investment expenditure either through borrowing directly in the currency or by using derivative instruments. At 31

December 2023, approximately 78% of ESB's underlying debt is denominated in euro, with the remaining 22% in sterling.

Under the Board approved interest rate policy, ESB has a preference for fixed interest rate debt, and will target to have at least 60% of its debt fixed or inflation linked. At 31 December 2023, almost 85% of Group borrowings were fixed to maturity, 8% was inflation linked and approximately 7% was variable rate debt. The Group continues to be exposed to future interest rate movements which may have an impact on the cost of future borrowing requirements, particularly as existing fixed rate debt matures, and is refinanced. Group Treasury monitors market conditions closely in this regard and may seek to pre-fund or pre-hedge future funding requirements if appropriate, subject to the necessary Board and stockholder approvals.

Commodity Price Risk

Generation and Trading and Customer Solutions have separate teams responsible for the management of commodity and energy price risks in their business units.

The exposures to fuel price movements on future earnings are managed by ESB on a selective-hedging basis. ESB enters into forward commodity price contracts in relation to power, gas, coal and carbon emissions allowances for up to three years ahead in order to reduce the Group's exposure to movements in wholesale electricity prices arising from such commodity price fluctuations. ESB's hedging policies continue to help protect earnings.

Counterparty Risk

The Group is exposed to credit risk in respect of the counterparties with which it holds its bank accounts and trades with in financial and commodity markets. ESB policy is to limit exposure to counterparties based on credit risk assessments and security arrangements (where appropriate). Exposures and credit limits are subject to ongoing review and monitoring in each business unit and, at Group level, by the Group Trading Risk Committee. Dealing activities are controlled by establishing dealing mandates with counterparties.

The majority of the Group's fuel commodity trades by value are transacted through energy market exchanges, rather than bilaterally. Exchange trading in general reduces, although it does not eliminate, counterparty risk, as well as providing trading liquidity and pricing transparency.

# ESB Networks



Nicholas Tarrant  
Managing Director, ESB Networks

Operating Profit

€359m ↑ €152m

2023 €359m

2022 €207m

Capital Expenditure

€992m ↑ €123m

2023 €992m

2022 €869m

Regulated Asset Base (RAB)

€10.6bn ↑ €0.9bn

2023 €10.6bn

2022 €9.7bn



Key achievements for ESB Networks in 2023

## Launched the Networks for Net Zero Strategy

This strategy, launched in January 2023, sets out ESB Networks' role in enabling the delivery of the Government's Climate Action Plan (CAP) and supports the decarbonisation of the electricity system by 2040. It is based on ESB Networks' role in transforming the electricity distribution network that will empower customers to decarbonise their energy consumption; and in ESB Networks' role as Transmission Asset Owner in delivering the ambitious electricity transmission programme.

41,000 homes and businesses connected during the year

Over 1.5 million smart meters now installed, with 465,000 meters installed during 2023

5.8 GW grid scale renewables connected to the network with a further 400 MW of rooftop, mini, micro and small-scale renewable generation connected to the network

1 GW of solar is now on the network. 105 MW of energy storage was connected in 2023 with total energy storage now at 874 MW.

Over 79,000 microgeneration connections now processed

ESB Networks processed over 33,000 microgeneration applications in 2023 and are currently processing more than 750 applications per week. These customers can also be paid for any excess electricity which they export to the network.

ESB Networks' online customer account has 75,000+ subscriptions

This enables each customer to submit meter readings online, apply for new connections and access and assess their electricity consumption and export data. It is a key part of ESB Networks' commitment to improve customer services and deliver a better customer experience. The range of customer services will be expanded in 2024.

## Electricity Cost Emergency Benefit Schemes

ESB Networks played a key role in delivering the Government's Electricity Cost Emergency Benefit Schemes involving payments of more than €2 billion for the winters of 2022 and 2023. ESB Networks ensured every customer's credit was delivered to their electricity supplier for onward payment to the customer.

## How ESB Networks is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

ESB Networks has a central role in leading the transition to a secure and affordable low-carbon future, using clean electricity by enabling a Net Zero Ready Distribution Network by 2040. ESB Networks continues to:

Facilitate the connection of renewable generation in line with the CAP targets to decarbonise the electricity system.

Support all customers on their journey to a clean electric future through electrification of industry, heat and transport.

Deliver new electricity connections for business and for new homes by playing a part in delivering 'Housing for All – A New Housing Plan for Ireland'.

Work closely in collaboration with the Transmission System Operator (TSO), EirGrid, to innovate and deliver the required investments in the transmission system to meet growing demand and expedite the transition to a low-carbon future.

Adapt and strengthen the quality, condition and performance of our network so that we can collectively transform our energy future and lessen the risk of extreme weather events and cyberattacks.

Ensure that our networks have the capacity to connect and accommodate the level of renewables, as well as demand growth in line with the CAP targets.

Reduce our impact on the environment including the carbon footprint of our operations, develop our public safety awareness campaigns and progress the Sustainable Grid Charter.

Overview

ESB Networks is the licensed Distribution System Operator (DSO) of the electricity distribution system in the Republic of Ireland (ROI), with responsibility for building, operating, maintaining and developing the network and serving all electricity customers across the country. ESB Networks also owns the transmission network in ROI, working closely with the Transmissions System Operator (TSO), EirGrid. ESB Networks remains a core enabler to the delivery of the national strategy of decarbonisation and the connection of renewable generators to the network.

2023 was the third year of the regulatory Price Review period 5 (PR5) and ESB Networks has continued to make solid progress on the approved investment and maintenance programmes following the impact of COVID-19 during PR5's first year in 2021. ESB Networks invested €418 million (2022: €347 million) in

reinforcement (load), asset replacement and constructing new networks in 2023 whilst €158 million (2022: €130 million) was spent on maintaining the existing network. Transmission investment totalled €259 million (2022: €222 million). Progress continued on the Smart Metering Programme roll-out with expenditure of €138 million (2022: €134 million) in 2023.

Financial Performance

ESB Networks' operating profit for 2023 at €359 million is up €152 million on 2022 due primarily to an increase in revenue from regulated tariffs. 2022 revenue was impacted by an over recovery of regulated revenue in previous years and the timing of regulatory revenue decisions for PR5, and 2023 revenues reflect continued investment in the network and the impact of inflation. Partially offsetting this increase, ESB Networks has incurred higher operating costs to support the delivery of PR5 and higher depreciation costs due to an increase in its asset base.

Operating profit for 2023 includes a gain of €20 million due to movements in the estimated future costs arising from certain obligations in relation to the retirement and decommissioning of ESB Networks creosote treated wood poles at the end of their useful economic life (asset retirement obligations).

Capital expenditure at €992 million is up €123 million (14%) on 2022 driven by an increase in investment in the transmission network, higher investment in reinforcement of the distribution network and increase in asset replacement including the National Network, Local Connections (NNLC) programme. Capital expenditure includes a movement of €21 million in relation to a reduction in estimated asset retirement obligations.

During 2021, ESB Networks identified that the large energy user (LEU) rebalancing subvention (a government policy to reduce the annual network charges paid by large companies and to increase network charges paid by domestic customers) had not been implemented as intended over the period of several years. The solution to deal with this misallocation has been addressed, in working with the Commission for the Regulation of Utilities (CRU), within the 2023 networks tariffs decision. ESB Networks did not gain from the issue.

Networks for Net Zero Strategy

ESB Networks' Networks for Net Zero Strategy recognises climate action as one of the most important challenges of our generation and, in keeping with the Government CAP, identifies the critically important and central role of ESB Networks in enabling the transition to low carbon.

- Some key achievements in this regard in 2023 include:
- The Smart Metering Programme passed the 1.5 million meters installed mark
  - ESB Networks connected 41,000 new connections to the network during the year. The process for standard connections is now fully digitised. The new connections online application and tracker holds all connection documents within the online account and digital signatures are available



ESB Networks (continued)

- ESB Networks connected all projects ready for connection in 2023, with c.412 MW of additional renewable generation commissioned in 2023. c.221 MW of solar and c.191 MW of wind were connected in 2023
- ESB Networks delivered the required connections for Ireland's electricity security of supply arrangements. All security of supply network connections have been delivered ahead of the customers' connection requirements. Five security of supply connections were energised in 2023 facilitating 330 MW of new thermal generation and a further 105 MW of battery energy storage
- The NNLC programme continues to develop initiatives for domestic and commercial customers and continues to engage further with CRU on the procurement of flexibility services from battery storage providers to help meet CAP targets. The latest initiative, "Is this a Good Time?" was launched in October 2023
- In December 2023, ESB Networks published the Electricity Distribution Network Capacity Pathways Report for stakeholder consultation. This report contains pathways to build capacity on the distribution network to connect further renewables and to also enable the electrification of transport, heat, and the economy in line with the Government's CAP

ESB Networks' Customers

Customers are at the heart of all activities for ESB Networks including all 2.4 million customers that use electricity, those that supply or generate electricity and those that access the network for the provision of services like telecom providers. Relationships with customers are changing as Ireland moves along the path to net zero.

Customer Interactions

Customers interact with ESB Networks across many touchpoints including:

- The Cork based Contact Centre, 1.4 million customer contacts (calls, voice response, emails)
- The Powercheck app, 7.6 million hits, of which over 2.6 million were unique visitors
- The Customer Online Account portal has a suite of online services for customers and in 2023 ESB Networks also integrated registration for the "Beat the Peak" initiative to the portal. Over 75,000 customers have registered online accounts to the end of 2023, with 25% accessing their accounts weekly, energy consumption data has been accessed over 180,000 times and there have been over 78,000 downloads of customer smart meter data files
- ESB Networks' social channels are available via esbnetworks.ie, LinkedIn, X (previously Twitter), Instagram and Facebook

Customer Experience

ESB Networks won two awards at the Irish CX (Customer Experience) Impact Awards in 2023, 'CX Team of the Year' and 'Best Use of Customer Insights to Improve CX'. Both awards are reflective of the work that ESB Networks is undertaking to drive transformation and customer excellence. The customer team is also implementing a series of initiatives across people, technology, system and culture. The Contact Centre has increased its call centre scores from 86% to 90% (CRU target is 90%) from 2022 to 2023. ESB Networks' Customer Contact Centre achieved its 2023 accreditation from the Contact Centre Accreditation.

Safety, Health and Wellbeing

ESB Networks is committed to protecting the safety, health and wellbeing of employees, contractors, members of the public and others who may be affected by ESB Networks' activities. During 2023, the business continued to roll out a human factors' safety programme with the aim of further protecting and enhancing the health, safety and wellbeing of staff and approved contractors by minimising the risk of organisation, task or person-induced human performance issues, that may lead to incidents or other adverse events.

ESB Networks continued to focus on culture transformation through the Safe and Sound programme while other key initiatives around assurance, road safety, engagement and communications continue to be progressed.

ESB Networks' Safety Management System (SMS) was independently audited by the National Standards Authority of Ireland (NSAI) during 2023 and they have recertified the SMS as compliant with the international ISO45001 standard.

Public Safety

ESB Networks continues to prioritise public safety as a core activity and progress on implementing the Public Safety Strategy was achieved in 2023. Throughout 2023, a communications campaign ran across TV, radio and digital channels. The TV adverts highlight risk scenarios including hanging bunting on electricity poles, building scaffolding near electricity poles and overhead wires, flying drones near overhead wires and taking care around fallen trees and potential live electricity wires on the ground. Further details relating to ESB Networks' public safety matters are set out in the Health, Safety and Wellbeing section on page 93.

People

ESB Networks' staff (2023 average: 3,626) are vital to delivering ESB Networks' strategy and meeting customer needs.

Key achievements in 2023 were:

- 96 new apprentices started their apprenticeships in September and October 2023
- 156 qualified electricians joined the ESB Networks organisation during 2023, with a further 61 fourth year apprentices being offered permanent contracts of employment. A new campaign is underway to hire 100 electricians who will join in early 2024
- Recruitment is underway in many other areas of ESB Networks as internal capability is increased, while also planning for a retirement peak over the coming years. ESB Networks anticipates filling a significant number of new roles in 2024 and beyond





# Northern Ireland Electricity Networks (NIE Networks)



Marguerite Sayers  
Deputy Chief Executive

Operating Profit

€78m ↑€14m

2023 €78m

2022 €64m

Capital Expenditure

€249m ↓€6m

2023 €249m

2022 €255m

Regulated Asset Base (RAB)

£2.2bn ↑£0.2bn

2023 £2.2bn

2022 £2.0bn



Key achievements for NIE Networks in 2023

€185 million of network investment

NIE Networks continued to deliver on its commitments to customers in 2023 with a further investment of €185 million in network infrastructure (of a total underlying capital expenditure of €252 million as outlined on page 66). This investment has increased the capacity and the resilience of the Northern Ireland electricity system, and maintained the amount of time customers were without supply (Customer Minutes Lost) at comparatively low levels. Capital investment in the network increased by 25% relative to 2022 and unit outputs delivered remain in line with the targets agreed with the Utility Regulator (UR) as part of the RP6 (sixth Regulatory Price Review) programme.

RP7 Business Plan

NIE Networks submitted its RP7 Business Plan to the UR in March 2023, outlining proposed expenditure for the next price control period from April 2025 to March 2031. NIE Networks' plan will support and enable Northern Ireland's (NI's) journey towards net zero by facilitating the decarbonisation of the electricity system. This will be achieved by connecting more renewable generators, ensuring the network has sufficient capacity to facilitate growth and enable greater electrification of heat and transport, ensuring a safe and reliable service and maintaining a strong focus on customer service. The UR published its Draft Determination for consultation in November 2023, with responses due back in March 2024 and a Final Determination is planned for October 2024.

Safer Together Cultural Journey

NIE Networks continued to progress its Safer Together Cultural Journey which remains a priority for the company. 'Safer Together' is an enabling action plan aligned to NIE Networks' safety values, aiming to reduce the risk of harm and improve the wellbeing of all staff within the organisation. During 2023, NIE Networks made strides on the programme by setting up a leadership team structure across the organisation to ensure that the culture is one where staff can raise issues and feel valued, trusted and respected. A second programme of work - the 'Get Ready' business transformation programme was also initiated during 2023 to prepare NIE Networks for future demands during the RP7 period, which may require double the current levels of output.

How NIE Networks is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

NIE Networks collaborated with the Department for the Economy (DfE) and other stakeholders on developing NI's Future Energy Framework, which was published in December 2021. The DfE strategy sets ambitious targets for net zero carbon energy, while seeking to maintain affordability, and key elements of the strategy are enshrined in the Climate Change Act (Northern Ireland), 2022. Many elements of NIE Networks' own Networks for Net Zero report are mirrored in the DfE strategy and there is strong alignment between the two strategies and NIE Networks' RP7 submission.

NIE Networks' RP7 submission reflected a significant level of planning, analysis and consultation, including a high level of engagement with key stakeholders through events and bi-lateral meetings. NIE Networks believes the plan reflects the minimum level of investment required to create enough capacity to meet the requirements of homes and businesses across NI in the next 10 years and is of the scale required to meet NI's climate commitments.

NIE Networks is putting in place plans to make sure that it is well placed to manage and optimise future electricity network requirements, anticipating greatly increased levels of electrification, microgeneration and demand flexibility. NIE Networks is also implementing a range of innovation projects designed to create additional capacity on the distribution network using smart technologies to provide solutions at a lower cost than traditional approaches.

NIE Networks has connected approximately 1.8 GW of renewable generation capacity to the NI grid to date, which accounted for more than 47% of electricity consumed in the 12 months ending September 2023. A further 0.6 GW of renewable capacity is committed to be connected in the next few years.

NIE Networks is increasing its capacity to integrate new staff members over the coming years. Plans are already in place to establish new training facilities that will increase the apprentice intake capacity to 90 trainees per year. NIE Networks is committed to growing a sustainable resource within NI, focused on providing a community service and being active members of a prosperous and fair society.

Overview

NIE Networks is the owner of the electricity transmission and distribution networks in NI, transporting electricity from generators to over 910,000 customers, including homes, businesses and farms. NIE Networks' employees maintain and extend the electricity infrastructure across NI, connect customers to the network and ensure that equipment is safe and reliable. NIE Networks also provides electricity meters and metering data to suppliers and market operators and develops and reconfigures the electricity network to facilitate the connection of further renewable generation.

NIE Networks does not supply (sell or retail) electricity but provides services to all of the electricity suppliers operating in NI.

As required under its regulatory licences, NIE Networks is an independent business within ESB Group and has its own Board of Directors, management structure and employees.

Safety

NIE Networks is fully committed to protecting the health, safety and wellbeing of all of its employees, contractors, customers and the public, with an ambition of providing a zero-harm working environment where risks to health and safety are assessed, controlled and minimised. While a target of zero Lost Time Injuries (LTIs) continues to be the ambition, there were unfortunately seven LTIs during the year (2022: two LTIs). All such incidents are thoroughly investigated to improve future safety through gaining insights and applying learning.

The Safer Together Cultural Journey continues to refocus NIE Networks' commitment to its safety values, through promoting an open and proactive safety culture with the full involvement of all.

Financial Performance

NIE Networks' operating profit for 2023 at €78 million is up €14 million on 2022, primarily as a result of higher Use of System revenues, which is reflective of NIE Networks' continued investment in its Regulated Asset Base, coupled with the impact of inflation.



## Northern Ireland Electricity Networks (NIE Networks) (continued)

This profit has helped finance underlying capital expenditure of €252 million (2022: €220 million) which is up €32 million or 15%, reflecting an increase in NIE Networks' work programmes for the benefit of customers. Underlying capital expenditure excludes movements in relation to asset retirement obligations for creosote coated poles with a €3 million reduction in 2023 (2022: €35 million addition). 2023 capital expenditure related to the refurbishment and replacement of obsolete, spent or fault-prone transmission and distribution assets, as well as the upgrading of network assets where appropriate to increase capacity, provide electricity connections, maintain reliability of supply and to ensure the safety of the network. There have also been investments in major transmission projects as required by the System Operator for Northern Ireland (SONI).

### Operating Environment

The UR determined in March 2023 to extend the duration of NIE Networks' current price control period (RP6) by one year, moving the end date of RP6 from 31 March 2024 to 31 March 2025. Consequently, the RP7 price control period has been deferred and will now commence in April 2025 and run to March 2031.

NIE Networks has continued to focus on implementing its RP6 plan, with 84% of the outputs from the Network Investment Plan, including the extension year, delivered to date.

### NIE Networks' Customers

NIE Networks constantly seeks to minimise the length of time that customers are without supply either as a result of faults, or when supply has to be switched out in order to carry out necessary maintenance or to connect new customers. The average number of Customer Minutes

Lost (CMLs) due to planned interruptions to supply was 37 (2022: 38). The average number of minutes lost due to faults in the distribution network was 43 (2022: 38). No complaints were taken up by the Consumer Council for NI on behalf of customers during the year (2022: four).

NIE Networks has a dedicated Vulnerable Customer Strategy which defines how services will be provided to those customers who need extra support. The strategy includes provision for customers with communication barriers, translation requirements, the elderly, those who are visually impaired or those reliant on life saving medical equipment.

In the event of a power cut or planned interruption to supply, NIE Networks offers a telephone information support service to customers who are dependent on life supporting medical equipment. Over 19,000 people are currently registered on NIE Networks' Medical Customer Care Register. NIE Networks also provided support to distribution network operators in the Republic of Ireland and Great Britain to reconnect customers whose electricity supplies were disrupted during severe weather events during 2023.

### People

NIE Networks employs a highly skilled workforce of 1,436 people (2023 average) ranging from lines persons to meter readers, jointers to electrical engineers, and finance professionals to human resource experts. NIE Networks is an accredited 'Investors in People Gold' Company and has continued to increase its headcount to ensure it continues to deliver a high-quality service for customers throughout NI and to plan for the future by enabling the decarbonisation of the electricity system.

NIE Networks entered into a new lease agreement for a refurbished office space at Danesfort (Belfast) which has allowed consolidation of NIE Networks office staff from three other Belfast offices. Staff commenced relocating in late 2022, with the final staff transferring to Danesfort in September 2023.

NIE Networks aspires to be an Employer of Choice and is committed to a working environment which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for skills enhancement and personal development. Human Resource policies are designed to achieve sustained success through its people. This was evidenced when NIE Networks was awarded two CIPD Awards in October 2023 for Best Apprentice Scheme and Best Employee Voice Programme in NI.

In 2023, NIE Networks was also awarded the Silver Diversity Charter Mark and has made a commitment to enhance diversity across the organisation in relation to both disability and ethnicity.

### Sustainability

NIE Networks' Sustainability Action Plan outlines its commitments to reducing its internal business carbon footprint, electrifying more than 40 of its small fleet and improving buildings' energy performance, as well as consolidating Belfast office locations as previously outlined. NIE Networks is a member of the United Nations' Race to Zero campaign and has committed to a 50% reduction in Scope 1 and Scope 2 emissions by 2030 from 2019 baseline levels.

NIE Networks has reduced its internal energy usage and business carbon emissions by 3.9% during 2023 against the 2019 base year.

In terms of having an impact from a climate action perspective externally, NIE Networks has also successfully cumulatively connected approximately 26,000 customers who provide renewable generation capacity to customers for use in their homes and businesses.

NIE Networks achieved Platinum level accreditation for the NI Environmental Benchmarking Survey in 2023, for the eighth consecutive year. The survey recognises and rewards those organisations that are going above and beyond their legal requirements to improve their environmental impacts and better manage their resources.





# Generation and Trading (GT)



**Jim Dollard**  
Executive Director, Generation  
and Trading

Operating Profit

€730m ↓ €44m

2023 €730m

2022 €774m

Capital Expenditure

€418m ↑ €211m

2023 €418m

2022 €207m

New asset investment by way  
of shareholder loans

€124m ↓ €163m

2023 €124m

2022 €287m

Key achievements for GT in 2023

## Contributing to energy security of supply in Ireland

Ensuring security of supply is key to a managed transition to net zero. GT is determined to play its role in terms of effectively managing and investing in the existing ESB dispatchable generation fleet, delivering new capacity to the system through normal market channels and the delivery of temporary emergency generation under arrangements with EirGrid.

## Development and delivery of new projects for the capacity market:

- Construction was completed on the Poolbeg battery project and the Inchicore battery was also commissioned adding a total of 105 MW of additional battery capacity
- A further two battery projects (Aghada (Cork) and South Wall (Dublin)) are in the final stages of construction totalling 180 MW of capacity
- Three new fast start gas fired turbines with a total output of 190 MW are in the final stages of construction and expected to be in operation in early 2024

## Temporary emergency generation:

- 200 MW of temporary capacity at North Wall in Dublin became operational during the year
- ESB is developing a further 262 MW of temporary capacity in Shannonbridge which will progressively come online from early 2024 onwards
- ESB has entered a Targeted Capacity Mechanism contract for the provision of capacity from Moneypoint for the period 2025 to 2029 operating on oil only. Coal operations will cease by 2025

## Long duration storage:

- ESB and dCarbonX continued to jointly develop a number of large-scale energy storage projects off the coast of Ireland during the year. The partnership is developing the Kestrel storage project for the site of the Kinsale gas field and during the year Bord Gáis Energy also joined the Kestrel Project. This project will enable strategic indigenous underground storage, with the potential to initially store natural gas, but ultimately it is intended to store green hydrogen at the site

## Major progress in the delivery of GT's renewable strategy

While challenges exist, ESB intends to have at least 5 GW of renewable energy assets across Ireland and the United Kingdom (UK) by 2030. 2023 saw GT investing in growing a development pipeline across a range of technologies to achieve this target.

## Growth in ESB's footprint in offshore wind as follows:

- Major progress was made on the construction of the 448 MW Neart na Gaoithe joint venture (JV) offshore wind project, off the east coast of Scotland. Turbine installation is ongoing and the wind farm is expected to commence generation in 2024 (albeit later than was originally envisaged)
- Continued development on Inch Cape, a 1,080 MW 50/50 JV offshore wind farm development project, which was successful in the UK Round 4 CfD (Contracts for Difference) auction. Financial close for the project is scheduled for late 2024
- ESB entered a partnership with Ørsted to jointly develop a portfolio of offshore wind projects off the Irish coast and with a potential to deliver up to 5 GW of capacity. The first of these projects is expected to compete in the upcoming Offshore Renewable Electricity Support Scheme (ORESS) 2.1 auction in 2024
- During the year, ESB acquired a 24.5% stake in two offshore wind development projects (a 900 MW fixed bottom project and a 1,500 MW floating project) located off the west coast of Scotland
- ESB secured an offshore seabed lease option in Scottish waters in the Innovation and Targeted Oil and Gas (INTOG) seabed leasing process, run by Crown Estate Scotland. ESB's proposed project is a 100 MW floating offshore wind project

## Development of a future pipeline of onshore wind and solar assets:

- Oweninny Phase 2, an 83 MW onshore wind JV with Bord na Móna, became operational in 2023. Combined with Oweninny Phase 1, it is the largest onshore wind farm in Ireland at 172 MW
- Continued development of FuturEnergy Ireland, a JV between ESB and Coillte, to develop up to 1,000 MW of onshore wind on Coillte lands in Ireland
- Development continued on Chirmorie, an 81 MW onshore wind farm project in Scotland, which was successful in the UK Round 4 CfD auction. Two further onshore wind projects in Scotland, totalling 130 MW of capacity, were successful in the UK Round 5 CfD auction during 2023
- During the year, ESB acquired a 50% stake in Stornoway Wind Farm, a proposed onshore wind farm of up to 200 MW on the Isle of Lewis, Scotland and a 50% stake in Highland Wind Farm, a proposed 168 MW wind farm in Scotland
- Good progress has been made on the construction of the 70 MW Timahoe North solar project – a 50/50 JV with Bord Na Móna. Development continued on three wholly owned solar projects, totalling 115 MW of capacity, which were successful in the RESS-2 auction in 2022. An additional three wholly owned solar projects, with capacity of over 175 MW, secured 15 year contracts in the RESS-3 auction during 2023

How GT is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

GT is actively pursuing ESB's Net Zero by 2040 Strategy. To meet this goal and its own renewables targets, GT is investing in renewable energy assets across a range of technologies. GT is also developing assets that will support the grid in transitioning to a low-carbon future, such as battery and green hydrogen storage assets, synchronous compensators and flexible gas fired units that respond quickly to system demand, which will be key to facilitating large scale renewables in the future.

ESB is targeting the transformation of Moneypoint into a green energy hub. This would be a major step in deploying a range of renewable technologies over the next decade including:

- An onshore hub, which will facilitate construction of wind turbine foundations and assembly of the wind turbines before floating them to their sites along the western seaboard
- A floating offshore wind project spread across at least two phases totalling 1,400 MW of capacity
- A medium-term hydrogen facility onsite, which will convert excess offshore wind energy to hydrogen for storage and other uses



Generation and Trading (GT) (continued)

Overview

The GT business develops and operates ESB's portfolio of wholly and jointly owned electricity generation assets. It also has a significant owned asset and third-party asset energy trading portfolio. The generation fleet consists of over 5 GW of generation assets across the Integrated Single Electricity Market (I-SEM) and Great Britain (GB) including almost 1.4 GW of renewables (wind, hydro) and renewables enabling assets (batteries, pumped storage). ESB has a further 630 MW in construction across a range of technologies as well as an additional 262 MW of emergency generation in construction at Shannonbridge. With a strong focus on safety, GT delivers value by:

- Providing wholesale and traded products to meet market and customer needs
- Offering capacity and system services to support a robust electricity grid and facilitate the integration of renewables
- Optimising the operation of the ESB generation portfolio
- Delivering new energy assets to support the transition to low-carbon energy
- Engaging constructively in communities close to construction projects and operating assets

Sustainability

GT operates its business with a focus on minimising environmental impact, aiming to increase renewable generation and reduce the overall carbon intensity of electricity generation. ESB has ceased burning peat and will cease burning coal by 2025. CO<sub>2</sub> output from GT's generation plants in 2023 at c.5.1Mt CO<sub>2</sub>e was lower than 2005 (reference year) by approximately 65%, and the carbon intensity of generation reduced by 45% to 370g CO<sub>2</sub>e/kWh over the same period. ESB is also committed to contributing to the sustainable development of the rivers it operates on and in 2023 initiated a programme of works to improve sustainability in all forms on those rivers.

The Net Zero by 2040 Strategy will require a material growth in renewables and energy storage capacity by 2040. This green transition is under way and ESB is accelerating its activities in many forms of renewables (onshore wind, offshore wind, solar), renewables enabling technologies (batteries, synchronous compensators, fast start gas turbines etc.) and in long duration hydrogen storage. The transition will however also require reliable dispatchable electricity generation capacity on the system.

Financial Performance

GT's operating profit at €730 million is down €44 million on 2022. This is mainly due to the Irish Government's scheme to cap market revenues as well as increases in operating costs as a result of an increased asset retirement obligation charge, increased headcount and increased business development costs (related mainly to wind, solar and hydrogen projects).

Capital expenditure of €418 million in 2023, which is significantly increased since 2022, primarily relates to ESB's investment in new flexible generation, electricity storage and renewable assets. In addition, GT invested €124 million by way of shareholder loans to JV projects, all of which related to ESB's continued investment in renewables.

In 2023, GT incurred an impairment charge of c.€15 million relating to the Neart na Gaoithe offshore wind farm development.

Operating Environment

The generation business is changing rapidly, in particular for thermal plants in the market. Competition, regulation and decarbonisation have changed the landscape, creating a dynamic operating environment, particularly for those thermal plants. 2023 has seen a moderation of the volatility in fuel markets experienced in 2022, with prices reducing but stabilising at a level still above the pre-Ukraine crisis levels.

GT Customers

GT continues to offer a variety of traded contracts to all supply companies in I-SEM, on a non-discriminatory basis, via an over-the-counter trading platform in weekly trading windows. These trading windows provide suppliers with the opportunity to hedge their power exposures to mitigate against market volatility risk for their customers.

People

Average employee numbers in GT of 771 have increased from 708 in 2022. GT continues to focus on maintaining the safe and effective performance of its asset base while delivering on ESB's strategy.

Health, safety, and wellbeing is of fundamental importance and GT's 2023 safety improvement programme was directed at completing the roll out of the Safe System of Work programme across all GT stations/wind farms, further embed the process safety programme, and broaden and deepen the approach to behavioural safety through the Safe and Sound Programme. In respect of wellbeing, GT actively promoted greater awareness of health and wellbeing, including encouraging uptake in ESB's Mental Health First Aid training programme and holding a dedicated Health and Wellbeing week.

All locations within GT operate and maintain Safety Management Systems which are certified and externally audited to the recognised international standard ISO45001. Accreditation was maintained in all locations in 2023.

Employee engagement continues to be key to successful performance for the GT business. Using the employee survey results and other feedback, GT has embedded a tailored programme of engagement to support managers, share innovative thinking and keep people connected, healthy and safe.





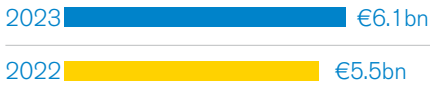
# Customer Solutions



**Pat Fenlon**  
Executive Director, Customer Solutions

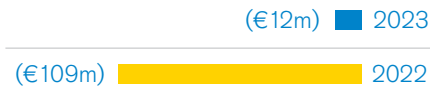
Revenue

€6.1bn ↑€0.6bn



Operating Loss

(€12m) ↑€97m



Brands and Businesses



Key achievements for Customer Solutions in 2023

Electricity and gas price reductions for over 1.2 million residential customers in the Republic of Ireland

73% residential electricity customer satisfaction rating over the year

160,000 customers empowered with electricity insights via Smart Meter Tariff

Almost 1,600 ecars charging points in Ireland

Supporting customers

Electric Ireland continues to offer the best prices possible for households and have consistently provided one of the lowest standard electricity rates in the market. After a period of price increases in 2021 and 2022 on the back of soaring wholesale energy costs, a price reduction of 10% for residential electricity customers and 12% for residential gas customers in the Republic of Ireland (ROI) took effect from 1 November 2023 reflecting a fall in wholesale forward energy prices. In January 2024, Electric Ireland announced a further price decrease of 8% and 7% on residential electricity and gas tariffs respectively, effective from 1st March 2024, resulting in a cumulative average bill reduction of 17% in electricity and 18% in gas within a four-month period. Customer Solutions successfully implemented all Government support schemes in ROI, Northern Ireland (NI) and Great Britain (GB), supporting customers in these challenging times. Customer Solutions continues to provide flexible payment plans, Pay as You Go (PAYG) meters and a hardship fund for those who are struggling to pay their energy bills.

Digital insights empowering customers

Customer Solutions has improved the customer digital journey and continues to advance the experience of smart meter users. All Electric Ireland's Home Electric+ plans come with advanced analytics in online accounts, enabling customers to see how energy use is related to key appliances and providing personal insights to empower customers on their net zero journey.

The Net Zero Customer Support Hub continues to empower all customers to reduce their energy consumption through simple actions.

So Energy in GB launched Nova, a new enhanced proprietary customer platform which will be developed further in 2024.

Net zero journey

Continuing to deliver on ESB's Net Zero by 2040 Strategy was a focus during 2023. As a trusted energy partner, Customer Solutions supported customers on their net zero journey through the rollout and upgrading of ecars charging points and solar installations for our residential customers. ESB's high power (200 kW) EV charging hub at the Barack Obama Plaza motorway service in Co. Tipperary enables eight EVs to receive 100km of charge in as little as six minutes. Customer Solutions is continuously exploring new opportunities to support our customers' energy transition and over 32,000 customers are now benefitting from Electric Ireland's microgeneration tariff.

ESB's Smart Energy Services (SES) provides a variety of energy saving schemes to commercial customers. During 2023, SES began a second solar installation for MSD in Tipperary which will enable further reductions in their carbon emissions.

How Customer Solutions is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

Engaged, connected, informed customers are key to transitioning to a low-carbon future. The energy crisis and inflationary environment has had a real impact on customers. Supporting the customer journey to net zero while also delivering value to customers is a priority for Customer Solutions.

Electric Ireland's Customer Support Hub provides extensive advice to support customers on their sustainable journey. Digital insights to Electric Ireland's smart tariff customers provides analysis of daily usage assisting them to change their electricity consumption profile, enabling reduced costs and a lower carbon footprint whilst also contributing to reducing pressure on the Irish energy system.

Electric Ireland's new mobile app delivers an easy to use and customer friendly method of viewing bills and account details, making payments, submitting a meter reading and much more. Progressing to paperless billing is an important way in which customers can support the journey to net zero.

Customer Solutions values its role as a trusted energy partner assisting residential customers invest in a sustainable future. Electric Ireland and So Energy instal solar panels, batteries, and smart controllers to further help customers manage their energy needs. Electric Ireland's Superhomes joint venture provides deep retrofits to customers, creating more energy efficient homes.

For business customers, ESB's SES provides expert advice on Solar PV, process optimisation and low-carbon heating and cooling technologies. The ecars business is pivotal to the decarbonisation of transport by providing a national, public EV infrastructure on the island of Ireland, and working with a number of organisations and borough councils in GB to instal charging networks.

Overview

Customer Solutions brings together all ESB's retail offerings in Ireland and GB, including Electric Ireland, So Energy, Electric Ireland Superhomes, ESB's Smart Energy Services, ESB ecars and ESB Telecoms.

Customer Solutions through Electric Ireland and So Energy is the energy retail arm of ESB, supplying electricity and gas to ROI and GB customers and electricity to NI customers. Electric Ireland, with over 1.4 million customer accounts and an electricity all-island market share of 40%, serves all market segments, from domestic households to large industrial and commercial businesses, in both ROI and NI. It also has a c.21% share of the residential gas market in ROI.

So Energy, our GB retail brand, supplies over 0.6 million residential electricity and gas accounts.

Electric Ireland Superhomes is a "One Stop Shop" which project manages all of the key stages of a home energy retrofit, from retrofit design through to project completion and application for Sustainable Energy Authority of Ireland (SEAI) grant funding.

ESB ecars builds, owns and operates EV charging networks for public use across ROI, NI and GB. This network includes almost 1,600 charge points on the island of Ireland, as well as almost 800 charge points in GB.

ESB Telecoms operates within the wholesale ROI telecoms market, maintaining and operating over 400 telecoms transmission structures and over 2,000km of fibre optic network.

ESB's SES designs, develops and delivers integrated management solutions for large energy users in Ireland and the UK. Working in partnership with customers, ESB's SES delivers tailored energy efficiency solutions, on site generation and demand management technologies.

Financial Performance

Revenue in Customer Solutions in 2023 was €6.1 billion, an increase of 9% compared to 2022, driven by the cumulative impact of price increases in 2022 (as a result of wholesale price changes) and by regulatory price cap changes in GB.

Customer Solutions reported an operating loss of €12 million, in comparison to a loss of €109 million in the prior year. After price reductions for residential electricity and residential gas customers in ROI, financial performance within ROI and NI was slightly below the prior year (which included a provision for the cost of the €50 winter credit for all ROI domestic electricity customers). The reduction in losses was substantially driven by improved performance in So Energy in 2023.



## Customer Solutions (continued)

### Operating Environment

In Q4 2021, wholesale energy market prices and volatility started to increase and this intensified following the commencement of the war in Ukraine and the consequent impact on Russian gas supplies into Europe. This resulted in energy costs spiralling, with annual average gas prices over 200p/therm during 2022. Soaring energy costs resulted in a number of energy companies exiting the Irish market. Customer Solutions continued to adapt to deliver for customers despite the constantly changing environment, trying to balance the impact of wholesale energy market volatility with keeping customer tariffs as low as possible and maintaining and enhancing customer engagement and service throughout this difficult time. However, the last two years have been particularly challenging for our customers.

Unprecedented increases in bills led to the Irish and UK Governments introducing a number of schemes to support residential and business customers in ROI, NI and GB. These supports were provided mainly through customer credits, and also an Energy Price Guarantee scheme in GB, and government funding was provided to suppliers to implement these schemes. Administering these schemes was challenging due to their complexity in nature, short timeline to deliver and the requirement for changes across a number of processes and systems. Customer Solutions successfully implemented all of these support schemes.

2023 saw these unprecedented international wholesale prices start to reduce, although still remaining significantly higher than prior to the energy crisis. This enabled Electric Ireland to lower its residential electricity and gas tariffs by 10% and 12% respectively, passing on wholesale energy market reductions as much as possible, while also continuing to maintain its hedging policies to ensure Electric Ireland's customers are still insulated from extreme wholesale price movements. 2023 has also seen an increase in competition in the Irish market with price reductions and a new residential supplier. In January 2024, Electric Ireland announced a further price decrease of 8% and 7% on residential electricity and gas tariffs respectively, effective from 1 March 2024, resulting in an average cumulative bill reduction of 17% in electricity and

18% in gas within a four-month period. Electric Ireland continues to offer very competitive tariffs with an increasing range of products to assist customers to invest in a sustainable future, reduce energy consumption and save money.

The GB market has been particularly impacted by the energy crisis with over 30 residential suppliers exiting the market since 2021. So Energy is one of the few true challenger brands left in the market and remains in a unique position to offer a real choice in GB, with an increasing range of products to expand its innovative, digital, customer-centric experience for customers. During 2023, So Energy offered competitive tariffs, including a discount to the Ofgem imposed regulatory price cap, and has seen a growth in customer numbers in the second half of the year.

Climate change concerns, along with the increased availability of digital and technology solutions, has resulted in a shift in customer expectations over the past number of years. This has been further accelerated by the recent energy crisis with customers continuing to engage more actively on their energy consumption and costs.

### Customer Solutions' Customers

Maintaining a strong connection with customers remained a key focus for Customer Solutions across all of its brands and businesses in 2023. Customer contact has increased with customers engaged on energy consumption and good customer satisfaction levels were maintained throughout the year. Customer Solutions provide a wide range of products and services to both residential and business customers ranging from attractive tariffs (various electricity and gas tariffs, microgeneration and smart metering tariffs) to solar installations and deep retrofit services.

Customer Solutions enhanced its customer service offering with increasing digitalisation, including Electric Ireland's personalised energy insights for smart meter customers. Electric Ireland launched its new mobile app, allowing customers to easily view bills, make payments and submit meter readings online.

As well as reducing prices to residential electricity and gas customers in ROI in 2023, Electric Ireland has committed over €60 million to support customers since winter 2020. This includes the €50 winter credit given to all ROI domestic electricity customers last year as well as the €5 million Electric Ireland Hardship Fund which continues to help customers experiencing payment difficulties. This is a long-standing partnership between Electric Ireland, The Society of St Vincent de Paul (SVP), the Money Advice and Budgeting Service (MABS), and ALONE.

Supporting communities has always been hugely important for ESB. Electric Ireland's sponsorship campaigns – including the Darkness into Light event for Pieta House, the GAA Minor Championship and Higher Education League and Championship, the Camogie Association and Game Changers (sponsorship of women's football in NI) showcased how communities show up for each other, and Electric Ireland was proud to be part of these endeavours.

### People

Customer Solutions could not meet its strategic and operational targets without the capability, knowledge, dedication and performance of its people who are committed to delivering for our customers in line with ESB's strategic objectives. A continued strong focus on employee development and targeted recruitment across a range of disciplines linked to the growth strategy, will ensure that Customer Solutions continues to be a very attractive place to work, while providing customers with competitive offerings, excellent customer service and new and innovative products to meet changing needs.

### Sustainability

Customer Solutions is conscious of operating its business in a sustainable and environmentally responsible way and successfully achieved recertification to ISO1400:2015 standard in 2023 for its operations in ROI and NI. Customer Solutions actively works with customers to assist them in improving the sustainability of their homes and businesses through the efficient use of the energy provided.





# Engineering and Major Projects (EMP)



**Paul Smith**  
Executive Director, Engineering  
and Major Projects

### Overview

The EMP business is the centre of engineering excellence for ESB. EMP provides services to support delivery of critical and complex projects across ESB, is responsible for ESB's Group Property and Security (GP&S) portfolio and provides engineering and related professional services to external clients via ESB International. The EMP business has over 900 highly skilled staff who are working in partnership with the wider ESB business to deliver the Net Zero by 2040 Strategy.

### Key achievements for EMP in 2023

## Security of Supply and Generation Development

EMP continued collaboration with Generation and Trading (GT) to progress both the early development and construction of a portfolio of generation projects spanning a variety of technologies located across Ireland and the United Kingdom (UK).

EMP managed the construction of new and innovative battery energy storage projects totalling 285 MW. Two projects successfully entered commercial operation during the year delivering 105 MW to the Irish grid. The remainder of these projects are progressing through construction for delivery in 2024.

To further enhance security of supply within the Irish market, EMP managed the construction of three flexible generation projects in the Dublin region which will add 190 MW of new capacity to the grid. These gas turbine projects located in Poolbeg, Ringsend and Corduff are at advanced stages of construction.

EMP also delivered temporary generation capacity at Northwall, providing 200 MW of back-up power to the Irish electricity grid. The second temporary generation capacity site at Shannonbridge is also at an advanced stage of construction, with over 260 MW to be delivered in 2024. These projects will contribute materially to securing electricity supply in Ireland.

ESB continues to advance proposals for the transformation of the Moneypoint site, with technical support provided by EMP. EMP assisted in the development of a concept masterplan for the site and continued to work on plans to cease coal-fired generation at the site from 2025. EMP is also supporting all aspects of the Green Atlantic @ Moneypoint project which will see the development of a green energy hub at the site.

The second phase of the Oweninny onshore wind project reached commercial operation in 2023. EMP provided key engineering and construction management services for this large-scale project which is a joint venture with Bord na Móna. Combined with Phase 1, the total output of the wind farm is over 170 MW. EMP also supported the development of onshore wind projects in Scotland in collaboration with GT. Highlights include Chirmorie, an 81 MW wind farm, which is progressing towards construction, while both Blarghour (67 MW) and Greenburn (63 MW) wind farms were recently successful in the UK Allocation Round capacity auction.

Offshore wind development remains a key focus for EMP. EMP provided support to Inch Cape, a 1,080 MW project, and also supported the Neart na Gaoithe 448 MW project during the year. Neart na Gaoithe completed foundation installations and commenced wind turbine installation during 2023. The development pipeline of both Irish and UK based offshore projects also progressed with EMP providing engineering and planning services.

EMP played a key role in the development of over 175 MW of solar projects that were successful in the Renewable Electricity Support Scheme (RESS) 3 auction. These projects started to transition, in a phased manner, into construction from late 2023.

## €230 million of large ESB Networks projects supported

EMP is engaged by ESB Networks to support the development and delivery of large capital projects, including construction of major infrastructure for the transmission network, operated by EirGrid, and the distribution network, operated by ESB Networks DAC.

The support of major projects by EMP will help maximise the delivery by ESB Networks of its overall work programme as part of Price Review 5 period (PR5, 2021 to 2025). During 2023, work was undertaken by EMP to support the development, planning and delivery by ESB Networks of major projects required to support the provision of a resilient electricity network, the connection of renewables and empowering customers. At the end of 2023, EMP was engaged to manage a portfolio of 192 network projects at various stages of development and delivery.

In 2023, EMP supported the delivery of €230 million (€203 million in 2022) large ESB Networks projects including HV stations, underground cables and overhead line projects. EMP had a role in project-managing multiple active network construction sites nationally, that were either brownfield or greenfield. Work is continuing to provide enablers for the safe and efficient delivery of projects.

## Consultancy Services

ESB International, a global provider of engineering consultancy services, is currently working in the Middle East, Africa and Asia. It also continues to work across Europe including in Ireland. During 2023, ESB International provided a range of services that are based on ESB's core capabilities of engineering, project management and project delivery across the electricity sector.

### How EMP is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

EMP brings ESB's Net Zero by 2040 Strategy to life through the delivery of major projects and engineering solutions which enable ESB and its customers to develop and connect sustainable renewables and provide resilient infrastructure for a reliable, low-carbon electricity system. EMP aims to provide a centre of engineering excellence and to ensure consistent best practice major project delivery across ESB.

Whether it is new wind farms, electricity transmission or distribution projects, or technologies such as battery storage or flexible power generation, a commercial engineering capability is a core requirement for ESB. This capability also supports the ongoing maintenance of existing infrastructure, ensuring that these generation and network assets perform efficiently throughout their lives to meet customer and market needs.

The aim of a centralised approach to support major project delivery is to deliver projects safely, sustainably and efficiently in line with ESB's financial objectives. This approach is based on having best practice project and contract management capability that can be applied across the Group, whilst at all times observing regulatory licence requirements.

### Centre of Engineering

The Centre of Engineering includes civil, environmental, renewable engineering, generation engineering, and transmission and distribution networks engineering to support delivery of projects. These engineering functions are involved in new development projects from concept through to construction and commissioning. They also support the operation and maintenance of existing assets across ESB Group, and work with GP&S and ESB International.

### Major Project Delivery

Two separate functional areas within EMP have responsibility for supporting the delivery of major projects to GT and ESB Networks respectively. These areas work with the respective businesses and are building an enhanced capability to ensure projects are delivered and that ESB reaches the goals set out in ESB's Net Zero by 2040 Strategy.

### Group Property and Security (GP&S)

GP&S manages ESB's commercial property portfolio. GP&S works closely with GT to acquire land needed to progress the delivery of GT's renewables growth strategy.

### ESB International

ESB International, a global provider of engineering consultancy services, delivers a range of engineering, operations and maintenance solutions and consultancy services to both national and international clients.

### Contracts, Processes and Systems

The Contracts, Processes and Systems Group supports delivery of projects within EMP and is responsible for the provision of project management systems, processes, tools, and contract frameworks capability for the Group.



# Enterprise Services



**Geraldine Heavey**  
Executive Director, Enterprise Services

- Overview**  
Enterprise Services' core areas of expertise are:
- Advisor to ESB Group in relation to core shared services, focused on strategy delivery and value creation
  - Responsibility for providing business critical processes and services to ESB Group, focused on operational efficiency and effectiveness
  - Responsibility for leading the digital transformation of ESB Group, leveraging data and technology, as well as leading operational excellence across ESB

Services are provided across the Group in accordance with legal and regulatory licence obligations and complement business unit specific functions.

## Key achievements for Enterprise Services in 2023

As the centre of excellence for a wide range of key business processes and services that are critical to operations and strategy delivery across ESB Group, Enterprise Services' achievements in 2023, working in close partnership with the other business units in ESB, included:

### Provision of advice

The provision of advice in professional service areas such as Legal, Procurement and Insurance to support the delivery of projects such as emergency generation, renewable generation projects and the National Smart Metering and National Network, Local Connections programmes.

### Digital and data driven

Aligned to ESB's ambitions to be digital and data driven, the delivery of an IT and digital investment programme across ESB, alongside advancing digital leadership and capability. 2023 highlights include the Smart Meter Data Portal enabling customers to access their consumption data, a new mobile app for residential customers, as well as a number of new AI (Artificial Intelligence) and data products.

### IT landscape - security and resilience

Ensuring the continued performance, security and resilience of ESB's IT landscape, while enhancing services to accommodate emerging technologies and new digital products such as Generative AI. In 2023, ESB was the first organisation in Ireland to pilot Microsoft Co-Pilot, a new Generative AI technology from Microsoft that enables greater productivity and collaboration.

### Energy efficiency

Contributing to the achievement of c.20% energy usage reduction across ESB's Republic of Ireland (ROI) property estate for the period October 2022 to March 2023 compared to October 2018 to March 2019 baseline. This was achieved via Facilities Management activities, aligned to the 'Beat the Peak' campaign.

### Capability development

Securing the capabilities needed across ESB to deliver the Net Zero by 2040 Strategy via talent acquisition and learning and development activities. During 2023, People Operations recruited c.1,200 new hires into ESB.

## How Enterprise Services is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

Enterprise Services' purpose is to enable ESB's Net Zero by 2040 Strategy by leading, advising and delivering in its core areas of expertise. Examples of how Enterprise Services is invested in a sustainable future include:

The provision of advice in professional service areas such as Legal, Procurement, Pensions, Insurance and Operational Excellence to support and enable the delivery of ESB's Net Zero by 2040 Strategy.

The provision of a wide range of IT, digital and data services to ESB Group, which includes a lead role in cybersecurity and supporting business transformation. This includes supporting the other business units to enhance customer experience and empower customers to achieve net zero via new digital and data products.

Enterprise Services' lead role in the achievement of sustainable procurement in ESB and in 2023 became a founding member of the Irish Supply Chain Sustainability School.

The provision of safe and sustainable workplace environments via the provision of quality Facilities Management services across the ESB property estate in ROI.

Enterprise Services' lead role in delivering the capabilities required for ESB Group to deliver the Net Zero by 2040 Strategy, achieved via talent acquisition and learning and development activities in People Operations.

Through our Sparking Solutions transformation programme, advance the pace and scale of transformation within Enterprise Services while enabling transformation across the ESB Group to support delivery of the Net Zero by 2040 Strategy.

## Enterprise Services: Overview

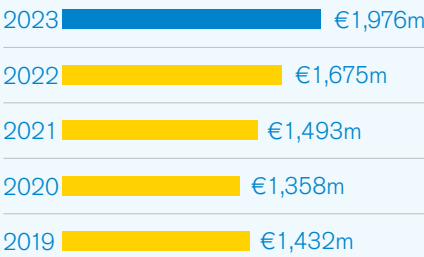
Business Operations	CIO & IT Delivery	Professional Services
Facilities Management	IT Strategy & Architecture	Finance, HR & Transformation
Financial Planning & Analysis	Digital	Operational Excellence
People Operations	Analytics	Legal
Requisition to Pay	Cybersecurity	Pensions
Financial Operations	Service Delivery	Insurance
Treasury Risk & Operations	Project Delivery	Procurement

# Key Performance Indicators (KPIs)

In addition to the Strategic Performance Indicators outlined on page 17 ESB employs financial and non-financial key performance indicators (KPIs), which signify progress towards the achievement of ESB's strategy. Each business unit has their own KPIs, which are in direct alignment with those of the Group.

## Financial

### EBITDA before exceptional items\*



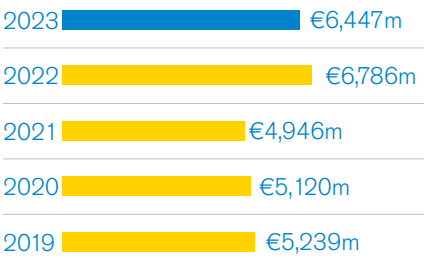
**Definition**  
Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation, revenue from supply contributions and exceptional items separately disclosed in the Income Statement.

**Strategic Relevance**  
EBITDA is a key measure of the cash generated in the Group during the year which is then available for strategic investments, repayment of debt and dividend payments.

**Performance**  
The increase in EBITDA is driven primarily by increased energy margins. For further detail see Financial Review on page 54.

**Foundational Capabilities** Financial Strength

### Net Debt\*



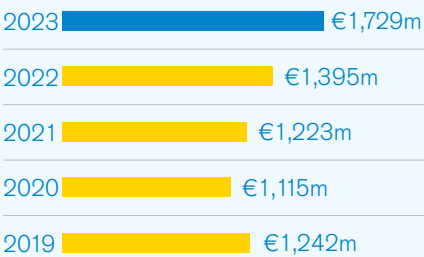
**Definition**  
Total of borrowings and other debt plus lease liabilities less cash and cash equivalents (excluding any restricted cash).

**Strategic Relevance**  
Net debt is a measure of how leveraged the Group is and if it is in line with its key covenants. Net debt will grow as ESB partly funds its capital investment programmes with borrowings.

**Performance**  
Net debt has decreased mainly due to cash profits during the year, positive movements in net cash collateral and other positive working capital movements offset to some extent by the level of capital expenditure during the year and interest, tax and dividend payments. For further detail see Financial Review on page 54.

**Foundational Capabilities** Financial Strength

### Capital Expenditure\*



**Definition**  
Additions to property, plant and equipment, intangible assets (excluding emissions allowances) plus additions to equity accounted investees.

**Strategic Relevance**  
ESB is in a period of significant capital investment for both its networks' businesses and Generation and Trading (GT).

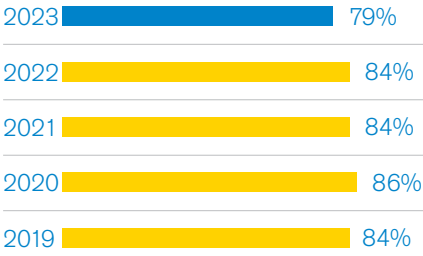
**Performance**  
The increase in capital expenditure primarily reflects the capital investment in the networks and GT businesses. For further detail see Financial Review on page 54.

**Strategic Objectives** Decarbonised Electricity Resilient Infrastructure **Foundational Capabilities** Financial Strength

\* Refer to Alternative Performance Measures on page 289 and 290 for calculations.

## Operational

### Plant Availability



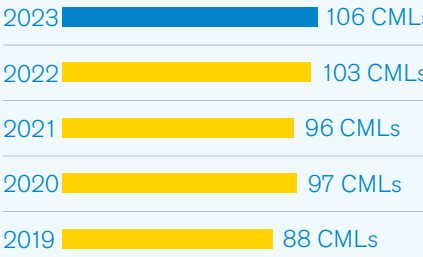
**Definition**  
Percentage of the time in the year that generation plant was available to produce electricity, whether they generated or not.

**Strategic Relevance**  
Delivering strong operational performance across ESB's generation plant through best practice operations and maintenance and timely completion of overhauls is critical to ESB's commercial performance.

**Performance**  
Plant availability was 5% lower than 2022 due to a number of unplanned outages across the generation portfolio.

**Strategic Objectives** Resilient Infrastructure

### Customer Minutes Lost (CMLs) ESB Networks



**Definition**  
The average duration of unplanned interruptions for all customers during the year.

**Strategic Relevance**  
The reliability of the grid and minimising interruptions to customers is of key importance to ESB.

**Performance**  
There has been a further deterioration in CMLs in 2023 driven by adverse weather, HV station faults and issues with network capacity in certain areas. Specific Continuity Improvement Plans are in place for each Customer Area and these issues will be priority areas of focus for the business for 2024.

**Strategic Objectives** Decarbonised Electricity

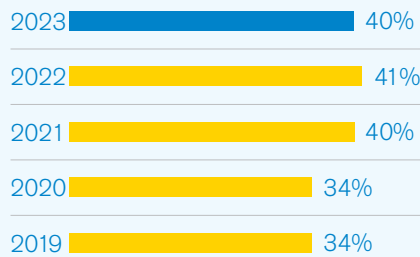


Key Performance Indicators (KPIs) (continued)

Customer and Market

Retail Market Share

**Definition**  
Total Single Electricity Market (SEM) all-island market share.



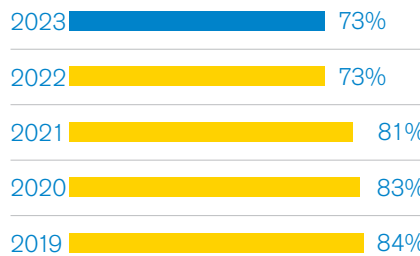
**Strategic Relevance**  
Development of strong market share position is key to ESB so that it can compete within the all-island competitive environment and empower customers on their decarbonisation journey.

**Performance**  
Overall market share is in line with 2022 levels. For further detail, see Customer Solutions business unit on page72.

**Strategic Objectives** Empowered Customers

Residential Customer Satisfaction – Electric Ireland ROI

**Definition**  
Provides a measure of residential customer satisfaction (Source: Residential CX Tracker monthly survey conducted by IPSOS B&A).



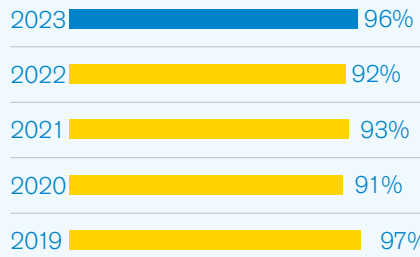
**Strategic Relevance**  
ESB strive to provide excellent customer service and introduce new initiatives to improve the customer experience.

**Performance**  
The average score remains unchanged at 73%. Increasing satisfaction scores remains challenging while energy bills remain high, and the cost-of-living crisis continues to impact on consumer sentiment. Electric Ireland aims to stabilise and build on these ratings in the year ahead.

**Strategic Objectives** Empowered Customers

Brand Awareness – Electric Ireland ROI

**Definition**  
Awareness of Electric Ireland as an energy supplier (Source: Electric Ireland Brand Tracker monthly survey conducted by Red C Research).



**Strategic Relevance**  
ESB aims to maintain the Electric Ireland brand as the leading energy supply brand in Ireland.

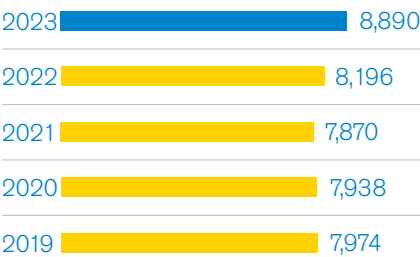
**Performance**  
Electric Ireland continues to be the best-known brand in the market. The new "Your World, Brighter" advertising campaign was well received upon launch. The new "Magic Neighbour" TV and digital advert was also rated favourably by consumers. In addition, awareness of key sponsorships remained very strong including Electric Ireland's partnership with Darkness into Light and the association with the GAA All Ireland Minor Championships.

**Strategic Objectives** Empowered Customers **Foundational Capabilities** Sustainable & Socially Responsible

People

Headcount

**Definition**  
Average number of employees in the year including temporary employees employed by ESB.



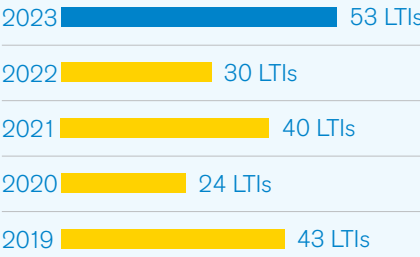
**Strategic Relevance**  
The delivery of the strategy will require an organisation that is of a certain scale and is flexible, highly motivated and adaptable.

**Performance**  
Headcount continued to increase in 2023 due to staff hires across all business units and disciplines to support the delivery of the Net Zero by 2040 Strategy. For further detail, see note 10 of the financial statements.

**Strategic Objectives** Our People

Employee Lost Time Injuries (LTIs)

**Definition**  
Employee LTIs are work-related injuries that involve an absence of at least one day (not including the day the injury occurred).



**Strategic Relevance**  
Safety is at the centre of what we do. ESB continues to focus on reducing risks in the business that gives rise to injurious incidents. For further detail, see safety on page 93.

**Performance**  
In 2023, the total number of employee LTIs was 53, an increase on 2022 of 23. The increase relates to higher headcount and work volumes associated with increasing capital expenditure programmes. ESB continues to invest in initiatives to reduce the risk of injury to our employees.

**Strategic Objectives** Our People

Regular monitoring of Strategic Performance Indicators as well as Environmental, Social and Governance measures are included within the strategy section on page 16 and ESB's Sustainability Report (the 2022 report can be found on the ESB website).



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# Using our Profits in a Sustainable Way

€1.7 billion in capital expenditure in 2023

Facilitating a more sustainable energy environment as well as supporting economic growth through providing, safe and reliable electricity supply to homes and businesses

ESB is progressing a pipeline of generation projects to deliver ESB's Net Zero by 2040 Strategy

115 MW of solar projects in development

180 MW battery storage systems in Cork and Dublin

190 MW of flexible gas generation at three locations in Dublin

Renewable developments with our trusted joint venture partners including:

- 1,080 MW Inch Cape Offshore Wind Farm
- 448 MW Neart na Gaoithe Offshore Wind Farm
- 70 MW Timahoe North Solar Farm

Combined ROI & UK overall taxes paid €939 million

Overall taxes borne €369m

Overall taxes collected €570m

UK taxes paid €257 million

ROI taxes paid €682 million

ROI

Taxes paid	€682m
Taxes borne	€264m
Taxes collected	€418m

Split between

Taxes Borne	€264m
Profits earned - Corporation Tax	€90m
People employed - Employers PRSI	€49m
Environment - Electricity Tax	€3m
Local communities - Rates	€122m

and

Taxes collected	€418m
VAT on sales and purchases of goods/services	€182m
People employed - Employee PAYE, PRSI and USC	€178m
Environment - Carbon Tax	€19m
Withholding tax on services	€39m

UK

Taxes paid	€257m
Taxes borne	€105m
Taxes collected	€152m

Split between

Taxes Borne	€105m
Profits earned - Corporation Tax	€29m
People employed - Employers National Insurance	€14m
Electricity Generator Levy	€3m
Environment - Climate Change Levy	€28m
Local communities - Rates	€31m

and

Taxes collected	€152m
VAT on sales and purchases of goods/services	€111m
People employed - Employee PAYE, National Insurance	€30m
Environment - Climate Change Levy	€10m
Withholding tax on services	€1m

Note:  
In addition to the above, €76m was paid in January 2024 under the Irish Government's emergency energy market interventions.  
ESB also operates in jurisdictions outside of Ireland and the UK but profits and the taxes relating to these jurisdictions are immaterial.  
Tax burden means tax borne by ESB out of its own profits while taxes collected are taxes withheld from payments to others and paid directly to the tax authorities.

€5 million hardship fund established

Over €2.4 million to support communities

Empowering and enriching the lives of individuals and communities through the corporate social responsibility programme

€220 million dividend return to stockholders for 2023

97% goes to the Irish Government as majority stockholder

Over €1.4 billion of declared dividends over 10 years

Over €1.7 billion paid to debt investors

Annual interest and repayments

Over €2.7 billion contributed to the Irish economy in the form of payroll, taxes, dividends and purchases from domestic suppliers

People



**Sinéad Kilkelly**  
Executive Director,  
People and Sustainability

Ensuring we have the people capability to deliver our strategic objectives with a strong values-based and inclusive culture is a foundational pillar of ESB’s strategy Driven to Make a Difference: Net Zero by 2040.

At ESB, our success is rooted in our people. Our people set us apart and have built ESB into the thriving organisation it is today. We’re passionate about attracting, engaging and retaining great people by creating a positive, inclusive, caring work environment, and bringing new diverse thinking and expertise to ESB. This is fundamental to our continued success. In May 2022, ESB launched a national recruitment campaign and we have recruited over 1,000 people across many disciplines since then. We are particularly focused on increasing the number of women in Science, Technology, Engineering and Mathematics (STEM) and craft roles and we are making real progress with 27% of this year’s new network technician apprentices being women.

2023 has been another year of challenge, change and opportunity. We know that the continuing cost of living impact of the energy crisis is difficult for our customers and puts its own pressure on our people. In ESB, we have a long history of caring for the people we impact on, our employees, customers, and the communities we serve. Continuing to strengthen and enhance ESB’s inclusive culture is critical to success and ensuring that everything we do is driven by our four values – we’re courageous, we’re caring, we’re driven and we’re trusted.

Our People Promise sets out ESB’s commitment to our employees on their career journey, providing many attractive and unique benefits while supporting people’s wellbeing and growth as they contribute to ESB’s critical net zero purpose. Continuing to enhance the experience of our people to meet the standard set in Our People Promise is a strategic imperative.

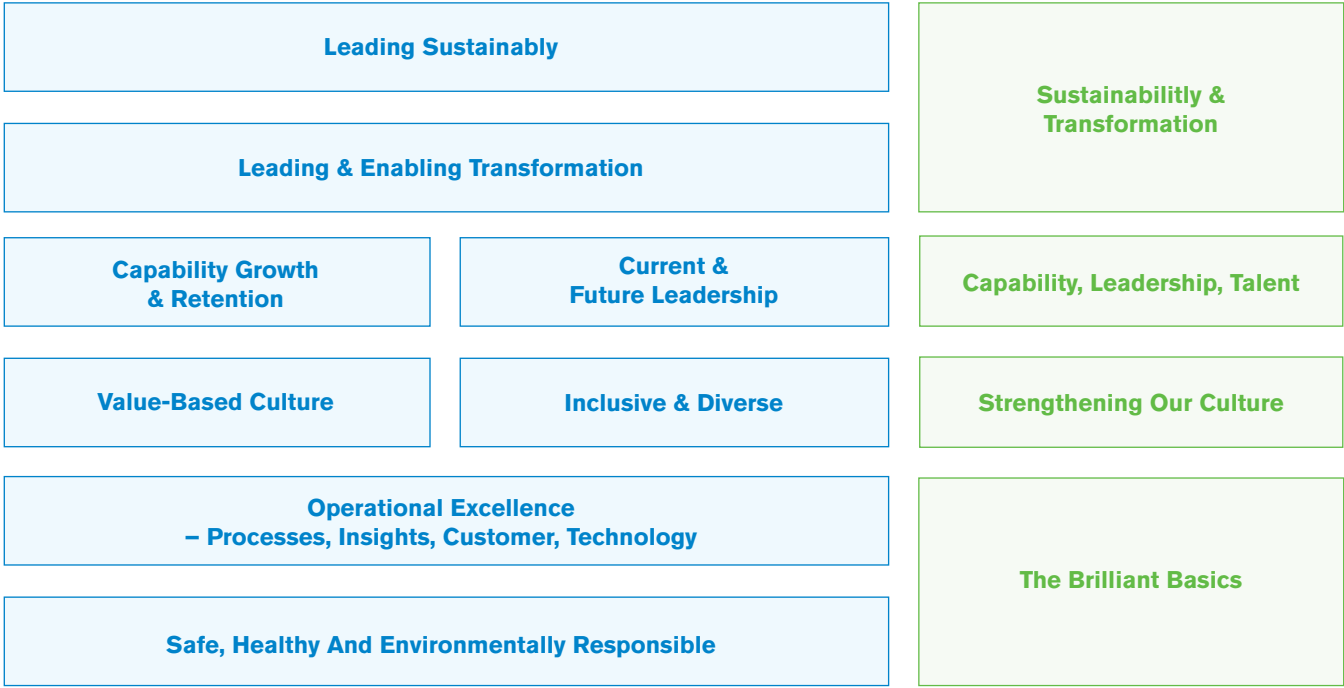
As we reflect on the past 12 months, we celebrate the strides we’ve made in creating an environment where every individual feels valued, supported, and empowered to contribute their best. In a recent employee engagement survey, our engagement score increased from 7.1 to 7.5. This is a move in the right

direction, with more to do to get to the target called out in ESB’s strategy of an engagement score of 8/10. The workplace environment has changed dramatically since COVID-19, in particular for our office-based employees. ESB has taken an ambitious approach to Smart

Working (our hybrid working model), balancing employee choice and flexibility with business needs, while managing productivity and cultural connection risks. We know from our data that ESB’s approach to Smart Working has supported the increase in employee engagement and our ability to attract and retain the talent we need to drive our business forward.

People Strategy at ESB

Enable the culture and capability required for sustained performance, where everyone can make a difference to achieve net zero by 2040.



WE'RE COURAGEOUS

Each of us is prepared to challenge the way we've always done things, stand up for what we feel is right and try better ways of working.

WE'RE CARING

We're putting customers' current and future needs at the heart of what we do and we keep ourselves and others safe and healthy.

WE'RE DRIVEN

We bring passion and persistence to what we do every day, innovating and collaborating to meet the challenges and opportunities ahead.

WE'RE TRUSTED

We each play our part, taking ownership of our responsibilities, seeing the job through and protecting our own health and safety, as well as others.



People (continued)

We are making progress towards the goals of our Diversity, Equity and Inclusion Strategy. The number of women in ESB (excluding NIE Networks and So Energy) has increased to 27% and we have set a target of 30% by the end of 2025. ESB's Gender Pay Gap (GPG) is narrowing but there is more to do to encourage higher numbers of women into STEM and craft roles. As we continue to recruit, we are looking at how we can build an increasingly diverse workforce, across all aspects of diversity.

As we look to 2024, ESB's people strategy will continue to focus on building capability and enhancing our values-led culture to deliver ESB's Net Zero by 2040 Strategy and ensure an inclusive environment where people feel a sense of belonging and can perform to their best.

Strengthening our Values-Based Culture

ESB's values of being courageous, caring, driven and trusted encapsulate the integrity and ambition, inform decisions, and underpin the commitment to earning the trust that customers and communities place in ESB. Connecting everyone with ESB's purpose and strategy and ensuring the values are at the heart of the organisation's culture enables delivery of our net zero target. The way we engage

with each other is critical to embedding an open and inclusive culture, where people feel they are valued and trusted, and where everyone chooses to take responsibility for how they behave every day.

During 2023, following engagement across the organisation, we developed a culture framework with behavioural priorities that are grounded in our values. Our culture priorities include delivering with energy and pace, ensuring strong collaboration and cooperation internally and externally and having a truly inclusive, speak up environment where everyone's voice is heard. This framework will ensure an integrated approach to culture change across the organisation.

We continue to evolve and strengthen ESB's values-based culture, recognising the changing world of work, employee expectations and the growing diversity of our people. A key focus in 2023 has been continuing to connect all of our people with ESB's purpose, our ambitious strategy and our values.

In 2023, we evolved and embedded our ambitious and courageous approach to Smart Working, offering flexible hybrid working to our office-based employees while meeting the needs of the business.

This helps remove geographic location as a barrier and extends opportunities for existing talent and the reach for future talent. In a recent survey, 85% of employees reported a positive Smart Working employee experience with 80% agreeing that Smart Working is positively influencing their decision to stay with ESB. With input and support from across the organisation, listening to our people and using external insights, ESB's approach continues to evolve. Managing the opportunities and challenges of hybrid working to positively impact the diversity of ESB's workforce also continues to be a focus.

Our People Promise

At ESB, our purpose is clear, and we've made a commitment to deliver a brighter future through the collective actions of all our people. We believe in creating a positive and flexible environment where everyone feels safe, empowered and that they truly belong. Our People Promise is grounded in our values.

Recognising how important our people are, we seek to understand how they feel about life in ESB through two-way engagement, focus groups and Our Voice employee surveys. This helps inform how we can improve employee experience and live Our People Promise.

ESB offers a competitive reward package together with comprehensive employee benefits and supports including health, wellbeing and diversity initiatives, family supports and flexible working arrangements. There is a commitment to career progression together with supports for ongoing development and every employee is expected to have a development plan. ESB cares about the issues that our employees are interested in and provides volunteering opportunities and generous charitable contributions matching.

ESB is an equal opportunity employer and respects each employee's right to associate and be a member of a Trade Union. ESB recognises and engages in collective bargaining with a number of accredited Trade Unions (the ESB Group of Unions). As part of the internal grievance procedures, an Industrial Council is utilised which includes management and employee representatives and is chaired by an external independent chair. As part of ESB's pay cycle, a three year pay agreement was reached for approximately 5,500 employees effective 1 January 2022.

Growing Capability

At ESB, we have some of the most exciting and challenging work programmes in the industry and with the right people, technology and investment in place, the 2040 strategy can be delivered.

The attraction, retention and growth of our people are key pillars of ESB's Talent Strategy. We aim to unlock the potential of our people to perform at their best, while instilling a sentiment of self-growth and excitement across the organisation about a net zero future. We are passionate about attracting, developing, and retaining great people who create a positive, caring work environment, and bring new thinking and expertise to ESB. We are proud of our legacy in investing in ongoing skills and personal development through all stages of the career journey.



Since announcing a three year national recruitment campaign in May 2022, ESB has recruited over 1,000 new people from over 40,000 applicants across multiple disciplines and levels (including apprenticeship and graduate campaigns). Growing internally and attracting in new capabilities in key areas of expertise such as renewable technologies is essential to the delivery of our net zero by 2040 strategy.

Growing our Future Leaders

During 2023, we focused on building leadership expertise for all our people managers with the launch of the People Manager Essentials Programme, where all newly appointed people leaders are automatically enrolled into the programme to support the first step in their leadership career. We also launched ESB's Leadership Academy, focused on a more structured approach to continual development for our leaders.

ESB's Early Careers Strategy is a core component of the plans to strengthen the future talent pipeline, providing opportunities to develop skills and experience across a wide range of core disciplines, building longer-term sustainable capabilities for the organisation. ESB has invested in a number of programmes and partnerships to engage with younger generations, such as national sponsor of Science Blast which reached over 17,000 children from 590 schools across Ireland in 2023.

ESB partners with career guidance counsellors through their network (Guidance and Industry Network) to support them with insights into skills, competencies and pathways across STEM. ESB also offers a varied and exciting range of work placement experience together with a highly attractive, award-winning graduate programme.





People (continued)

Diversity, Equity and Inclusion (DEI) at ESB

Increasing all aspects of the diversity of ESB's workforce is a priority and a business imperative. Following a refresh of ESB's Diversity, Equity and Inclusion Strategy in 2023, ESB (excluding NIE and So Energy) has set a target of 30% women across the workforce by 2025. ESB is also committed to the public sector target of 4.5% employees with disabilities by 2024, rising to 6% by 2025. Publishing Gender Pay Gap (GPG) data helps to reinforce ESB's focus on increasing diversity and equity, supporting an open and inclusive workplace. Current diversity and GPG metrics for ESB Group are as outlined in the table opposite.

ESB's ROI mean GPG of 10.6% continues to close with an improvement of 0.3% on 2022 (1% on 2021). When overtime and role specific allowances are excluded, the GPG falls to 2.6%, down 0.65% on 2022 (1.9% on 2021). The key driver of the GPG is the lower numbers of women represented across ESB in ROI (27%), in particular within disciplines such as craft and STEM. Further reducing the GPG is a key element of ESB's People Strategy. The organisation has identified several priority actions to attract more women into electrical and other craft apprenticeships, graduate programmes, engineering and other STEM roles. ESB recognises that achieving this requires continuing its own programmes and a continued, concerted focus nationally at primary, secondary and third level education to encourage more females towards the opportunities and careers available in STEM.

- Key areas of focus of ESB's Diversity, Equity and Inclusion Strategy in 2023 included:
- Ensuring diverse talent is attracted by reviewing recruitment policies and practices and leveraging existing and new partnerships such as OpenDoors, ASiAM and AHEAD.
  - Further developing Diversity Action Plans for network technician apprentice and engineering graduate programmes.
  - Building on the success and impact of the award winning BeMe@ESB (ESB's LGBT+ ERG which has over 2,500 trained allies), ESB have launched three new employee resource groups (Accessibility, Cultural and Ethnic Diversity and Gender).

GPG Reporting

	ROI (including overtime) <sup>1</sup>	ROI (excluding overtime) <sup>1</sup>	NIE Networks <sup>2</sup>	So Energy <sup>3</sup>
Mean GPG	10.6%	2.6%	8.8 %	23.2%
Median GPG	10.3%	0.16%	10.25%	0%

- 1 Reflects the requirements of Irish Gender Pay Gap Information Act, 2021 (and covers the 12-month reporting period ending 30 June 2023). ESB's GPG report in full can be found on ESB's website.
- 2 While UK GPG requirements have been in place since 2017, there is currently no legal requirement in Northern Ireland to report on this. Calculations are based on salary data (basic pay) covering the 12-month reporting period ending 5 April 2023. In addition to the above, the mean bonus GPG is 16.3% and median bonus GPG is 9.4%.
- 3 Reflects the requirements of The Equality Action (Gender Pay Gap Information) Regulations 2017 (and covers the 12-month reporting period ending 5 April 2023). In addition to the above, the mean bonus GPG is 19.8% and median bonus GPG is 2.2%.

Note: GPG reporting for ESB's other UK employees (i.e. excluding NIE Networks and So Energy) is not currently completed as ESB does not meet the 250 employee threshold on the snapshot date.

Other reporting

	ROI	NIE Networks	So Energy
Female	27% <sup>1</sup>	20% <sup>3</sup>	29% <sup>4</sup>
Senior Management Female	33% <sup>1</sup>	38% <sup>3</sup>	50% <sup>4</sup>
Employees with disabilities	3.8% <sup>2</sup>	Not available	4% <sup>5</sup>

- 1 Based on actual headcount as per GPG snapshot reporting date of 30 June 2023. Senior management includes all female employees in ESB's senior level pay bands.
- 2 Includes employees with a substantial restriction (both visible and non-apparent) in their capacity to carry on a profession, business or occupation or to participate in social or cultural life by reason of an enduring physical, sensory, mental health or intellectual impairment. Based on actual headcount as at 31 December 2023 excluding temporary employees and those on graduate and apprenticeship programmes. Results derived from a survey which employees voluntarily responded to and a response rate of 38% was achieved.
- 3 Based on actual headcount as per GPG snapshot reporting date of 5 April 2023. Senior management includes all females in roles classed as a senior manager role.
- 4 Based on actual headcount as per GPG snapshot reporting date of 5 April 2023. Senior management is all females at the level of CEO-1.
- 5 Based on employees who have self-identified as having a disability.

- A new career development initiative, designed by women, for women, was launched in October. This programme 'Pathways to Success' aims to support women in building their personal brand, in their ongoing personal development and navigating their careers at ESB.
  - Increasing ESB leadership through participation groups including 30% Club Ireland Council, Connecting Women in Technology, Engineers Ireland, Professional Women's Network Dublin and the IBEC Diversity Forum.
  - Continuing as a host organisation for the STEM Teacher Internship Programme, offering 12-week paid internships annually to future primary and post-primary STEM teachers in STEM roles. In 2023, ESB also engaged with Skillnet Ireland to participate in their award winning "ReBoot" programme which supports women with skills and placement experience to return to work in technology/IT after a career break.
  - ESB's Traineeship Programme for People with Disabilities, is delivered through our longstanding partnership with AHEAD's Willing, Able and Mentoring Programme for graduates with disabilities. Since its commencement, over 120 people have taken part in the six-month programme in ESB.
  - Continued rollout of ESB's Parenting Transition Programme – an evidence-based, award-winning, coaching-based programme to support successful transitions for all new parents, whatever their journey to parenthood has been.
  - Increasing leadership capability across ESB by embedding diversity, equity and inclusion principles within ESB's competency-based internal selection processes for managers and within leadership and senior manager development programmes. ESB's Executive Committee also undertakes regular inclusive leadership training.
- A priority for 2024 is to expand ESB's current demographic data collection to ensure all employees are provided with the supports they require thus ensuring 'equality of opportunity' through equity and inclusion.

Health, Safety and Wellbeing

Overview

ESB's Board, management and employees are committed to protecting the health and safety of employees, customers, contractors, and the people ESB serves; their safety is always considered first in business actions and activities. ESB believes that all operational processes can be designed and operated in a safe manner. This belief guides the approach to safety across all business activities and is reinforced through strong and visible leadership throughout ESB.

The Chief Executive has overall responsibility for the management of health, safety and wellbeing in ESB. The ESB Group Safety Statement sets out the overall policy and general arrangements in ensuring the health, safety and wellbeing of all employees. Functional responsibility is shared with all senior management and, in turn, with each manager, supervisor, team leader and employee. The Safety, Sustainability and Culture Committee supports the Board's monitoring and governance of health, safety and wellbeing. Further details of the Safety, Sustainability and Culture Committee are outlined on page 156.

Lost Time Injuries

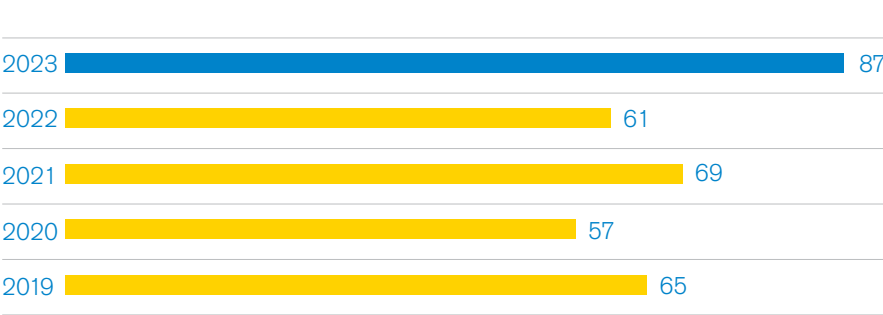
Lost Time Injuries (LTIs) are occupational injuries which result in at least one day's absence from work, not including the day that the injury occurred. The number of LTIs in 2023 was 87 compared to 61 in 2022 and 69 in 2021. The increase in 2023 is due to higher headcount and work volumes associated with increasing capital expenditure programmes. The majority of these injuries were of low severity where the injured parties made a full recovery and quickly returned to work. The most common causes of LTIs were slips and trips, and general situational awareness.

Safety Performance in 2023

ESB uses the following leading Key Performance Indicators (KPIs) to track safety performance:

- 1. Good Catch reporting:** A Good Catch is where an employee or contractor intervenes when they notice an unsafe act or unsafe condition. This helps to prevent a safety incident from occurring. 10,869 Good Catches were reported across the organisation during 2023, exceeding the KPI target.
- 2. P1 investigation closure:** A P1 incident is an incident which has potential to cause life changing injuries. ESB categorises all incidents and near misses with a particular focus on high potential incidents that could lead to more serious outcomes. All P1 incidents are thoroughly investigated. The P1 investigation closure KPI reports on the timely completion of investigations. This KPI target was exceeded at the end of 2023 achieving an average of 86% on-time closure rate per month.
- 3. P1 action closure:** When a P1 incident is investigated the findings often result in corrective actions. This KPI tracks the timely completion of all actions associated with P1 incidents. The P1 action closure target was met in 2023 achieving an average of 80% closure rate per month.
- 4. Senior management leadership activities:** All senior managers in ESB are expected to demonstrate their safety leadership by conducting leadership activities each month. This KPI tracks completion of these activities. Overall, the average performance was below target at 78% completion rate for the year.
- 5. Audit non-conformity closure:** ESB is certified to externally accredited Safety Management Systems (SMS). Non-conformities associated with external audits of these SMS are tracked for on-time completion. The number of minor and major non-conformities is consistently very low. All actions have been closed on time.

Figure 1: Lost Time Injuries 2019 – 2023





Health, Safety and Wellbeing (continued)

High Potential Incidents (P1)

In 2023, 183 P1 incidents were recorded. 2023 has shown an increase in P1 incidents compared to the years 2019 to 2022 due to a higher headcount and work volumes.

In 2023, ESB had a lower number of serious LTIs of two compared to the previous three years (2022: 3, 2021: 4 and 2020: 11). The most significant safety risks arising from P1 incidents for ESB are electrical plant, equipment, and overhead lines. Human error is also the cause of many incidents.

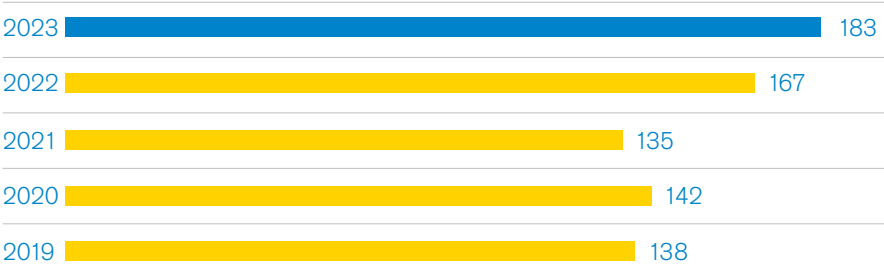
ESB continues to invest in initiatives to reduce the risk of injury to our employees and contractors.

Public Safety

During 2023, ESB Networks continued to implement its Public Safety Strategy (2021 – 2025). The strategy continues to focus on engagement and collaboration with key identified at-risk groups including the farming sector, construction industry, emergency services as well as informing the general public on the need to stay safe and stay clear of the electricity network via various media channels. The ESB Networks' 24/7/365 emergency response service operated to the highest standards to ensure public safety. In 2023, an independent audit of ESB Networks' Public Safety Management Programme on behalf of the Commission for the Regulation of Utilities (CRU) was completed for its transmission and distribution activities, with zero non-conformances recorded.

There were no fatalities in 2023 involving members of the public and the electricity network maintained by ESB Networks, as has been the case for the previous seven years. However, there were four incidents of contact with the network by members of the public that resulted in electric shock and hospital treatment.

Figure 2: P1 Incidents 2019 – 2023



In Northern Ireland, aspects of NIE Networks' Public Safety Programme were delivered through radio, print media and digital adverts. The radio messaging was designed to give a spread across various demographics including the agricultural sector, and the print media included both mainstream and specific agricultural publications. In 2023, safety presentations were also delivered to contractors across the industry, other utilities and their contracting partners. The Public Safety Programme for 2023 allowed NIE Networks to get out and visit schools or host presentations on virtual platforms. The KidzSafe presentation was redesigned to tailor it further to the school curriculum whilst also making it more engaging for kids while delivering all the relevant safety messages.

Safe and Sound

Safe and Sound is ESB's safety and wellbeing culture transformation programme. Since its launch in 2018 in ESB Networks and Generation and Trading, it has achieved considerable success in evolving the culture at ESB. The programme has helped make safety and wellbeing central to everything being undertaken. It is built on the ESB core values: caring for one's own safety and wellbeing and that of their colleagues; being courageous in speaking up when we see something unsafe; being

trusted by employees, contracted partners and customers to be safe every day; and being driven to be leaders in safety, health and wellbeing and environmental responsibility.

In 2023, ESB has continued to develop Safe and Sound as part of its Leadership Academy, with employees taking part in leadership skills and culture development programmes.

Health and Wellbeing

ESB is committed to proactively supporting its employees in maintaining good health and wellbeing. ESB's Health and Wellbeing team helps employees to reach their full potential in the workplace by providing proactive, preventative and early intervention health and wellbeing services. It provides information and advice to employees to help them to create and maintain a healthy lifestyle. The programme provides effective support where employees face ill health and other personal life challenges through an occupational health medical service, Employee Assistance Programme (EAP), an independent counselling service and a range of other support measures. Health promotion, based on a calendar of monthly areas of focus, was delivered through online events, in-person events, a monthly health and wellbeing bulletin, and regular webinars on mental and physical health.

Key initiatives and programmes implemented or continued in 2023

Overall	<ul style="list-style-type: none"><li>ESB business units maintained their SMS certification to ISO45001 standard</li><li>'Good Catch' proactive safety, health and wellbeing interventions provide the opportunity for everyone to take responsibility for safety and wellbeing across ESB</li><li>Centres of competence provide leadership and direction to manage key safety and wellbeing risks</li><li>ESB continued to make progress in 2023 on improving its safety performance through delivery of key improvement projects</li><li>Principal risks and their management are reviewed and reported quarterly to the Group Risk Manager and the Audit and Risk Committee</li></ul>
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Key initiatives and programmes implemented or continued in 2023 (continued)

ESB Networks	<ul style="list-style-type: none"><li>Competence and Assurance team continue to expand the areas and work activities covered by the assurance programme</li><li>ESB Networks continued with Human Factors as the safety theme across 2023 with very positive engagement and response to monthly themes</li><li>Safe and Sound Culture Transformation Programme continues to gain traction</li><li>Road safety and public safety programmes and initiatives are on track with engaging content delivered to at-risk groups and stakeholders</li></ul>
NIE Networks	<ul style="list-style-type: none"><li>Continues to work with the culture transformation programme 'Safer Together' which has been reinforced through strong and visible leadership and the development of a series of safety improvements since 2020</li><li>Internal capabilities have been built through the Safety Culture and Leadership Coaches</li><li>Focusing on occupational hygiene alongside health and wellbeing in 2024 to continue on the journey to 'zero harm'</li></ul>
Generation and Trading (GT) and Customer Solutions (CS)	<ul style="list-style-type: none"><li>All locations now fully utilising the Safe System of Work (SSoW) in GT</li><li>Toolbox talks extended to all staff in CS</li><li>New Induction Management System implemented in GT</li><li>Phase two of the behavioural safety campaign commenced in GT</li><li>Developing a culture of positive safety behaviour recording in GT</li><li>Construction Regulations (Ireland)/Construction Design and Management Regulations (UK) duty holder process improved and embedded for Smart Energy Services and ecars in CS with audit process enhanced in Smart Energy Services</li><li>Hazard and Operability study completed for all hydrogen and natural gas locations in GT</li><li>Risk based process hazard review completed in all GT hydro locations</li><li>Pilot labelling and drawings project completed at Ardnacrusha in GT</li><li>Electrical safety workshops completed in all GT locations</li><li>Health and wellbeing champions forum continued in GT, with a pilot 'Be Active' programme in Lee station. Safety Management System developed for new distribution generation assets</li></ul>
Engineering and Major Projects (EMP)	<ul style="list-style-type: none"><li>Progress was made embedding Safe and Sound in EMP</li><li>Safety Week events included topics on Safe and Sound, project safety, electrical safety and the impact of losing a loved one in a workplace accident</li><li>Safety Manager Offshore Wind appointed in the team as well as two new Safety Advisors (one supporting GT projects and one supporting ESB Networks projects)</li><li>Work progressed on refining safety requirements for solar</li><li>Chaired/convened a review of OneSource, document management system on behalf of ESB Networks</li><li>The IBEC KeepWell mark was successfully maintained during 2023</li></ul>
Health and Wellbeing	<ul style="list-style-type: none"><li>The Health and Wellbeing Centre of Competence Sponsorship Group developed a roadmap for health and wellbeing based on the three pillars of personal responsibility, supports and services, and the role of the line manager</li><li>The health and wellbeing programme for 2023 focused on physical and mental health, women's health, men's health and chronic illness prevention</li><li>Mental health first aid awareness training was delivered to c.200 senior managers</li><li>Existing Mental Health First Aiders continue to be supported with programme updates and refresher training</li><li>Employee engagement scores for health and wellbeing have increased by 0.3 since 2022 to 7.5</li><li>A menopause support programme was established and will be sustained into the future</li><li>A 'Be Active' physical health programme was launched and has delivered programmes for both physical and sedentary roles</li><li>A total of 32 employee wellbeing challenges were completed using ESB's health and wellbeing app</li></ul>

# Environment and Sustainability

### Invested in Environment and Sustainability

Starting in mid-2022, ESB has examined its sustainability impacts across the range of environmental and social topics to formulate a plan to deliver on the commitment in the Net Zero by 2040 Strategy to step forward on social and environmental responsibility.

The Planetary Boundaries Framework, first developed by a group of 28 internationally renowned scientists in 2009, presents a set of nine planetary boundaries within which humanity can continue to develop and thrive for generations to come. Crossing boundaries increases the risk of generating large-scale abrupt or irreversible environmental changes. Drastic changes will not necessarily happen overnight, but together the boundaries mark a critical threshold for increasing

risks to people and the ecosystems we are part of. The latest update to this framework, published in Science Advances in September 2023, not only quantified all boundaries but it also concludes that six of the nine boundaries including climate, ecosystems and man-made chemicals have been transgressed. This finding was taken into account in choosing the priority areas for ESB's Sustainability Leadership Plan. The priority impact areas are as follows:

- Climate change
- Resource use
- Biodiversity and ecosystems
- Pollution
- Communities
- Employees
- Workers in the value chain
- Customers

Each of these is a priority because it fits with at least one, mostly more, of ESB's climate goals, a planetary boundary or a global social standard that is at risk.

ESB's principal goal remains that of achieving net-zero emissions by 2040 and facilitating the transition to net zero in other sectors. In a world where several planetary boundaries and social standards are currently breached, ESB's aim is for a sustainable transition where these impacts improve and become net positive over time. The work on ESB's Sustainability Leadership Plan will conclude in early 2024 and will form the basis for the sustainability efforts of the organisation going forward.

### Sustainability Transformation Enablement Programme (STEP)

During 2022, ESB established its Sustainability Transformation Enablement Programme (STEP) to build the tangible capabilities needed to support the step forward on sustainability called out in ESB's strategy. The programme is designed to enable outstanding environmental and social performance by delivering enhanced reporting standards, systems, processes, resourcing, organisation and governance arrangements for sustainability. It is about positioning environmental stewardship and social responsibility at the core of everyone's role in ESB.

There are five main and inter-related workstreams within the programme, as follows:

1	<b>Developing leaders and engaging everyone</b>	Supporting ESB's sustainability leadership development and learning resources for everyone on sustainability issues. It includes the creation of a network of Sustainability Navigators to champion sustainability across the organisation and which is described further opposite.
2	<b>Requirements and standards</b>	Supporting the delivery of compliance with key sustainability reporting standards, in particular, the EU Corporate Sustainability Reporting Directive (CSRD).
3	<b>Systems and processes</b>	Implementing an Environmental, Social and Governance (ESG) reporting solution, and the data collection and reporting processes for leading internal sustainability performance management as well as external sustainability reporting.
4	<b>Governance and organisation</b>	Defining and implementing the enduring operating model for enhanced sustainability management.
5	<b>External transparency</b>	Helping to communicate ESB's sustainability journey and related performance to stakeholders.

### Sustainability Navigators

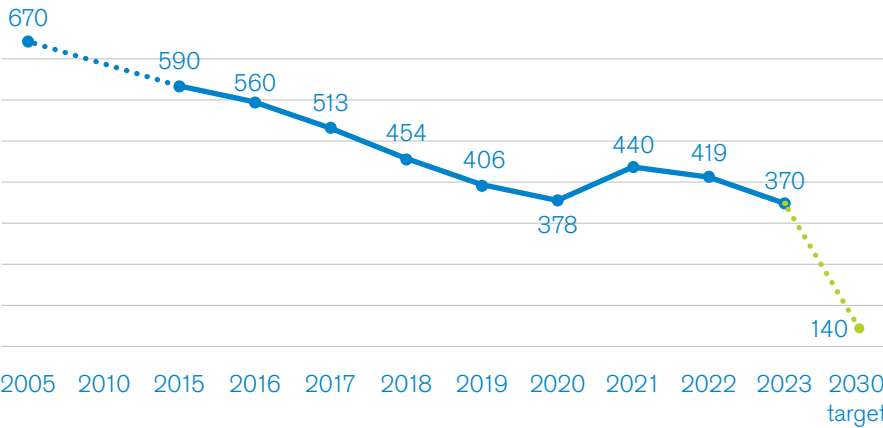
In 2022, ESB established a Sustainability Navigator Programme - a community of practice champions initiative designed to nurture the development of employees across the Group with a keen interest in sustainability. This programme is rooted in the aspiration to foster a pervasive culture of sustainability throughout ESB. Participants in the programme (Sustainability Navigators) will benefit from access to comprehensive training sessions covering fundamental sustainability topics and have the opportunity to engage in sustainability-focused events, including workshops and conferences. The primary role of Sustainability Navigators is to evolve into sustainability leaders within their respective areas of the business, serving as valuable resources and contributing to ESB's ongoing sustainability efforts. The programme embodies ESB's commitment to step forward on sustainability.

### ESB's Emissions (Greenhouse Gas (GHG), Scope 1) from Thermal Generation and Generation Carbon Intensity

In 2005, when the EU's Emissions Trading System (EU ETS) was introduced, emissions were reported in respect of direct generation emissions only (c.14.6MtCO<sub>2</sub>e). These emissions have reduced by 65% (c.9.5MtCO<sub>2</sub>e) to 5.1MtCO<sub>2</sub>e in 2023.

ESB's carbon intensity from electricity generation has also improved from 419gCO<sub>2</sub>e/kWh in 2022 to 370gCO<sub>2</sub>e/kWh in 2023. This compares to carbon intensity level of 670gCO<sub>2</sub>e/kWh in 2005. Tightness in generation capacity and availability resulted in an increase in 2021 and 2022 against the long-term trend.

ESB's Generation Carbon Intensity g/kWh\*



\* The output of joint venture projects is included in the carbon intensity calculations based on ESB's shareholding in the relevant entity. 2023 based on provisionally verified data.

### Emissions Targets, Verification and Assurance

ESB reports emissions based on the GHG Protocol methodology. Scope 1, 2 and 3 emissions are reported annually. GHG emission data is independently verified. ESB's generation emissions are verified under the EU ETS and submitted to the relevant environmental protection authority annually. All other Scope 1, 2 and 3 emissions are verified to ISO14064 as part of ESB's annual submission to the Carbon Disclosure Project (CDP).

ESB discloses environment and sustainability information annually in the Sustainability Report in accordance with Global Reporting Initiative (GRI) standards. Alignment with GRI standards is independently confirmed.

ESB took initial steps to set a Science-Based Target through the Science-Based Targets initiative (SBTi). While work continues to identify a pathway to achieve this goal, several factors have become clear since then, resulting in ESB not being able, at this time, to achieve SBTi certification. One factor is Scope 3

emissions related to retail sales to gas customers in Ireland and Great Britain – in both cases the heating sector(s) are decarbonising more slowly than an SBTi accredited approach requires. Another factor is increased uncertainty as to the current pace of decarbonisation of the overall Irish and UK electricity systems. This affects ESB Scope 1 and 2 emissions allowed under the SBTi methodology if demand for thermal plant (including ESB's) does not reduce as rapidly as previously anticipated and because a higher carbon intensity of the entire system would be reflected in the higher emissions associated with electricity distribution and transmission losses. The final factor is the scale of emissions reductions required under SBTi's methodology which has also increased since ESB first sought SBTi accreditation.

In the meantime, the Board has set an ambitious internal target to reduce total ESB Group GHG emissions by 44% by 2028 (compared to 2022 levels) and business plans and decisions over the next five years will be consistent with achieving this target.



Environment and Sustainability (continued)

Climate Risks and Task Force on Climate-Related Financial Disclosures (TCFD)

With a large number of assets spread across Ireland and GB and operating in a sector undergoing a historic climate transition, ESB is presented with a changing set of risks and opportunities arising from physical climate impacts and policy changes. These are generally addressed in normal business planning since the electricity sector has long asset lives and a practice of long-term planning. While ESB has reported on climate risks for a number of years, 2023 saw a more detailed and structured examination of climate risks to all assets.

This section describes ESB's processes around climate risks and opportunities. It follows the format and guidance of the Task Force for Climate-Related Financial Disclosure (TCFD) which ESB is voluntarily applying. It is planned to build on these disclosures in future years.

Core Elements of TCFD Framework



- Governance**  
The organisation's governance around climate-related risks and opportunities
- Strategy**  
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
- Risk Management**  
The processes used by the organisation to identify, assess, and manage climate-related risks
- Metrics and Targets**  
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Governance of Environment and Sustainability

Climate risk and opportunity is integrated into the strategic review process in ESB. It is also linked to the Enterprise Risk Management (ERM) process through two principal risks, one on climate transition risk and one on the risk of physical climate change and/or major environmental incidents. The Safety, Sustainability and Culture Committee monitors the management of safety, environment and climate risk and opportunities. The Audit and Risk Committee oversees the overall ERM process for ESB Group. The committee reviews risks throughout the year including climate risk. Details of the work of these Committees including the activities undertaken during the year has been included in Chapter 2, Corporate Governance.

The future organisational structure for sustainability in ESB is currently being reviewed as part of STEP. Pending the completion of this review, the two Group principal climate risks are reviewed regularly within the ERM process, with inputs from ESB business units. The Group Safety, Health and Environment Manager and the Environment and Sustainability Managers input into these reviews.

Environment and Sustainability Governance Structure



Strategy

ESB's current strategy is a climate and sustainability strategy. Its centrepiece is the target to achieve net-zero GHG emissions by 2040. It is a response to policy and physical changes brought about by climate change and is anchored in the Group's purpose to deliver a brighter future for the customers and communities served. Further details on ESB's strategy, including strategic objectives, is set out in the Strategy section on page 16.

The strategy is driving transformation in every part of the Group, with new product and service offerings and investments in infrastructure that will empower business, domestic and industrial customers to reduce emissions and operate more efficiently and sustainably. ESB's electric vehicle (EV) infrastructure network is being refurbished and extended to help serve the current public network needs of EV owners. ESB's generation business has set a target for reduced carbon intensity by 2030 and net zero by 2040. ESB's networks businesses in the Republic of Ireland (ROI) and Northern Ireland (ESB Networks and NIE Networks respectively) are investing in smart, reliable infrastructure to increase resilience and reliability, enable widespread electrification and meet the changing needs of customers.



ESB's Sustainability Navigators

At the end of 2023, over 1.5 million smart meters have been rolled out in ROI, improving the efficiency of the network and giving customers access to smart technologies that will enable them to manage their energy use more sustainably. ESB is also investing in emerging technologies with the potential to play a key role in the future decarbonised energy system, such as battery storage and green hydrogen. All of these initiatives to support climate targets

and policies feed into ESB's financial planning through the Integrated Business Planning (IBP) process. Annual capital investment has increased significantly to support the delivery of ESB's strategy, as increased investment in renewables, electricity infrastructure and customer solutions is needed to mitigate climate risk and capitalise on new opportunities presented by the energy transition.

ESB's strategy is the subject of regular review by the Executive Committee and the ESB Board; the strategy was updated in 2021 with the previous strategy having been approved in 2017. The Board also has dedicated strategy sessions at least annually as set out in Chapter 2. Scenarios, including climate scenarios, are used as part of this review. Progress on strategic goals is monitored and new developments in the environment and the status of climate risk and opportunities are considered in the review and actions are agreed, if appropriate.

The strategy is relatively resilient to climate risks as it is in effect a climate-led strategy. The strategy is regularly reviewed by the Executive Committee in light of changing conditions to assess potential impact and any need for new actions in response. See climate risks and opportunities on page 100.



Environment and Sustainability (continued)

Transition and Physical Climate Risks and Opportunities

In 2023, ESB performed a robust physical climate risk and vulnerability assessment for its activities and the relevant hazards under two Inter-Governmental Panel on Climate Change (IPCC) scenarios (RCP2.6 (likely range: 1.3°C to 2.4°C), RCP8.5 (likely range: 3.3°C to 5.7°C)). The assessment of risk posed by the relevant hazards was undertaken and considered both exposure and vulnerability factors. The table of physical climate risks set out below is the result of this work to date. Further work remains to aggregate the risks across the Group and to quantify the potential financial impacts.

Two transition scenarios have been considered, one based on the Irish Government's 2019 CAP and the second on the more ambitious climate commitments for 2030 in the 2021 CAP and Climate Act. The transition scenarios broadly align with the EU Green Deal and the 2024 CAP. ESB's current definitions for short-term, medium-term and long-term time horizons are short-term: 0-5 years (one ESB Networks' price review), medium-term: 6-10 years (two price reviews) and long-term: 11-40 years (to tie in with typical asset lives).

Transition and Physical Climate Risks and Opportunities

Type	Category	Risk/Opportunity	Potential Financial Impact	Likelihood	Timescale (years)
Physical Risks	Storms	Increased frequency of severe storms	Increased repair costs and penalties for networks and station assets	May occur	5-10
	Flooding	Increased riverine flooding and episodes of intense rainfall	Higher frequency of hundred year plus flood events on rivers with dams	Likely	5-10
	Flooding	Increased riverine, pluvial, and coastal flooding	Damage to network substations, customer outages. Damage to generation assets	Likely	5-10
	Changing weather patterns	Chronic changes in climate and weather patterns resulting in reduced wind speeds and lower river flows	Reduced renewable energy output and associated revenue	Likely	5-10
Transition Risks	Market and regulation	Market and regulatory environment for generation	Existing gas generation assets lose value potential	Likely	5-10
	Policy	Policy environment for offshore generation	Potential delay in planning framework legislation	Likely	5-10
	Policy	Increased pace of renewable connection versus planned	Potential increase in cost to meet timelines	May occur	5-10
	Policy	Increased heat pump retrofit of homes	Potential increase in cost to meet timelines	May occur	5-10
Transition Opportunities	Policy	Pace of electrification faster than planned	Increased demand for retrofit service	Likely	0-5
	Policy	New low-carbon electricity system investment	Increased investment opportunities in zero-carbon generation, storage and system services	Likely	0-5

Risk Management

ESB has identified and assessed the main transition and physical climate change risks and opportunities across the Group in the table on page 100.

There are principal risks for both physical and transition risk within the ERM Framework as set out on page 29. These principal risks are identified and assessed as part of ESB's overall risk management processes as set out on pages 27 to 29.

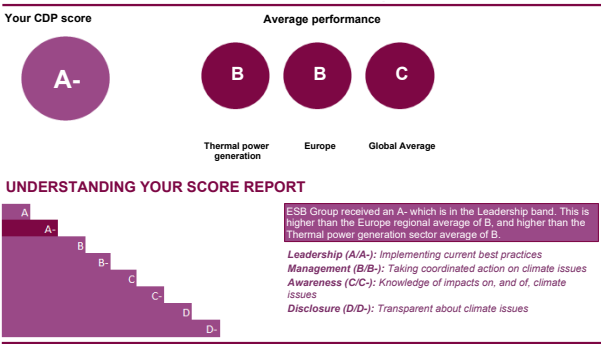
ESB's Risk Management Policy defines how risks, including climate risks are to be managed and the mitigations in place to manage these climate-related principal risks are set out on pages 34 and 41.

Metrics and Targets

A key metric for climate risk used in ESB is the ratio of grams of CO<sub>2</sub> emitted in electricity generation divided by the number of kWh generated. ESB's target for 2030 is 140g CO<sub>2</sub>/kWh as shown on page 97. ESB's target of net-zero emissions by 2040 is as explained under Strategy on page 99. Scope 1, 2 and 3 emissions are fully disclosed in ESB's annual Sustainability Reports. Details of the verification of emissions data are provided under Emissions Targets, Verification and Assurance on page 97.

As highlighted in the generation carbon intensity graphic on page 97, considerable progress has been made in reducing ESB's absolute emissions and the carbon intensity of generation. In 2023, ESB included GHG forecasting in its five-year IBP process. An overall stretch target has been agreed as part of the IBP to reduce ESB emissions to 6.6MtCO<sub>2</sub>e by the end of the plan period in 2028. This target represents a 44% reduction on 2022 levels – a scale of reduction consistent with reaching net zero by 2040.

CDP Climate Change Disclosure



ESB Group scored an A- rating with CDP in 2023. Contextually, this places ESB's performance in the "Leadership" category as taking coordinated action on climate issues. Improvements in emissions performance and climate risk and opportunity disclosures are the key contributors to achieving a leadership score in 2023.

Energy Management and Performance

ESB operates a group-wide energy management system for its buildings and transport fleet, which is certified to ISO50001:2018. In Q4 2023, the system successfully underwent a scope extension audit, adding five new sites. ESB and other public bodies are subject to energy reduction targets under the transposition of the EU Energy Efficiency

Directive S1426/2014, with amendments setting 2030 targets of a further 50% energy efficiency improvement and a 51% reduction in absolute carbon emissions associated with operational energy use. ESB's energy performance continues to progress, with a 50.2% cumulative energy reduction against baseline performance reported by the Sustainable Energy Authority of Ireland (SEAI). The energy management system will be used to drive further savings and performance improvements towards the 2030 energy and carbon targets.

The following tables report the energy associated with: (i) fuel inputs to thermal generation (by source) and (ii) operational energy usage as reported to SEAI under SI426/2014.

Operational Energy Consumption  
Thermal Generation by Energy Source (GWh) \*

	2023 (GWh)	2022 (GWh)	2021 (GWh)
Coal	3,659	6,561	7,824
Natural Gas	18,168	22,268	22,628
Oil	588	1,638	2,167

\* Thermal generation fuel inputs data is reported for the current year. 2023 based on provisionally verified data.

Operational Energy (Primary Energy Equivalent (PEE) in kWh) \*\*

	2022 (kWh PEE)	2021 (kWh PEE)	2020 (kWh PEE)
Electricity	40,097,212	38,215,335	41,314,003
Thermal	2,701,927	2,202,356	2,502,817
Transport	50,703,775	51,906,413	53,710,105

Energy Performance Indicator (EnPI) \*\*

	2022	2021	2020
kWh/FTE Employee	15,150	15,467	16,442
% improvement against energy baseline	50.2%	49.2%	45.9%

\*\* Operational Energy Consumption is reported to SEAI under public sector energy efficiency regulations (SI426/2014). 2022 consumption data reflects 2023 SEAI reporting cycle.



# Community

Stepping forward on social responsibility is a key element of ESB's sustainability strategy. This means ensuring that ESB has a positive impact on all the people that it engages with – employees, suppliers, customers, and the communities we serve.

Since its foundation in 1927, ESB has supported communities and programmes that enhance the economic and social fabric of Ireland, helping to bring light and energy to the people it serves, allowing individuals and communities to fulfil their potential.

### Energy For Generations (EFG) Fund

EFG is ESB's social giving fund which supports a wide range of projects across communities on the island of Ireland, with an annual budget of c.€1 million. In 2023, the fund supported 63 projects focusing on three themes - fighting homelessness, preventing suicide, and enabling access to Science, Technology, Engineering and Mathematics (STEM) education. Through the fund, ESB has a special partnership with Kinia (an education focused non-profit charity and social enterprise) for the TechSpace initiative, aimed at building the capacity of youth organisations to run STEM education programmes and encouraging young people to unlock their passions and potential through the creative use of technology. Participants are introduced to STEM related skills such as mobile filmmaking, podcasting, coding, circuitry, and robotics. In addition, the fund provides much needed monies at Christmas time to a wide range of charities including Capuchin Day Centre, St Patrick's Hostel Limerick, Cork Penny Dinners, Focus Ireland and the ISPCC.



### Community Support

Throughout 2023, ESB has invested over €2.4 million through its social programmes aimed at community support.

	2023 €000s	2022 €000s	2021 €000s
Energy for Generations Fund ^	973	980*	1,227*
ElectricAid	275	275	275
ElectricAid Humanitarian Appeals	200	100	105
Wind Farm Community Fund	1,000	1,000	1,000
Refugee Support	-	100	-

^ In addition to the above, ESB provides financial support to employees who engage in volunteering activities and to the Business in the Community volunteering programmes ("Time to Read" and "Time to Count").  
\* Restated for amounts subsequently refunded.

### International Community Support

ESB is a proud corporate partner of ElectricAid, a charity established by employees of ESB in 1987. Today, ElectricAid is supported by over 2,000 serving and retired employees, with donations matched by ESB on a 2:3 ratio to a ceiling of €275,000 annually. In 2023, ElectricAid funded 85 projects in 37 countries to a total value of €953,000, with each project directly addressing one or more of the United Nations Sustainable Development Goals. In addition, in 2023, ESB made special donations totalling €200,000 to ElectricAid supporting the humanitarian efforts in Gaza, and towards disaster relief in Turkey/Syria, Morocco and Libya. A copy of the ElectricAid Annual Report is available from the ElectricAid website – [www.electricaid.ie](http://www.electricaid.ie).



### Employee Volunteering

Employees in ESB volunteer in many ways from the management of the EFG fund and ElectricAid, to getting involved in a variety of volunteering initiatives and organising fundraising events. When ESB employees volunteer over 20 hours of their time per annum or fundraise at least €250 with a registered charity, they can apply to the EFG fund for a grant of €250 for that organisation, increased to €500 for the support of refugees.

ESB partners with Business in the Community (BITC) in both primary and secondary schools throughout Ireland, enabling employees to volunteer in the Time to Read, Time to Count and World of Work programmes. These aim to improve literacy and numeracy skills in primary schools and prepare secondary school students for the world of work. In 2023, 67 ESB employees volunteered 1,923 hours on these initiatives, supporting 134 students nationwide.

So Energy, ESB's Great Britain (GB) retail business, also has several initiatives to support employee volunteering. So Energy support employees to give blood during work hours twice a year under the Giving Blood programme. In addition, So Energy will match employee donations from £50 to £2,000 up to a maximum annual donation matching of £6,000 under the So Charitable programme. Also, under the So Giving programme, So Energy offers three paid days a year for each employee to volunteer at charities, with a particular focus on environmental charities.



May 2023, 2nd class Time to Read "wrap up" in St. Kevin's National School, Finglas.

### Wind Farm Community Fund

ESB's subsidiary wind farm companies operate in Ireland, Northern Ireland (NI) and GB. ESB's Wind Farm Community Fund makes €1 million available to communities neighbouring its wind farm sites for the development of local infrastructure and services for the benefit of communities. ESB's intention is that its wind farm investments will deliver long-term social, economic, and environmental benefits to the communities it serves.

### NIE Networks – Community Initiatives

NIE Networks continues to be a member of BITC supporting many of their local projects and initiatives. BITC also support NIE Networks' diversity and inclusion journey in relation to ethnicity and age. NIE Networks also partner with Disability Action and Autism NI, supporting their clients through a range of initiatives, and with the NOW Group (a social enterprise supporting people with learning difficulties and autism) to roll out Just a Minute (JAM) training to NIE Networks' frontline employees.

During 2022/23, employees raised over £37,000 for Be Positive, the NIE Networks' charity of the year as nominated by employees. NIE Networks topped this up by an additional £13,000. Charitable giving by employees is also promoted through the Staff and Pensioners' Charity Fund, to which NIE Networks contributed £10,000 during the year. In 2023, the fund donated £21,000 to local charities.

Through other partnerships with the Royal Society for the Protection of Birds (RSPB) and Ulster Wildlife, employees have volunteered their time to support several local environmental initiatives.



Community (continued)

Sponsorship

The Group manages an active sponsorship portfolio including the following:



ESB Science Blast

ESB Science Blast is a free and non-competitive educational programme, delivered by the RDS (Royal Dublin Society), which empowers primary school children, from 3rd to 6th class (ROI) and Key Stage 2 (NI), to work together as a class to investigate the science behind a simple question. Their findings are presented at one of the three showcase events in Dublin, Limerick, and Belfast. 2023 saw 590 school submissions and over 17,000 children participating in the programme.

Quavers to Quadratics

Quavers to Quadratics is an innovative science and musical educational programme that explores the intersection of the world of music and science through a series of hands-on workshops. The programme is delivered by the National Concert Hall, University College Dublin and Trinity College Dublin Schools of Education and brings the science of music into primary level classrooms.

Arts Partnerships

ESB collaborated with artists and arts organisations on projects to engage communities around sustainability, climate change and the energy transition. This included partnerships with the Hunt Museum in Limerick on an exhibition on renewable energy through time, a digital dance performance on nature and human connection as part of Dublin Dance Festival, and a soundscape on weather and climate change presented by artist Christopher Steenson in collaboration with the Nerve Centre, Derry.



Jude Mullen, Nerve Centre, Laura Lynch, Operations Technician, Coolkeeragh, Jim Cooke, Plant Manager, Coolkeeragh and artist Christopher Steenson at the launch of Almanac for a Walled City (Image by: Lorcan Doherty)

Pieta Darkness into Light

Pieta is one of Ireland's leading mental health charities which provides free, accessible support to people affected by suicide and self-harm in communities across Ireland. In May of each year, people complete a 5km fundraising walk, 'Darkness into Light', to raise funds for Pieta. Electric Ireland has proudly supported Darkness into Light for more than a decade and in 2023, the event raised €4.8 million with over 100,000 people participating in the walk at dawn on Saturday, 6 May 2023.

Young St Vincent de Paul

Electric Ireland sponsors St Vincent de Paul's (SVP's) Youth Development Programme designed for use in school and youth groups. The Young SVP Programme aims to educate 4th and 5th year students about social justice and provide them with an opportunity to take part in social action projects in their local communities.



In March 2023, students attend the first ESB Science Blast showcase event in Dublin since 2020.



GAA Higher Education Championships and Leagues

Sponsored by Electric Ireland, the GAA Higher Education Championships involve over 7,000 players from over 50 universities and institutes annually competing for the Sigerson and Fitzgibbon Cups, alongside other Higher Education Leagues, and Championships.

GAA Minor Championships and GAA Celtic Challenge

Electric Ireland has long supported the development of future inter-county stars across the country through its sponsorship of the GAA Minor Championships and continues to successfully do so through its Minor Moments #ThisIsMajor campaign. Electric Ireland also sponsors the GAA Celtic Challenge, a developmental hurling competition which plays a crucial role in the GAA's Player Pathway for all 32 counties.

Women's Football in Northern Ireland (NI)

Electric Ireland, in partnership with the Irish Football Association (IFA), are the proud sponsor of women's and girl's football across all levels in NI and through its Game Changers campaign, is working to increase participation, attendance at games and media coverage.

Camogie Minor Championships and Third Level Championships

In January 2023, Electric Ireland announced a new partnership with The Camogie Association which will see Electric Ireland support the game across grassroots, GAA Higher Education and intercounty levels. Electric Ireland became the title sponsor of the Electric Ireland Camogie All-Ireland Minor Championships and the Electric Ireland Camogie Third Level Championships, alongside the Camogie Association's 'Hurl With Me' programme. 'Hurl With Me' is a four-week programme for 7–10 year old girls which encourages parents and their daughters to get involved in camogie and learn the basic skills through expert coaching and mentoring. This new partnership has extended Electric Ireland's long-standing support of youth development in GAA to camogie for the first time and aims to develop and promote camogie at all levels by inspiring current and future generations to preserve the game's long-standing heritage.





# Human Rights

ESB is an organisation with a strong, values-led culture and a legacy of working closely with the communities within which it operates. ESB seeks to honour the principles of internationally recognised human rights, even when this presents difficult and sometimes conflicting dilemmas. ESB aims to ensure that it is not, directly or indirectly, in any way complicit in human rights abuses and will be transparent in reporting of human rights performance.

As noted in the Board Members' Report on page 160, ESB commits to respect human rights and to implement and enforce effective measures in its supply chain, operations, and in the communities and locations in which ESB operates to ensure human rights abuses are not taking place. This commitment is supported by a range of policies covering focus areas within human rights including employee rights, non-discrimination, inclusion, and diversity. In addition, ESB's employee Code of Ethics ("Our Code") requires all employees to operate fairly and to respect all human rights.

ESB has a zero-tolerance approach to any abuse of human rights including modern slavery. Modern slavery can occur in various forms, including servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. As noted in the Board Members' Report on page 160, ESB has adopted a policy on modern slavery and publishes an annual Statement on the Prevention of Slavery and Human Trafficking, both of which are available on the ESB website.



The table below outlines the key human rights issues impacting ESB and related actions.

Area of human rights impact	2023 Update
Employees of ESB Group	<ul style="list-style-type: none"><li>A wide range of policies in place (listed on page 6)</li><li>Employee views sought via regular 'Our Voice' surveys</li><li>Gender Pay Gap Report published in 2023</li><li>Freedom of Association GRI disclosure</li><li>Protected disclosure data as reported (see page 160)</li></ul>
Employees of joint venture arrangements	<ul style="list-style-type: none"><li>A new ESB Group Policy and Guidelines for the Governance of Non-Wholly Owned Entities was finalised during the year</li><li>Governance framework adopted for each joint venture formed</li><li>Annual confirmation that joint venture governance arrangements are in place</li></ul>
ESB contractors	<ul style="list-style-type: none"><li>Contractual provisions included in all contractor agreements requiring all contractors to comply with specific standards relating to employment laws, ethics, bribery and corruption, anti-slavery and human trafficking, sanctions and related matters</li><li>Contractor audits conducted by an independent third party. 72 Contractor Employment Standards audits were conducted during 2023 on ESB managed sites throughout the Republic of Ireland</li></ul>
ESB supply lines	<ul style="list-style-type: none"><li>ESB Supplier Charter adopted, setting out standards required of suppliers</li><li>Supplier contracts include contractual provisions requiring suppliers (as well as agents) to comply with specific standards relating to employment laws, ethics, bribery and corruption, anti-slavery and human trafficking, sanctions and related matters</li><li>Contracts are in place with third parties for both risk screening in ESB's supply chain and consequent on-site audits where required</li><li>ESB (excluding NIE Networks) ensures that all tenderers and suppliers are aware of, and signed-up to, ESB's Third Party Requirements, which set clear contractual obligations on ESB's zero-tolerance approach to slavery and human rights abuses in ESB supply chains</li><li>NIE Networks' procurement led awards typically include compliance questions related to modern slavery and social and labour laws, which if a supplier failed, subject to investigation, would result in exclusion from the procurement process</li><li>Following a desktop risk assessment of 180 of ESB's suppliers on Corporate Social Responsibility (CSR) related topics in 2022, further investigations, including on-site audits, were conducted during 2023. No significant issues have been identified to date</li><li>In late 2023, ESB introduced a new AI-enabled ESG and CSR risk analysis tool with inputs from multiple sources in the areas of business ethics, corporate governance, social commitment, labour health and safety, labour compensation, labour rights, and sustainability. 108 suppliers are currently being assessed with this risk analysis tool</li><li>NIE Networks undertook modern slavery, human rights and bribery and corruption risk assessments based on four categories – inherent risk (in the industry or geographic region), residual risk (specific to the supplier's internal processes), risk mitigation and adverse media. The work is ongoing and results will be published in NIE Networks' next annual Modern Slavery Statement</li><li>ESB works proactively in collaboration with major coal buyers through the Bettercoal industry group and is an active participant on Bettercoal's Colombia Working Group. Although it has very limited purchasing power, ESB has used its membership of Bettercoal to ensure activities at the Cerrejón mine in Colombia are assessed and monitored with the objective of promoting the improvement of standards for people working in, and living near, the mine. Following a visit by ESB to the Cerrejón mine in Colombia in 2022, the Colombia Working Group continued to monitor continuous improvement plans during the year</li><li>ESB is currently engaged in a formal complaint resolution process in relation to the Cerrejón mine with the Global Legal Action Network and other NGOs. This complaint is being managed by Ireland's National Contact Point for the OECD's Guidelines for Multinational Enterprises. ESB has signalled its willingness to engage in this process and discussions are ongoing in relation to the proposed voluntary mediation process</li></ul>

ESB's annual Sustainability Report provides further details.

During 2023, ESB also undertook a minimum safeguards assessment as part of the work on EU Taxonomy alignment. See page 109 for further details.



# EU Taxonomy Regulation

### The EU Taxonomy

The European Commission has established a classification system of environmentally sustainable economic activities known as the “EU Taxonomy”. This list of activities, which can be considered sustainable, is an important enabler to supporting the scaling up of sustainable investment and the implementation of the European Green Deal.

The EU Taxonomy Regulation establishes six environmental objectives as follows:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The Commission adopted the Climate Delegated Act in June 2021 establishing the criteria that define which activities substantially contribute to the first two of the above objectives (which are in scope for 2023 reporting). A Complementary Delegated Act, amending the Climate Delegated Act, was published in February 2022 and effective from 1 January 2023, which brings into scope specific reporting obligations for gas and nuclear activities. In June 2023, the Environmental and Climate Delegated Act was adopted relating to economic activities which contribute to the final four of the above objectives which will apply from January 2024. Collectively these Acts are referred to as the Delegated Acts throughout this section.

A Taxonomy-Eligible activity is one that is listed in the Delegated Acts, irrespective of whether the economic activity meets the criteria to become Taxonomy-Aligned. An activity shall qualify as a Taxonomy-Aligned economic activity if it:

1. Is carried out in compliance with minimum safeguards
2. Complies with technical screening criteria (specific environmental performance requirements) that have been established by the Commission, including that it:
  - contributes substantially to one or more of the above environmental objectives
  - does not significantly harm (DNSH) any of the above environmental objectives

The EU Taxonomy requires Key Performance Indicators (KPIs) to be disclosed relating to the share of Turnover, CapEx and OpEx associated with activities that are Taxonomy-Aligned, Taxonomy-Eligible but not Taxonomy-Aligned (i.e. Taxonomy-Eligible but not environmentally sustainable activities) and Taxonomy Non-Eligible (i.e. an activity not described in the Delegated Acts).

### ESB's EU Taxonomy Work to Date

ESB seeks to follow best practice in reporting on Environmental, Social and Governance (ESG) information and has elected to disclose on a voluntary basis under the EU Taxonomy, although as a statutory body ESB is not currently subject to the provisions of the relevant regulations. ESB's EU Taxonomy disclosures comply with the requirements of the Delegated Acts. ESB has undertaken an assessment of all significant economic activities and classified which of these can be categorised as 'Taxonomy-Aligned', 'Taxonomy-Eligible but not Taxonomy-Aligned' and 'Taxonomy Non-Eligible'.

It should be noted that guidance on the application of the EU Taxonomy continues to evolve and varying interpretations of the EU Taxonomy application are emerging. Therefore, judgement must be applied in interpreting some requirements and it is on this basis that an assessment of eligibility and alignment with the EU Taxonomy has been completed. ESB will develop its eligibility and alignment assessments further in future years as further guidance becomes available and industry practice evolves. As such, the KPIs and tables presented represent ESB's current interpretation of the requirements of the Delegated Acts.

### Eligibility and Alignment (Technical Screening and DNSH) Assessment

In 2023, ESB identified the activities which were deemed to be Taxonomy-Eligible by comparing ESB's activities to the definitions set out in the Delegated Acts. This built on the list of Taxonomy-Eligible activities identified in previous years, considering which of these activities remained relevant and if there were further activities which could be considered Taxonomy-Eligible.

ESB then performed an assessment as to which activities could be deemed to be Taxonomy-Aligned. As per the Delegated Acts, this included an assessment for each activities' compliance with the alignment criteria set out opposite. Climate change mitigation has been identified as the most relevant climate objective to ESB and therefore each activity was assessed against the technical screening criteria for this objective. In this way, ESB has ensured no double counting across a number of environmental objectives.

ESB completed the physical climate risk and vulnerability assessments required under the DNSH criteria for climate change adaptation in 2023. A robust climate risk and vulnerability assessment was performed for assets associated with Taxonomy-Eligible activities (“Eligible Assets”) and the hazards that are most relevant to these assets based on their location and operation (“Relevant Hazards”). The assessment identified 14 Relevant Hazards, as follows:

Changing temperature	Storms	Fluvial flooding
Heat stress/heat wave	Changing precipitation	Coastal erosion
Cold wave/frost	Sea level rise/coastal flooding	Landslide
Wildfire	Drought/water stress	Lightning
Changing wind patterns	Heavy precipitation/pluvial flooding	

The assessment of risk posed by the Relevant Hazards to the Eligible Assets, and by extension Taxonomy-Eligible Activities, was undertaken and considered both exposure and vulnerability factors under two Intergovernmental Panel on Climate Change scenarios (RCP2.6 (likely range: 1.3°C to 2.4°C) and RCP8.5 (likely range: 3.3°C to 5.7°C)). Further details of this review are set out on page 100.

### Materiality

In the absence of clear guidance related to materiality thresholds for EU Taxonomy reporting, ESB has applied management judgement regarding the activities and values which would have a material impact on the KPIs presented. While certain activities were excluded from the Taxonomy-Eligible assessment on materiality grounds, ESB is satisfied that activities which are material to ESB's operations have been included.

In addition, certain activities were excluded from the Taxonomy-Aligned assessment to the extent that they would have an immaterial impact on the KPIs disclosed. Notably, those related to the installation, maintenance and repair of renewable energy technologies in ESB's Smart Energy Services business, have been

included as Taxonomy-Eligible but not as Taxonomy-Aligned given the volume and materiality of individual projects (relative to the impact on the KPIs reported) and the effort involved in ensuring alignment criteria are met in all cases.

### Minimum Safeguards Assessment (Group Level)

The EU Taxonomy establishes a set of minimum safeguards against which organisations must assess their economic activities to ensure compliance with the following international standards and guidelines:

1. The OECD Guidelines for Multinational Enterprises;
2. The UN Guiding Principles on Business and Human Rights;

3. The principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work; and
4. The International Bill of Human Rights.

During 2023, ESB undertook a Group-level minimum safeguards assessment and in doing so considered the requirements of the international standards and guidelines listed above, along with the Final Report on Minimum Safeguards by the Platform on Sustainable Finance (PSF). The following is a summary of the results of ESB's assessment in respect of the substantive minimum safeguards topics:

Substantive Topic	Comments	Assessment
Human rights including labour and consumer rights	ESB is committed to respecting all internationally recognised human rights as set out in the Board Members' Report on page 160, with further detail in the People, Planet and Society section starting on page 85 and on the ESB website. This commitment is underpinned by adopting and embedding human rights into policies and procedures such as ESB's Human Rights Policy, Modern Slavery Policy and ESB's Code of Ethics (Our Code).  It is acknowledged however that further work is required to establish a co-ordinated human rights due diligence process throughout ESB's value chain in line with best practice as provided in the OECD's Due Diligence Guidance for Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights Assessment. Initial scoping of this work is due to take place in 2024.	Criteria substantially met
Bribery, bribe solicitation and extortion	Whistleblowing and Protected Disclosures, and Anti-Bribery, Corruption and Fraud Policies are in place which detail the safeguards and controls to mitigate and reduce risks in this regard, including the allocation of roles and responsibilities to specific individual roles.	Criteria met
Fair Competition	ESB's Code of Ethics (Our Code) sets out ESB's principles in relation to competition, notably that ESB never unfairly or illegally competes in any market in which it operates. ESB Group's Procurement Policy and Competition Law Compliance Manual are key documents in this regard. Guidance and training is made available to employees so that high standards are maintained.	Criteria met
Taxation	ESB's Tax Strategy (July 2023) is available on the ESB website and outlines commitments to: <ul style="list-style-type: none"><li>▪ Be a responsible and transparent taxpayer</li><li>▪ Sustainable tax arrangements reflective of ESB's ownership, the regulatory environment and the legal jurisdictions in which it operates</li><li>▪ Comply with relevant tax laws and international regulations</li><li>▪ Pursue an open and constructive dialogue with tax authorities that is based on respect, transparency and trust. ESB has a zero-tolerance approach to tax evasion or facilitation of tax evasion by third parties</li></ul> Under its Terms of Reference, the Audit and Risk Committee review and approve the Group Tax Strategy on an annual basis.	Criteria met

Overall, ESB is satisfied that it is substantially compliant with the minimum safeguards but acknowledges that there are areas for improvement in respect of a human rights due diligence process.



EU Taxonomy Regulation (continued)

ESB's Taxonomy-Eligible and Taxonomy-Aligned Activities

ESB's work to date has determined that the following are the economic activities (along with the related KPIs and EU Taxonomy activity number (reference number as set out in the EU Taxonomy)) which are Taxonomy-Eligible:

Activity	Related KPIs	Activity number
Transmission and distribution of electricity	Turnover, CapEx and OpEx	4.9
Electricity generation from wind power, hydropower, solar photovoltaic technology and fossil gaseous fuels	Turnover, CapEx and OpEx	4.3, 4.5, 4.1, 4.29
Storage of electricity	Turnover, CapEx and OpEx	4.10
Infrastructure enabling low-carbon road transport and public transport	Turnover, CapEx and OpEx	6.15
Installation, maintenance and repair of renewable energy technologies	Turnover, CapEx and OpEx	7.6

Following the completion of the alignment assessment, all of the above activities are deemed to be Taxonomy-Aligned with the exception of electricity generation from hydropower<sup>1</sup>, the installation, maintenance and repair of renewable energy technologies (as set out in the Materiality section on page 109) and electricity generation from fossil gaseous fuels<sup>2</sup>.

The predominant Taxonomy-Eligible and Taxonomy-Aligned economic activity for ESB Group is the transmission and distribution of electricity. ESB meets the substantial contribution criteria for this activity under the climate mitigation objective as both the ESB and NIE Networks' systems are interconnected to the European system i.e. the interconnected control areas of EU Member States and the United Kingdom. CapEx associated with infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO<sub>2</sub>e/kWh measured on a life cycle basis is not compliant and has not been included as aligned. A corresponding adjustment to the Turnover KPI has also been made as set out in the Accounting Policy section on page 118.

Given that the Delegated Acts focus on specific activities only, ESB has identified a number of activities which are outside the scope of the Delegated Acts but which would have a material impact on the KPIs reported by ESB if they were to be included:

- Retail sales to electricity and gas customers (note: ESB does not include retail sales to electricity customers accompanied by Guarantees of Origin as Taxonomy-Eligible)

- Certain activities associated with portfolio-level wholesale market trading, hedging and optimisation
- Expenditure related to joint venture investments (see Taxonomy-Aligned CapEx section opposite)

Data used in the calculation of the KPIs has been extracted from ESB's financial systems which capture Turnover, CapEx and OpEx by general ledger line item or by project. Given that the KPIs are extracted from these financial systems, ESB is satisfied that it has avoided double counting across activities in calculating the numerator used to determine each of the ratios.

KPIs

Taxonomy-Aligned Turnover

Taxonomy-Aligned Turnover as a percentage of total turnover is 17% reflecting revenue from the transmission and distribution of electricity and wholesale market income from renewable generation (notably wind power). Taxonomy Non-Eligible Turnover primarily relates to retail sales to electricity and gas customers and is a material component of ESB's revenue.

The turnover numerator predominately consists of revenue from Use of System charges to customers (€1,173 million), revenue from supply contributions (€92 million), revenue from power generation (notably wind power) (€209 million) and other Taxonomy-Aligned Turnover (€22 million).

Revenue from power generation excludes the impact of the Irish Government's scheme to cap market revenues of certain electricity generators. These amounts are reflected in operating costs. See note 8 of the financial statements for further details.

Refer to the Accounting Policy for further details regarding the calculation and allocation of turnover relating to ESB's generation portfolio.

Taxonomy-Aligned CapEx

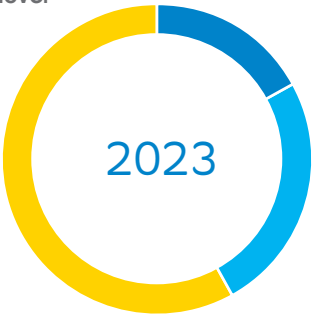
ESB's Taxonomy-Aligned CapEx as a percentage of total CapEx is 85%. This reflects ESB's investment in developing the electricity network on the island of Ireland along with continued investment in onshore wind, battery and solar projects in line with ESB's Net Zero by 2040 Strategy.

1 Under the DNSH on water criteria, activities related to the generation of electricity from hydropower are required to comply with the provisions of the European Water Framework Directive (2000/60/EC). ESB's hydropower schemes predate the introduction of the Water Framework Directive and are authorised under Irish legislation. ESB will be taking a prudent approach and completing the licensing of its schemes, by the appropriate national agencies, under the Water Framework Directive before including the generation of electricity from hydropower as an aligned activity. A Bill, transposing the provisions of the Water Framework Directive into Irish law, enabling the licensing of such schemes has been passed by the Oireachtas (Irish Parliament) and regulations are currently being drafted by the appropriate government department.

2 In February 2022, the European Commission passed a supplementary Delegated Act which formally includes criteria for gas and nuclear power. ESB has completed an assessment of electricity generated from gas against criteria set out in the 'electricity generation from fossil gaseous fuels' activity in the EU Taxonomy. ESB has determined that its gas activities are Taxonomy-Eligible but not Taxonomy-Aligned as the upper threshold of 270g CO<sub>2</sub>e/kWh is not met. These activities were deemed to be Taxonomy Non-Eligible in 2022.

Financial KPIs

Turnover



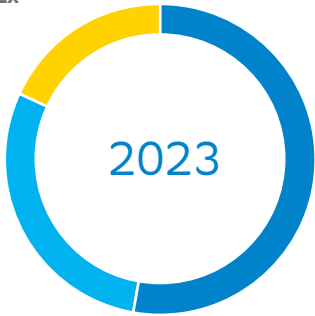
2023	2022	
17%	18%	Taxonomy-Aligned
25%	3%	Taxonomy Eligible but not Taxonomy-Aligned
58%	79%	Taxonomy Non-Eligible

CapEx



2023	2022	
85%	81%	Taxonomy-Aligned
12%	1%	Taxonomy Eligible but not Taxonomy-Aligned
3%	18%	Taxonomy Non-Eligible

OpEx



2023	2022	
53%	63%	Taxonomy-Aligned
29%	2%	Taxonomy Eligible but not Taxonomy-Aligned
18%	35%	Taxonomy Non-Eligible

Note: Electricity generation from fossil gaseous fuels is included as Taxonomy-Eligible but not Taxonomy-Aligned in 2023. In 2022, this activity was deemed Taxonomy Non-Eligible. The impact of inclusion of this activity as Taxonomy-Eligible but not Taxonomy-Aligned on the KPIs is as follows in 2023: Turnover: 23%; OpEx: 14%; CapEx: 10%.

The CapEx numerator consists of additions to the below:

	Property Plant and Equipment (note 12 of the financial statements) €m	Intangible Assets (note 13 of the financial statements) €m	Right of Use Assets (note 14 of the financial statements) €m
Transmission and distribution of electricity	1,133	123	-
Storage of electricity	143	-	-
Electricity generation using solar photovoltaic technology	17	-	10
Infrastructure enabling low-carbon road transport and public transport	9	-	-
Electricity generation from wind power	11	-	-

CapEx KPI Adjusted for Green Bond Financing^

	2023 €m	2023 %	2022 €m	2022 %
Taxonomy-Aligned CapEx	1,446	85	1,147	81
Taxonomy-Aligned CapEx adjusted for green bond financing	1,228	82	1,019	80

^ Initial allocation of spend presented prior to final allocation which will be published in ESB's Green Bond Report.

As there is no provision for the inclusion of capital expenditure related to joint ventures in the Delegated Acts, investments (by way of equity investments and shareholder loans) are excluded from this KPI. The CapEx KPI therefore does not provide a complete picture of ESB's sustainable activities as joint ventures are a key component of ESB's strategic ambition.

Refer to the Accounting Policy on page 118 for further details regarding the calculation of CapEx KPIs.

Taxonomy-Aligned OpEx\*

ESB's Taxonomy-Aligned OpEx as a percentage of total OpEx is 53% primarily reflecting OpEx supporting the transmission and distribution systems and power generation assets.

The OpEx numerator predominantly consists of direct expenditures relating to the day-to-day servicing of assets (€119 million) and other OpEx (€14 million).

Refer to the Accounting Policy on page 119 for further details regarding the calculation of OpEx KPIs.

\* OpEx as prescribed in the Delegated Acts.

## EU Taxonomy Regulation (continued)

[illegible][illegible]





EU Taxonomy Regulation (continued)

Taxonomy-Aligned Economic Activities (numerator)

Row	Economic activities	Turnover				CapEx				OpEx			
		Amount and proportion				Amount and proportion				Amount and proportion			
		CCM + CCA Amount €'million	%	Climate change mitigation (CCM) Amount €'million	%	Climate change adaptation (CCA) Amount €'million	%	CCM + CCA Amount €'million	%	Climate change mitigation (CCM) Amount €'million	%	Climate change adaptation (CCA) Amount €'million	%
1.	Amount and proportion of Taxonomy-Aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
2.	Amount and proportion of Taxonomy-Aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
3.	Amount and proportion of Taxonomy-Aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
4.	Amount and proportion of Taxonomy-Aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
5.	Amount and proportion of Taxonomy-Aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
6.	Amount and proportion of Taxonomy-Aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
Amount and proportion of other Taxonomy-Aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI		1,496	100%	1,496	100%	-	-	1,446	100%	1,446	100%	133	100%
Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI		1,496	100%	1,496	100%	-	-	1,446	100%	1,446	100%	133	100%

Taxonomy-Eligible but not Taxonomy-Aligned Economic Activities

Row	Economic activities	Turnover				CapEx				OpEx			
		Amount and proportion				Amount and proportion				Amount and proportion			
		CCM + CCA Amount €'million	%	Climate change mitigation (CCM) Amount €'million	%	Climate change adaptation (CCA) Amount €'million	%	CCM + CCA Amount €'million	%	Climate change mitigation (CCM) Amount €'million	%	Climate change adaptation (CCA) Amount €'million	%
1.	Amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
2.	Amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
3.	Amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
4.	Amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,996	91%	1,996	91%	-	-	168	83%	168	83%	34	48%
5.	Amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
6.	Amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-
Amount and proportion of other Taxonomy-Eligible but not Taxonomy-Aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI		196	9%	196	9%	-	-	33	17%	33	17%	38	52%
Total amount and proportion of Taxonomy-Eligible but not Taxonomy-Aligned economic activities in the denominator of the applicable KPI		2,192	100%	2,192	100%	-	-	201	100%	201	100%	72	100%

Taxonomy Non-Eligible Economic Activities

Row	Economic activities	Turnover		CapEx		OpEx	
		Amount €'million	%	Amount €'million	%	Amount €'million	%
1.	Amount and proportion of economic activity that is Taxonomy Non-Eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of economic activity that is Taxonomy Non-Eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of economic activity that is Taxonomy Non-Eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of economic activity that is Taxonomy Non-Eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of economic activity that is Taxonomy Non-Eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of economic activity that is Taxonomy Non-Eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
Amount and proportion of other Taxonomy Non-Eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI		5,088	100%	61	100%	48	100%
Total amount and proportion of Taxonomy Non-Eligible economic activities in the denominator of the applicable KPI		5,088	100%	61	100%	48	100%



EU Taxonomy Regulation (continued)

Accounting Policy

The basis for the denominator and numerator for each of the KPIs is set out below.

Turnover

The turnover denominator includes the total revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a). The related financial statement line item is set out in note 4 to the financial statements. In determining the KPI for turnover, the share that is Taxonomy-Aligned (numerator) is divided by the denominator.

The following is included within Taxonomy-Aligned Turnover (numerator):

- Revenue from Use of System charges to customers (including revenue from supply contributions and excluding intergroup Use of System revenue)
- Revenue from power generation primarily relating to renewable assets such as wind farms
- Revenue relating to other Taxonomy-Aligned activities. See table on page 112 for further detail

The following is included within Taxonomy-Eligible but not Taxonomy-Aligned Turnover (numerator):

- Revenue from power generation relating to fossil gaseous fuels
- Revenue from power generation relating to hydropower activities
- An adjustment relating to transmission and distribution of electricity revenue derived from infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO<sub>2</sub>e/kWh measured on a life cycle basis. It is not possible to calculate this precisely but instead is calculated by reference to the proportion of such CapEx spend in the current year compared to the total Taxonomy-Eligible CapEx for this activity

- Revenue related to other Taxonomy-Eligible but not Taxonomy-Aligned activities (including those for whom an alignment assessment has not been completed on materiality grounds)

It should be noted that given that ESB's generation portfolio is traded on a portfolio basis, certain turnover has had to be apportioned to Taxonomy-Eligible or Taxonomy-Aligned activities based on an allocation methodology. In relation to power generation assets trading within I-SEM, the amount of turnover included relating to Taxonomy-Eligible and Taxonomy-Aligned activities relates to energy revenue earned directly from the I-SEM wholesale electricity market along with capacity income and ancillary income (as described in note 1 of the financial statements). It does not include the impact of any trading/hedging activities (as noted below) or the impact of any elimination adjustments of wholesale power purchases in Customer Solutions and wholesale power sales in Generation and Trading.

In addition to the Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned Turnover above, the following Taxonomy Non-Eligible Turnover contributes to the denominator:

- Revenue from retail sales to electricity and gas customers
- Revenue from power generation relating to thermal activities (excluding power generation from fossil gaseous fuels)
- Certain activities associated with portfolio-level wholesale market trading, hedging and optimisation
- Other revenue relating to Taxonomy Non-Eligible activities

See further details on ESB's revenue accounting policy in note 1 of the financial statements.

CapEx

The CapEx denominator includes additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator includes additions to tangible and intangible assets resulting from business combinations. It includes amounts accounted for based on IAS 16 (73: (e)(i) and (iii)), IAS 38 (118: (e) (i)), and IFRS 16 (53: (h)) and the related financial statement line items are set out in notes 12, 13 and 14 to the financial statements.

In determining Taxonomy-Aligned CapEx (numerator), ESB includes all CapEx incurred in ESB Networks and NIE Networks, including CapEx which, while not directly on the network (e.g. IT/OT systems, vehicles, maintenance of buildings etc.), is required for the successful operation of the electricity distribution and transmission networks. ESB considered the impact of the inclusion of these items noting that the direct expenditure on the network is the most significant element of CapEx for this activity (it should also be noted that it is not possible to accurately disaggregate the revenue for these CapEx items from total regulated income for these businesses). CapEx spend includes capitalised employee costs that are directly attributable to the relevant activity (as per the treatment in the financial statements).

In determining the KPI for Taxonomy-Aligned activities for CapEx, the share that is Taxonomy-Aligned (numerator) is divided by the denominator.

The following is included within Taxonomy-Aligned CapEx (numerator):

- CapEx incurred on the transmission and distribution system (excluding movements relating to asset retirement provisions)
- CapEx incurred on power generation relating primarily to renewable assets (excluding movements relating to asset retirement provisions)
- Other CapEx relating to other Taxonomy-Aligned activities

The following is included within Taxonomy-Eligible but not Taxonomy-Aligned CapEx (numerator):

- CapEx from power generation relating to fossil gaseous fuels (excluding movements relating to asset retirement provisions)
- CapEx from power generation relating to hydropower activities (excluding movements relating to asset retirement provisions)
- CapEx associated with infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO<sub>2</sub>e/kWh measured on a life cycle basis
- CapEx related to other Taxonomy-Eligible but not Taxonomy-Aligned activities (including those for whom an alignment assessment has not been completed on materiality grounds)

In addition to the Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned CapEx above, the following Taxonomy Non-Eligible CapEx contributes to the denominator:

- CapEx incurred on power generation relating to thermal plants (excluding power generation from fossil gaseous fuels)
- IT CapEx incurred on Taxonomy Non-Eligible activities
- Other CapEx relating to Taxonomy Non-Eligible activities

See further details on ESB's Property, Plant and Equipment, Intangible Assets and Right of Use Assets accounting policies in note 1 of the financial statements.

The Taxonomy-Aligned CapEx is adjusted for green bond financing by excluding the share of CapEx from the Taxonomy-Aligned assets which are financed with green bonds from the total Taxonomy-Aligned CapEx (numerator) and total CapEx (denominator).

OpEx

The OpEx denominator includes direct non-capitalised costs relating to research and development, building renovation measures, short-term leases, maintenance and repair, and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets. It is not possible to cross reference the definition of OpEx as per the EU Taxonomy to the financial statement line items.

In determining the KPI for Taxonomy-Aligned OpEx, the share that is Taxonomy-Aligned (numerator) is divided by the denominator.

The following is included within Taxonomy-Aligned OpEx (numerator):

- OpEx incurred in maintaining the transmission and distribution system related assets
- OpEx incurred in maintaining power generation assets primarily relating to renewable assets notably wind farms
- Proportion of other OpEx relating to other Taxonomy-Aligned activities

The following is included within Taxonomy-Eligible but not Taxonomy-Aligned OpEx (numerator):

- OpEx relating to power generation from fossil gaseous fuels (including day-to-day servicing)
- OpEx relating to hydropower activities (including day-to-day servicing)
- OpEx related to other Taxonomy-Eligible but not Taxonomy-Aligned activities (including those for whom an alignment assessment has not been completed on materiality grounds)

- Business development expenditure on Taxonomy-Eligible activities (namely electricity generation from wind power and solar photovoltaic technology). Given the early-stage nature of such projects, it is not possible to complete an alignment assessment on such expenditure

It should be noted that Taxonomy-Eligible activities within OpEx are included only to the extent that they are considered material.

In addition to the Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned OpEx opposite and above, the following Taxonomy Non-Eligible OpEx contributes to the denominator:

- OpEx incurred on power generation relating to thermal plants (excluding power generation from fossil gaseous fuels)
- Other OpEx relating to Taxonomy Non-Eligible activities



# INVESTED IN RESILIENT INFRASTRUCTURE

Construction completed on Moneypoint’s synchronous compensator in 2023, with the unit entering commercial operation. This compensator is the first of its scale in the country and incorporates the world’s largest flywheel used for grid stability purposes. It is capable of providing 4,000 MWs (mega-watt seconds) of inertia which is the equivalent of two existing Moneypoint units. The technology enables higher volumes of renewable energy on the system and provides electrical services to the electricity grid which would previously have been supplied by fossil fuel-fired generation.

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# ESB Board Members

Board members and tenures as at 31 December 2023



R&MD

Terence O'Rourke  
Chairman

**Appointment to the Board:** November 2020 as Board member and Chairman.

**Tenure:** 3 years and 2 months.

**Career experience:** A Fellow of Chartered Accountants Ireland. Joined KPMG in 1975, became an audit partner in 1988 and was elected Managing Partner in 2006. A member of KPMG's Global Board, Global Executive Team and EMA Board, from 2007 to 2013. Has a wide breadth of business skills with high-level experience in commercial, finance, decision-making and strategy development roles working with clients in Ireland and abroad.

**External appointments:** Currently Chairman of Kinsale Capital Management and former Chairman of Enterprise Ireland. Board member of Ballymore (Ireland) and the Institute of International and European Affairs. Led the Arts Council 2014 Strategic Review Group and has been involved in a number of charity and cultural boards. A Patron of Chapter Zero Ireland, a community of non-executive directors that lead Irish boardroom discussions on the impacts of climate change. Dublin City University (DCU) conferred Terence with the award of Doctor of Philosophy (Honoris Causa) in October 2023, acknowledging his contribution to Irish business, education, the arts and public services.



SS&C

F&I

Paddy Hayes  
Chief Executive

**Appointment to the Board:** March 2022.

**Tenure:** 2 years and 5 months as Chief Executive. 1 year and 10 months as Board member.

**Career experience:** Appointed Chief Executive in August 2021. Previous to this, he was Executive Director of ESB's Generation and Wholesale Markets business and then Managing Director of ESB Networks. A Fellow of the Institute of Engineers of Ireland, he holds a master's degree in engineering from University College Dublin (UCD) and an MBA from the University of Warwick. He worked in the steel industry in the UK before moving to the energy sector in 1999 to lead the Synergen joint venture between ESB and Statoil.

**External appointments:** Member of the Board of Directors of the Electric Power Research Institute (EPRI). Chair of the Open Doors Initiative.



A&RC

F&I

Michael Barry  
Independent Board Member

**Appointment to the Board:** January 2023.

**Tenure:** 1 year.

**Career experience:** A Chartered Accountant, who trained with PwC, a University College Cork (UCC) commerce graduate and a Chartered Director. Retired in 2019 from the role of Chief Financial Officer of Bord na Móna plc, having held that position for 13 years and was also Interim Managing Director of the Company in 2017/2018. Prior to that he held several senior financial positions in Ireland, the UK and the United States in a range of industries including pharmaceuticals, medical devices, property development and hospitality.

**External appointments:** A member of the National Paediatric Hospital Development Board since February 2021.



SS&C

CM&I

Aisling Curtis  
Independent Board Member

**Appointment to the Board:** April 2023.

**Tenure:** 8 months.

**Career experience:** More than 20 years' experience in the telecommunications and technology sectors including global, regional and Irish market roles. Formerly held roles as Microsoft Strategy and Sustainability Director, Global Partner Solutions Director and Commercial Director. Aisling is currently Market Leader for PwC's Strategic Alliances. Has a Masters in Business Economics from UCC, studied at the Insead Data and Artificial Intelligence School and recently graduated from the Cambridge University Sustainability Leadership 2022 programme.

**External appointments:** Board member of The Shannon Airport Group. Previously held non-executive roles in the UK, Netherlands, South Africa and more recently sat on the National Maternity Hospital Board and held an advisory role on the IMI Council. Has served on the 30% Club Technology Steering Group for the past four years.



A&RC

F&I

R&MD

Annette Flynn  
Independent Board Member

**Appointment to the Board:** April 2023.

**Tenure:** 8 months.

**Career experience:** An executive career spanning Kerry Group plc and UDG Healthcare plc over 25 years across various roles as Executive Managing Director, Corporate and Strategy Development Officer and Financial Controller in Ireland, UK, Europe and US. Appointed as an Executive Director to the Board of UDG Healthcare plc in 2004. Retired from her executive career in 2011 and subsequently held several non-executive directorships with UDG Healthcare plc, Grafton Group plc, Irish Life, and Aryzta AG. She is a Fellow of the Association of Chartered Certified Accountants, holds a B. Comm from UCC, is a qualified Chartered Director and holds two professional diplomas in Business and Executive Coaching from Smurfit Business School.

**External appointments:** Currently a Non-Executive Director of The Irish Times DAC and Dairygold Cooperative Society Ltd. Founder and CEO of Highflir Executive Coaching, focusing on c-suite clients.



SS&C

Karen Halpenny  
Worker Board Member

**Appointment to the Board:** January 2023 under the Worker Participation (State Enterprises) Act, 1977.

**Tenure:** 1 year.

**Career experience:** Worked in ESB International since 2001, primarily in the area of overhead line development. Currently working in Engineering and Major Projects in the HV Cables area as a cable specialist. Holds a Bachelor of Arts (Honours) degree in HRM Strategy and Practice from the National College of Ireland (NCI) and a higher advanced diploma in Applied Employment Law from King's Inn School of Law. Holds a certificate in Management and Industrial Relations from NCI and a certificate in Health and Safety from UCD.

**External appointments:** Former President of the Energy Services Union of Ireland (ESU) 2017 – 2021, ESU representative on the Group of Unions forum and recently appointed as ESU representative on the Irish Congress of Trade Unions (ICTU) Health and Safety Committee. Trustee of Electric Aid, ESB's staff charity, and Secretary of the National Worker Director Group.

## Key to Committee Membership

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ESB Board Members (continued)



CM&I

Owen Kilmurray  
Worker Board Member

**Appointment to the Board:** January 2023 under the Worker Participation (State Enterprises) Act, 1977.

**Tenure:** 1 year.

**Career experience:** Joined ESB in March 1982. Worked as a general worker, charge hand linesman, electrician and as a Networks Technician in ESB Networks for over 40 years.

**External appointments:** Active member of the ESB Group of Unions. Vice Chairman of the SIPTU Energy Branch Committee, member of SIPTU's Transport, Energy, Aviation and Construction (TEAC) Committee and Treasurer of the National Worker Directors Group.



A&RC

F&I

Paul Lynam  
Independent Board Member

**Appointment to the Board:** October 2016, re-appointed for a second term in December 2021.

**Tenure:** 7 years and 1 month.

**Career experience:** Currently Managing Director of Jungheinrich Lift Truck (Ireland) and Jungheinrich UK Limited, both subsidiaries of the German based Jungheinrich AG. A Councillor of the German Irish Chamber of Commerce and former President. Has over 30 years' experience in business in Ireland and internationally. Previously served as Director of Operations of the International Industrial Services business with Brand Energy and Infrastructure Services, was CEO of the Whitfield Clinic, CEO of Siemens Limited Ireland and CFO of Siemens Limited Ireland (2008-2010). Spent 14 years in Germany in various management roles with Smurfit Group and Kappa Packaging. Holds a BSc in Analytical Science from DCU, a postgraduate diploma in business studies from UCD and an MBA from City University Seattle.

**External appointments:** Director at Jungheinrich Lift Truck Limited (Ireland) and Jungheinrich UK Limited, Councillor/Director of the German Irish Chamber of Commerce and previously served as Director of Siemens Ireland and Director of Whitfield Clinic associated companies.



F&I

Gráinne O'Shea  
Worker Board Member

**Appointment to the Board:** January 2023 under the Worker Participation (State Enterprises) Act, 1977.

**Tenure:** 1 year.

**Career experience:** Joined ESB as a graduate engineer in 1989. Holds primary and masters degrees in engineering from Trinity College Dublin and DCU respectively and a diploma in Asset Management from the Institute of Asset Management. A Chartered Engineer (Engineers Ireland), Gráinne has worked in ESB Networks, Power Generation and Supply. Currently Business Strategy Manager for ESB Networks.

**External appointments:** Irish representative on the General Assembly and on the Strategic Advisory Group of the EU Distribution System Operators Entity. Vice Chair of the Eurelectric Working Group on Regulation and Network Customers and a member of the Distribution and Market Facilitation Committee. Member of the European Distribution System Operators Policy and Regulation Committee. Member of the Electricity Association of Ireland Policy Committee. Past Chair of the networks sub branch of the Energy Sector Professionals Association. Previously director of ESB Fullbrook Wind Farm and Derrybrien Wind Farm (2012-2016).



A&RC

SS&C

R&MD

Alf Smiddy  
Senior Independent Board Member

**Appointment to the Board:** October 2016, re-appointed for a second term in December 2021.

**Tenure:** 7 years and 1 month.

**Career experience:** A Chartered Accountant, who trained with PwC. Former Chairman and Managing Director of Beamish & Crawford plc for over 12 years, and on the Board of its parent company, Scottish & Newcastle (UK) Ltd. Member of the National Executive Council of IBEC, Director of Cork Chamber of Commerce, Chairman of the Cork Local Government Committee and served on the Board of Cork Airport Authority. A Fellow of the Irish Marketing Institute. A commerce graduate from UCC, with a Masters in Executive Leadership from Boston College and the University of Ulster.

**External appointments:** Appointed in June 2021 as Adjunct Professor at the College of Business & Law, UCC, Director of the Government-backed Rethink Ireland (Social Innovation) and Director of Oxfam Ireland. Chairman and/or Director of various independent companies including Bridgewater Construction, Fohntech and Granite Digital (digital marketing). Previously served as Senior Independent Non-Executive Director and Director with designated responsibility for workforce engagement at Dalata Hotel Group plc.



SS&C

CM&I

Dr Sara Venning  
Independent Board Member

**Appointment to the Board:** December 2021.

**Tenure:** 2 years and 1 month.

**Career experience:** CEO and Board member of Northern Ireland (NI) Water since 2010. Experience in regulated utility management driving delivery in customer service and efficiency. Holds an MEng in Electrical and Electronic Engineering from Queen's University, Belfast and received an honorary degree from Queen's University during the summer of 2023. Energy networks experience gained working with NIE Networks from 1996 – 2010. A Fellow of the Institution of Civil Engineers.

**External appointments:** President of the NI WaterAid Committee.



CM&I

Trevor Walsh  
Worker Board Member

**Appointment to the Board:** January 2023 under the Worker Participation (State Enterprises) Act, 1977.

**Tenure:** 1 year.

**Career experience:** Currently a Technical Service Supervisor in ESB Networks. Previously worked as System Manager, Customer Service Supervisor, Training Officer and Network Technician. Started his career as an apprentice electrician and has accumulated over 20 years' experience with ESB.

**External appointments:** Chairman of the ESB Connect Technical Supervisor Branch since 2018. A representative in the ESB Group of Unions since 2015.

Key to Committee Membership

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# Chairman's Corporate Governance Statement



**Terence O'Rourke**  
Chairman

This Corporate Governance Statement describes how ESB applied the principles of governance codes to which it adheres throughout the financial year ending 31 December 2023. Corporate governance remains a core focus for the ESB Board and for me as Chairman. The Board remains committed to the highest standards of corporate governance, business integrity, transparency and accountability and to the continued evolution of the Group's governance framework across all of ESB's activities.

The role of the Board is to provide effective leadership and oversight of ESB and to promote its long-term success while management is responsible for the executive leadership and day to day management of the business. The Board ensures that ESB's strategy and culture is reflective of ESB's purpose and values and that the interests of ESB's various stakeholders, including those of its stockholders, employees and the customers and communities we serve, are appropriately balanced when decisions are being made. Continued dynamic interaction between the Board and management ensures that this is the case.

Good corporate governance is the foundation for better informed strategic planning and improved decision making, ultimately contributing to long-term value creation and the delivery of ESB's strategy. The Board retains responsibility for setting strategy and other major decisions under a formal schedule of matters reserved to it for approval. In a period of continuing uncertainty and change in the energy industry, and against the backdrop of COP28, the Board made a number of decisions in 2023 in respect of strategy direction, electricity prices, acquisitions, investments in renewables and security of supply. The Board also made a number of decisions in relation to a range of sustainability, risk, governance and financial matters. Once again, the Board reviewed its major decision making at year end with a view to refining and improving the Board's approach. This included a detailed review of Board reporting and submissions, in addition to an analysis of how much of the Board's time was spent on various matters, as assurance that the Board was appropriately focused on strategic matters. The Board was satisfied

that the oversight being provided is effective and that decisions taken achieve the best long-term outcomes for ESB and its stakeholders.

## Governance by Design

Good corporate governance does not happen by accident. ESB complies with the Code of Practice for the Governance of State Bodies 2016 (the State Code). The State Code sets out the governance framework established by the Government in respect of oversight and reporting requirements of State Bodies, based on the principles of accountability, transparency, probity and a focus on the sustainable success of the organisation over the longer term. ESB also complies on a voluntary basis (insofar as is reasonably applicable, given that ESB is a statutory corporation established under the Electricity (Supply) Act, 1927 (as amended)), with the UK Corporate Governance Code 2018 (the UK Code) and with the Irish Corporate Governance Annex (Irish Annex). In this way, ESB adheres, as applicable, to listed company governance standards with explanations for any exceptions set out in the table on page 140.

ESB has put in place appropriate measures to comply with applicable governance standards. Reports on such compliance, supported by appropriate evidence and explanations, are made annually to the Audit and Risk Committee and the Remuneration and Management Development Committee as appropriate. The Board is satisfied that ESB has complied, where appropriate, with the requirements of the State Code and a report is issued annually to the Minister for the Environment, Climate and Communications (the Minister), which confirms such compliance. Confirmation is provided to the Minister where certain aspects of the Code are not easily enforceable in respect of strategic alliances, joint ventures or other shareholding arrangements with shareholders other than other State entities.

The Board is satisfied that appropriate steps have been undertaken to ensure ESB's Irish subsidiaries' compliance with the applicable requirements of the Companies Act, 2014.

As a statutory body, ESB is not subject to the disclosure requirements prescribed in the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 as amended. However, ESB is monitoring developments in relation to the EU Corporate Sustainability Reporting Directive (CSRD) and is making preparations for its implementation on a voluntary basis for financial year end 2025. ESB seeks to follow best practice by disclosing a wide range of non-financial information. See table on page 6.

ESB has adopted a code of ethics, known as "Our Code", which sets out its approach to responsible and ethical business behaviour, underpinned by ESB's values. The underlying principle of Our Code is that employees can best serve ESB by adhering to the highest standards of integrity, loyalty, fairness and confidentiality and by meeting all legal and regulatory requirements. All staff are required to confirm annually that they have read Our Code. The Board has its own Code of Conduct committing ourselves to the highest standards of conduct and business ethics by:

- leading the Group effectively
- treating everyone with respect
- engaging openly and honestly with our employees, customers, communities and stakeholders
- using information carefully

Board members are expected to lead by example and set the tone from the top and the Board Code of Conduct is available on the ESB website. Board members are also mindful of their obligations under the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

A detailed description of our governance compliance framework is set out on pages 130 to 147.

## Board Effectiveness

The Board continually strives to improve its effectiveness. This is done through the conduct of post-Board meeting reflections (without management present) and informally by holding discussions amongst Board members with feedback to the Chairman and Company Secretary. Board and Committee actions are formally tracked to ensure all are completed.

A formal internal evaluation is carried out annually, and every third year an independent external evaluation is carried out by an external evaluator (who has no connection to the Group or individual Board members). The 2023 internal evaluation confirmed that the Board is operating efficiently, and details of the review are set out on page 138. The next external evaluation is planned for 2024.

## Board and Committee Changes

There were a number of changes on the Board during 2023 as follows:

- Karen Halpenny, Owen Kilmurray, Gráinne O'Shea and Trevor Walsh were appointed as Worker Board Members from 1 January 2023
- Michael Barry was appointed as an independent Board member in January 2023 for a five-year term
- Noreen O'Kelly completed her tenure as a Board member in April 2023
- Alf Smiddy was appointed as Senior Independent Board Member in June 2023
- Aisling Curtis and Annette Flynn were appointed as independent Board members in April 2023 for five-year terms

There were no other changes to the Board this year and the Group continues to benefit from the collective experience and diversity of current members.

I would like to acknowledge the contribution made by Noreen O'Kelly during her tenure, especially in her role as Chairperson of the Audit and Risk Committee. I would also like to welcome all of the new Board members, and I look forward to working with them on the challenges that lie ahead.

Several changes were made by the Board to Committee membership during the year as follows:

- Dr Sara Venning was appointed as Chair of the Safety, Sustainability and Culture Committee in January 2023
- Paul Lynam was appointed Chairman of the Finance and Investment Committee in January 2023
- Following their appointment to the Board, Michael Barry and Annette Flynn were appointed to the Audit and Risk Committee. Michael Barry was also appointed Chairman of the Committee in June 2023 after Noreen O'Kelly completed her tenure as a Board member
- Aisling Curtis, Karen Halpenny and Alf Smiddy were appointed to the Safety, Sustainability and Culture Committee replacing Paul Lynam, Owen Kilmurray and Board members who had retired or whose term had ended by 31 December 2022
- Annette Flynn and Alf Smiddy were appointed to the Remuneration and Management Development Committee after Noreen O'Kelly completed her tenure as a Board member
- Michael Barry, Annette Flynn and Gráinne O'Shea were appointed to the Finance and Investment Committee replacing myself (as Interim Chairman of the Committee), Noreen O'Kelly and Board members who had resigned or whose term had ended by 31 December 2022
- Aisling Curtis, Owen Kilmurray, Marguerite Sayers, Dr Sara Venning and Trevor Walsh were appointed to the Customer, Marketing and Innovation Committee replacing Paddy Hayes, Alf Smiddy and other Board members who had retired or whose term had ended by 31 December 2022. Aisling Curtis was also appointed Chair of the Committee in June 2023.

Chairman’s Corporate Governance Statement (continued)

Mindful of the Board’s Inclusion and Diversity Policy, due consideration was given to gender balance in the make-up of the Committees when making the changes described overleaf. There were no other changes in Committee membership during the year. Details of the Committees and their activities during the year are set out on pages 148 to 159.

The Board Committees play a central role in governance. The Terms of Reference of Board Committees, with the exception of the Customer, Marketing and Innovation Committee, were reviewed during the year to ensure they remain strategically focussed and are available on ESB’s website. The Customer, Marketing and Innovation Committee Terms of Reference will be reviewed in early 2024.

The Board retains ultimate responsibility for the decisions, performance and outcomes of its Committees and monitors their activities. Each Board Committee has an annual workplan, setting out their priorities for the year ahead and to support them with their oversight responsibilities. With the exception of the Remuneration and Management Development Committee, quarterly updates are provided on progress against the agreed workplan. Committees report to the Board on their performance against the workplan and on their effectiveness in delivering on their mandate as set out in their Terms of Reference.

Board Diversity and Succession Planning

The Board’s Inclusion and Diversity Policy supports the achievement of an inclusive and diverse membership of the ESB Board and its Committees. The policy is available on ESB’s website. Inclusion and diversity are considered business imperatives by the Board, impacting the way we work and the decisions that affect our future success. An annual inclusion and diversity report (including metrics) was presented to the Board which concluded that the Board is continuing to embed inclusion and diversity through seeking better balance on the Board and in the structures and ways of working it has adopted in line with ESB’s values.

In advising the Minister on the role specification for new Board members and Board succession plans, inclusion and diversity in all its aspects is emphasised having regard to the Annex to the State Code “Gender Balance, Diversity and Inclusion”. ESB is committed, subject to the Ministerial stockholders’ support, to having no less than 40% female representation on the Board. As outlined on page 137, at 31 December the Board had five (42%) female and seven (58%) male members.

The Board is also conscious of the importance of addressing future skills requirements as part of ongoing succession planning. A succession plan based on an analysis of aggregate Board competencies and gaps was developed and used to inform the recruitment process for new Board members during 2023.

The Board continues to monitor ESB’s Gender Pay Gap reporting as summarised on page 92 and is supportive of ESB’s commitment to addressing the drivers of the gender pay gap through its inclusion and diversity policies as well as its recruitment, development and smart working practices. The Board (via the Safety, Sustainability and Culture Committee) was updated on ESB’s new Diversity, Equity and Inclusion Strategy during 2023 and the progress made on delivering the strategy’s priorities. The Board is supportive of the many initiatives underway that foster greater equity and inclusion in all parts of the business.

Risk Management

Risk management and reporting continues to be a key area of focus for both the Board and the Audit and Risk Committee, with ESB’s approach to managing risk being defined by the ESB Risk Management Policy (updated in 2023) and a strong control framework as set out in the ESB Internal Control Framework Policy. While the Board has overall responsibility for the Group’s approach to risk, responsibility for supporting the Board’s review of the effectiveness of internal controls and risk management has been assigned to the Audit and

Risk Committee, which played a key role in 2023 in ensuring that appropriate governance and challenge around risk and assurance was embedded across the Group. The approach to risk is set out in the Risk Report on pages 27 to 43.

Culture and Board Engagement

The Board is informed of the views of colleagues through reviews of regular employee surveys (“Our Voice”), and updates on investment in systems, talent and the capability of our people. The Board (via the relevant Committees) continues to monitor progress in areas such as ethics and compliance, safety, health and wellbeing, reputation and customer, employee engagement, inclusion and diversity, and people and performance.

The Board has an active employee engagement plan in place. Board members were pleased to be able to meet face to face with people from across the business during 2023. The Board met with colleagues at a Board breakfast and Q&A session in ESB’s Head Office for a lively discussion on the challenges and opportunities presented by the Net Zero by 2040 Strategy. The Board also met with ESB’s recruitment teams and HR business partners to explore their important role in delivering the strategy and heard from the Energy for Generations team on stepping forward on social responsibility. Site visits to Moneypoint Power Station, Oweninny Wind Farm, the National Customer Contact Centre and ESB Networks’ National Training Centre also took place during 2023, giving the Board a unique insight into ESB’s culture. I also visited the offices of So Energy in London.

The Board is fortunate to have four elected Worker Board Members who strengthen the Board’s engagement with ESB’s people and who share colleagues’ views and perspectives in Board discussions.

In 2023, a review was conducted of the Board’s involvement in, and oversight of people and culture related matters, concluding that such matters are well integrated into the Board’s agenda and decision making.

ESG Reporting

During 2023, the Board’s focus on sustainability and Environmental, Social and Governance (ESG) performance and reporting continued. The Board (via the Safety, Sustainability and Culture Committee and the Audit and Risk Committee) oversaw ESB’s Sustainability, Transformation and Enablement Programme (STEP) which continues to progress preparations for new requirements under the CSRD. This will include ensuring appropriate Board Committee structures are in place to monitor ESG reporting into the future. It is also positive to see preparation underway, through STEP, for the double materiality assessment required under CSRD.

The Board also undertook specific training during 2023 on CSRD, measuring carbon emissions and sustainability best practice. ESB continues to make initial disclosures on a voluntary basis under the EU Taxonomy Regulation and the Taskforce on Climate-Related Financial Disclosures (TCFD).

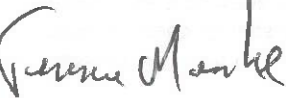
Stakeholders

Stakeholder engagement remains a priority for the Board in the context of the transformational changes required to deliver ESB’s Net Zero by 2040 Strategy. The Board, the Chief Executive and his Executive Committee are committed to working with the stockholders and all our stakeholders. We are listening to them and seeking their views so that we make better informed decisions, and the Board continues to prioritise stakeholder engagement in its own workplans. During 2023, the Board was updated on management’s stakeholder engagement plan and was pleased to see management continue to engage proactively with stakeholders to identify the issues which are material to them.

The Board places a high level of priority on effective communications with stockholders and recognises the mutual benefits of engagement to foster understanding of ESB’s strategy. I was delighted to welcome stockholder representatives to the AGM in April. In 2023, the Board also met with Paschal Donohue T.D., Minister for Public Expenditure, NDP Delivery and Reform, and Simon Coveney T.D., Minister for Enterprise, Trade and Employment for a roundtable discussion on the stockholder’s priorities and ESB’s role in delivering on climate targets through the Net Zero by 2040 Strategy.

Conclusion

In the following pages we outline in detail how the Board and its Committees have fulfilled their responsibilities during the year to ensure that robust governance practices are embedded in ESB.



Terence O’Rourke  
Chairman  
28 February 2024



# The Board’s Governance Report

Principles of Governance

ESB, in pursuit of its governance objectives, complies with the Code of Practice for the Governance of State Bodies 2016 (the State Code) and insofar as is reasonably applicable with the UK Corporate Governance Code 2018 (the UK Code) and the Irish Corporate Governance Annex (the Irish Annex). Explanations for any exceptions are set out in the table on page 140. A copy of the State Code can be obtained from the Department of Public Expenditure, NDP Delivery and Reform website [www.per.gov.ie](http://www.per.gov.ie). A copy of the UK Code can be obtained from the Financial Reporting Council's (FRC) website [www.frc.org.uk](http://www.frc.org.uk) and a copy of the Irish Annex is available at [www.ise.ie](http://www.ise.ie).

The UK Code sets out five key principles of governance: (1) Board Leadership and Company Purpose, (2) Division of Responsibilities, (3) Composition, Succession and Evaluation, (4) Audit, Risk and Internal Control and (5) Remuneration. The Board's Governance Report is structured accordingly.

1. Board Leadership And Company Purpose

The Board

The Board provides the leadership of the Group and, either directly or through the operation of Committees, applies independent judgement on matters of values, strategy, performance, resources and governance. During 2023, the Board comprised of the Board members, detailed on pages 122 to 125, of whom the Chairman and the independent Board members were appointed by the Government and the four Worker Board Members were appointed pursuant to the Worker Participation (State Enterprises) Act, 1977. The Board size and structure is governed by the ESB Acts 1927-2014 and by the Worker Participation (State Enterprises) Act, 1977.

The Board led the development of ESB's strategy Driven to Make a Difference: Net Zero by 2040 and spends considerable time annually reviewing ESB's strategic direction. The strategy continues to be anchored in ESB's purpose to deliver

a brighter future and to support the customers and communities we serve to achieve net zero (defined in the Glossary). The strategic objectives are aligned to the Irish Government Climate Action Plan and underpinned by the requirement for financial strength, the capability of ESB's people, leveraging data and digital technologies and a commitment to sustainability and social responsibility.

Engagement with Stakeholders

In line with the State Code and the UK Code, the Board aims to maintain open and positive dialogue with our stakeholders by ensuring a structured and robust Stakeholder Engagement Programme is in place and operating successfully. Details of ESB's key stakeholders and engagement with them as well as the results of this engagement and other stakeholder research is outlined on pages 23 to 26. Further details are also available on ESB's website and in ESB's Sustainability Report.

Stakeholder engagement is a key priority for the Board. This engagement has proven to be an effective way of providing the Board with an opportunity to understand the issues which matter most to ESB's stakeholders. Feedback on matters including ESB's strategy, affordable supplies of energy, governance, social and environmental issues, and sustainability and climate action is received from these stakeholder engagements.

The Board is committed to acting to promote the success of ESB for the benefit of all of its stakeholders, amending strategy and the business model as required. The outcomes from stakeholder engagement and research feed directly into decisions which the Board has made during 2023. In particular, the Board was cognisant of the impact that the energy crisis has had on its customers and wider society (in terms of energy affordability), and the need for ESB to play a role in the

decarbonisation of the energy industry in line with Government climate plans for the benefit of the communities ESB serves; these topics were to the fore in the stakeholder engagements during 2023. Examples of the key matters considered and/or approved by the Board and the stakeholders considered are listed on page 139.

In making decisions the Board has regard to:

- the likely consequences of any decision in the long-term
- the interests of employees
- relationships with suppliers, customers and others
- the impact of operations on the community and the environment
- maintaining a reputation for high standards of business conduct
- the need to act fairly between ESB's stakeholders

The Board engages with stakeholders directly or is kept informed about the views and interests of stakeholders in several ways including as follows:

Stakeholder	How the Board is informed of their views
Employees	<ul style="list-style-type: none"><li>The Board keeps a pulse on employee sentiment, views and areas of interest through face-to-face meetings with people from across the business at off-site Board meeting days and attendance at organised events (e.g. the Board breakfast Q&amp;A session and visits to ESB Networks' National Training Centre, the National Customer Contact Centre, Moneypoint Power Station and Oweninny Wind Farm during 2023).</li><li>The Safety, Sustainability and Culture Committee supports the Board with employee engagement.</li><li>The views of employees are also represented on the Board through the four Worker Board Members.</li></ul>
Stockholders	<ul style="list-style-type: none"><li>The views of stockholders are garnered through bi-lateral meetings between the Board, the Chairman and Chief Executive with various representatives of the Irish Government (as main stockholder) and the ESB Employee Share Ownership Plan (ESOP).</li><li>Several key stockholder representatives attended Board meetings during 2023 including two Irish Government Ministers and NewERA (the financial and commercial advisors to Irish Government departments).</li><li>The Chairman also met with Irish Government Ministers and the Taoiseach at ESB events during 2023 and Irish Government Ministers met with the Chief Executive at site visits to North Wall and Aghada power stations.</li></ul>
Debt Investors and Rating Agencies	<ul style="list-style-type: none"><li>The views of debt investors and rating agencies are brought to the Board via the Finance and Investment Committee. The Committee is briefed on the ongoing engagement by management with debt investors and rating agencies.</li></ul>
Other Stakeholders	<ul style="list-style-type: none"><li>The views of other stakeholders such as customers, suppliers, communities and the wider energy industry are also garnered through Board briefings on management's stakeholder plan as well as insights gained from ESB key stakeholder research (every three years) and surveys of the general public (every quarter). These views are brought to the Board through the Customer, Marketing and Innovation Committee.</li><li>The Chairman and Chief Executive also met separately with their counterparts in EirGrid plc during 2023.</li><li>The Chief Executive meets with regulators during the year to share views and perspectives on energy market developments and industry regulation.</li></ul>

The Board's Governance Report (continued)

Conflicts of Interest

Board members make annual disclosures of any potential or actual conflicts of interest under the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001. A request for disclosure of any potential conflicts is also made on the appointment of new Board members. In addition, Board members are responsible for notifying the Company Secretary on an ongoing basis should they become aware of any change in their circumstances regarding conflicts of interest, as detailed in the ESB Board Members' Code of Conduct. There is also a standard agenda item for each Board and Committee meeting asking members to disclose any specific conflicts that may arise. As required by the State Code, the Code of Conduct also deals with the post-retirement obligations of Board members. Training on the ESB Board Members' Code of Conduct and conflicts of interest for Board members takes place regularly.

2. Division Of Responsibilities

The Way We Are Structured

The organisation is structured to facilitate effective and efficient decision-making with clear accountability. The roles of the Chairman and Chief Executive are not exercised by the same individual, with the responsibilities of each role formally defined in the Board's Terms of Reference. ESB's Governance Structure is set out on page 133.

Role of the Board

The Board provides leadership and direction to the business as a whole and is responsible for the long-term success of ESB. Decisions are made only after all appropriate information has been made available to Board members, following due consideration of the risks identified through the risk management process and in the context of the Group-level Risk Appetite Statement. The Board constructively challenges and supports the development of proposals on strategy, which are then reviewed and approved by the Board.

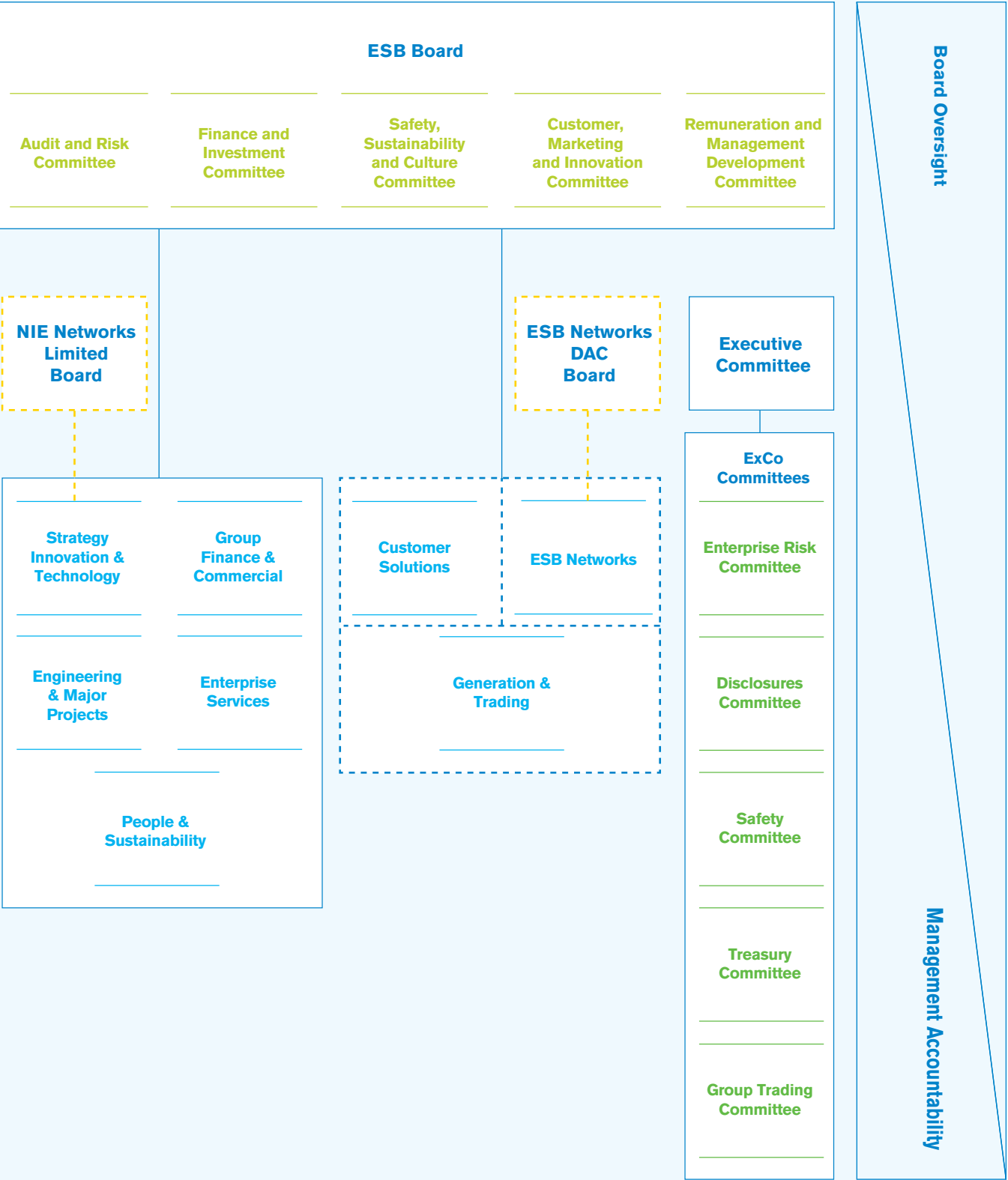
In December, the Board carried out a review of Board decision making in 2023. In keeping with the Board's commitment to continuous improvement, this was done to refine and improve future decision making.

The Board has reserved the following key decisions for its own consideration (some of which are also subject to Ministerial stockholder approval):

- Approval of ESB Group strategy, annual budgets and five-year business plans, annual and interim financial statements and the Group Regulatory Accounts
- Approval of dividends
- Convening of general meetings of ESB

- Approval of major investments, significant expenditure (including capital expenditure), certain derivative contracts, financing facilities and treasury policies
- Appointment to, and dismissal from, ESB Chief Executive, Company Secretary and Executive Committee positions
- Severance or ill-health retirement arrangements for ESB's Chief Executive, Executive Directors and Company Secretary
- Appointment, or re-appointment, of the Chairperson of the Dam Safety Committee
- Appointment of Directors to the Board of ESB Networks DAC (other than Alternate Directors pursuant to the Articles of Association of ESB Networks DAC) and the Directors and Secretary of the NIE Networks Limited Board
- Notification of the dismissal of regular employees of ESB
- Major acquisitions, disposals or retirements of assets
- Approval of the Annual Risk Plan and Risk Appetite Statement
- Appointment of the external auditor
- Approval of any loan to a member of ESB Board or directors' loans to a director of a subsidiary company board or associated company board
- Purchase of stock in ESB (other than pursuant to ESOP arrangements)
- Appointment and removal of ESB Nominated Trustee Directors to the Board of ESOP
- Key matters related to the Novusmodus Partnership
- Mass market residential tariffs
- Key regulatory, legal, industrial relations, remuneration, pension, accounting, treasury and policy matters
- Exclusivity agreements in respect of transactions or potential transactions
- Review of operational and financial performance

ESB Governance Model



-- Licensed activities – business separation rules apply.  
-- Ringfenced networks activities – operated and overseen in compliance with applicable regulatory licence conditions. The ESB Board exercises a supervisory role.



The Board's Governance Report (continued)

ESB Board Structure

<div><div>Chairman</div><div>Terence O'Rourke</div><ul style="list-style-type: none"><li>Lead the Board</li><li>Determine the Board agenda</li><li>Ensure its effectiveness and facilitate full participation by each Board member</li><li>Ensure effective communication with the Group's owners and stakeholders</li></ul></div>				
<div><div>Board</div><ul style="list-style-type: none"><li>Chairman, Chief Executive, six independent Board members and four Worker Board Members</li><li>Responsible for the long-term success of ESB and for its overall judgement on matters of strategy, performance, resources and governance</li></ul></div>				
<div><div>Senior Independent Board Member</div><div>Alf Smiddy</div><ul style="list-style-type: none"><li>Act as a sounding board for the Chairman</li><li>Provides feedback to the Chairman from the review of the Chairman's effectiveness</li><li>Serve as an intermediary for the other Board members and the stockholders when necessary</li></ul></div>				
<div><div>Company Secretary</div><div>Marie Sinnott</div><ul style="list-style-type: none"><li>Assist the Chairman in ensuring that all Board members have access to all relevant information and in facilitating Board induction/professional development</li><li>Ensure that correct Board procedures are followed and advises the Board on corporate governance matters</li><li>Liaison between the Board and the Executive Committee</li></ul></div>				
<div><div>Audit and Risk Committee</div><div>Chairman Michael Barry</div><ul style="list-style-type: none"><li>Financial and annual reporting</li><li>Internal controls, compliance and risk management systems</li><li>Whistleblowing, fraud and investigations</li><li>Internal audit</li><li>External audit</li></ul></div>	<div><div>Safety, Sustainability and Culture Committee</div><div>Chair Dr Sara Venning</div><ul style="list-style-type: none"><li>Review strategies and policies relating to safety, health and wellbeing, sustainability and the environment</li><li>Monitor performance on safety, health and wellbeing, sustainability and environment matters along with risk management in these areas</li><li>Ensure appropriate culture underpinned by values prevails across ESB</li><li>Review diversity, equity and inclusion and corporate social responsibility strategies and policies</li></ul></div>	<div><div>Remuneration and Management Development Committee</div><div>Chairman Terence O'Rourke</div><ul style="list-style-type: none"><li>Having regard to Government pay policy, legal obligations, the Code of Practice for the Governance of State Bodies and regulatory requirements, approve the remuneration of:<ul style="list-style-type: none"><li>Board and main subsidiary Board members</li><li>Chief Executive</li><li>Executive Directors</li></ul></li><li>Monitor succession planning for leadership roles</li><li>Consider the Group's pay model and system of performance management</li><li>Consider both diversity and gender pay balance</li></ul></div>	<div><div>Finance and Investment Committee</div><div>Chairman Paul Lynam</div><ul style="list-style-type: none"><li>Review investment/divestment and capital expenditure proposals</li><li>Review the appropriate hurdle rates for investments</li><li>Review funding issues including financing requirements and treasury strategies and policies</li><li>Review financial performance including business plans and annual financial plan</li><li>Monitor stockholder matters including dividends</li><li>Review trading strategies and policies</li></ul></div>	<div><div>Customer, Marketing and Innovation Committee</div><div>Chair Aisling Curtis</div><ul style="list-style-type: none"><li>Alignment of marketing, sponsorship and brand strategies with strategic objectives</li><li>Monitor embedding of customer centricity</li><li>Review governance of sponsorship arrangements</li><li>Monitor stakeholder relationships and engagement strategies</li><li>Monitor reputation related matters</li><li>Review IT and digital strategy</li></ul></div>

Board Meetings

The Board met on 10 occasions during 2023 of which nine were scheduled meetings. The Board has a formal schedule of matters specifically reserved to it for decision, which are reviewed annually and described on page 132.

The Board has delegated authority to management for decisions in the normal course of business, subject to specified limits and thresholds. Oversight of decisions that are delegated by the Board is retained through a robust reporting framework, central to which are effective relationships with the Board Committees, the Chief Executive, the Executive Director, Group Finance and Commercial and the Executive Committee.

There is ongoing financial and operational reporting to the Board, with papers made available electronically to each Board member sufficiently in advance of each meeting to allow adequate time to review and consider matters for discussion/decision. The Board papers include the minutes of Board Committee meetings. The Board evaluation conducted in 2023 made some suggestions relating to Board paper formats which will be actioned in 2024.

The aim of the Board meetings is to achieve the right balance of oversight of people, culture, strategy, sustainability, operations, finance, governance and risk management matters. This is monitored through a tracking of time allocated via Board and Committee agenda to thematic areas, the annual Board evaluation process, and informal feedback in order to ensure that adequate time is devoted to each matter. The Board is satisfied that the Chairman and each of the Board members committed sufficient time during the year to enable them to fulfil their duties as Board members of ESB.

The Board's focus continues to be the execution of ESB's strategy Driven to Make a Difference: Net Zero by 2040. This will be achieved by focusing on seven strategic objectives (see page 16 for further details on ESB's strategy).

To support the continued execution of ESB's strategy, the Board undertook the following activities during the year:

Strategic Objectives	Example
<div><div></div><div>Decarbonised Electricity</div></div>	Approved investments in various renewable projects (including onshore wind and solar). Further investments in the Inch Cape offshore wind farm, FuturEnergy Ireland, and the joint venture arrangement with Ørsted in relation to offshore wind development off the coast of Ireland were also approved. Monitored progress on Neart na Gaoithe offshore wind farm.
<div><div></div><div>Resilient Infrastructure</div></div>	Monitored progress on PR5 delivery, including the continued roll out of smart meters and the delivery of network improvement, and advised of the NIE Networks' RP7 business plan. Approved the accommodation of temporary emergency generation capacity (under arrangements with EirGrid) at Shannonbridge and further investment in ongoing system services projects.
<div><div></div><div>Empowered Customers</div></div>	Received updates on ESB Networks' Customer Transformation Programme, Electric Ireland call centre performance, the launch of the Electric Ireland mobile app, vulnerable customer supports and Customer Solutions' energy crisis response. Monitored the progress of the SIRO joint venture in rolling out broadband infrastructure, and the National Smart Metering Programme.

Foundational Capabilities	Example
<div><div></div><div>Our People</div></div>	Reviewed the results of the Our Voice staff survey and received updates on culture, health and wellbeing, and resourcing and capability.
<div><div></div><div>Digital and Data Driven</div></div>	Monitored cybersecurity and AI developments and approved IT investments.
<div><div></div><div>Financial Strength</div></div>	Reviewed and approved the five-year business plan and received quarterly updates on financial performance. Reviewed collateral and liquidity positions, funding plans and credit rating updates. Approved interim and annual financial statements.
<div><div></div><div>Sustainable and Socially Responsible</div></div>	Approval of ESB's annual Statement on the Prevention of Slavery and Human Trafficking. Updated on NIE Networks' Environment and Sustainability Programme. Received updates on Energy for Generations Fund activities in 2023.

An update on progress against ESB's Strategic Performance Initiatives (as set out on page 17) was presented to the Board in November.

Biographical details of the Chairman and the Board members can be found on pages 122 to 125.  
Biographical details of the Company Secretary and Executive Committee members can be found on pages 46 and 47.

The Board's Governance Report (continued)

Attendance at Meetings in 2023

The attendance by each Board member at scheduled and unscheduled meetings during the year is set out below. In addition to the Board members and Company Secretary, several Executive Directors and Senior Managers attended relevant sections of Board meetings, by invitation. The Board also meets without executive Board members or management present to discuss relevant matters.

Board members 2023	Meetings attended Scheduled (Unscheduled)
Terence O'Rourke	9 (1)
Paddy Hayes	9 (1)
Michael Barry*	9 (-)
Aisling Curtis*#	6 (-)
Annette Flynn*#	4 (-)
Karen Halpenny^	9 (1)
Owen Kilmurray^	9 (1)
Paul Lynam*	9 (1)
Noreen O'Kelly*†	2 (1)
Gráinne O'Shea^	9 (1)
Alf Smiddy*	9 (1)
Dr Sara Venning*	9 (1)
Trevor Walsh^	9 (1)

\* Independent Board member  
^ Worker Board Member  
† Tenure completed April 2023  
# Tenure commenced April 2023

Independence

Based on an assessment completed for the year ended 2023, the Board has determined that excluding the Chief Executive and the Worker Board Members, the Board members were independent during 2023. The determination of Board members' independence takes account of the State Code and the relevant provisions of the UK Code regarding Board members' independence in character and judgement, and the absence of relationships or circumstances that could compromise a Board member's independence. A similar independence assessment was carried out on the appointment of the current Chairman.

The UK Code requires boards to identify circumstances where the independence of non-executive directors could be impaired, including circumstances where a non-executive director has served on the Board for a period of more than nine years. The State Code requires appointments to the Board to be for a period of up to a maximum of eight years. The tenure of Noreen O'Kelly was agreed prior to the

Independence of Board excluding Chairman



independence provisions of the State Code being put in place and she served on the Board for more than nine years prior to her term ending in April 2023. The Board is satisfied that the independence of Noreen O'Kelly was not impaired during 2023 having assessed the other independence considerations set out in the UK Code.

Experience and Board Skills Mix – Board at 31 December 2023

	Board Committee Participation		Board Member's Expertise														Board Member's Experience	
			Core Skills										Sector Specific Skills					
	Audit and Risk	Finance and Investment	Customer, Marketing and Innovation	Safety, Sustainability and Culture	Remuneration and Management Development	Corporate Development/ M&A	Strategy/Innovation	Finance/Accounting/ Audit	STEM/Cybersecurity	Talent Management, Culture and Compensation	Governance	Customer Experience, Brand and Marketing	Stakeholder Relations	Risk Management	Sustainability	Energy/Regulated Markets	Infrastructure Delivery and Project Management	Length of Tenure on Board
Terence O'Rourke					●	●	●	●	●	●	●	○	●	●	○	○	○	3 years & 2 months
Paddy Hayes	○			○		●	●	●	●	●	●	○	●	●	○	●	●	1 year & 10 months
Michael Barry	●	○				●	●	●		○	●	●	●	●	○	●	○	1 year
Aisling Curtis			●	○			●	●	●	○	○	●	○	●	○			8 months
Annette Flynn	○	○			○	●	●	●		○	●	○	○	●	○			8 months
Karen Halpenny				○					●	○	○					●	●	1 year
Owen Kilmurray			○						○	○	○	○				●	○	1 year
Paul Lynam	○	●				○	●	○	●	○	●	●	○	●	○	●	●	7 years & 1 month
Gráinne O'Shea		○					○		●		○	○	○	○	○	●	○	1 year
Alf Smiddy	○			○	○	●	●	●		●	●	●	○	○	○	○	●	7 years & 1 month
Dr Sara Venning			○	●		○	●	●	●	●	●	●	●	●	○	●	●	2 years & 1 month
Trevor Walsh			○						●	○	○	●				●	●	1 year

● Chair of committee    ● Has required expert skill/sectoral experience  
○ Member of committee    ○ Has some of the required skill/sectoral experience

3. Composition, Succession And Evaluation

Board Membership

In 2023, the Board members brought diverse experience and independence to support effective decision-making. Board members' skills and experience are harnessed to best effect through their membership of the relevant Board Committees. The range of Board members' experience is set out in the Board members' biographies on pages 122 to 125 and their experience/skills on page 136. As part of the Board's consideration of diversity and inclusion at Board level, an assessment of skills and experience is undertaken, which is a key input into the Board training and development programme. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of them and to address the major challenges facing ESB.

The Board's primary role is to exercise objective and informed judgement in constructively challenging and helping to develop and approve ESB's Group strategy, to ensure there is a strong management team in place to execute the strategy and drive business performance, and to maintain a framework of prudent and effective controls to mitigate risk. The State Code provides that the Chairman may engage with the Government on Board succession and this provides an opportunity for ensuring an appropriate mix of skills, diversity and experience on the Board.

Two critical factors determine how the Board is equipped to fulfil those duties and obligations successfully:

- A diverse and deep range of skills and experience among Board members
- Processes to ensure that all Board members develop and maintain a good understanding of the Group's operations and external environment and are therefore well placed to make informed decisions. See opposite and page 138 for further detail on the induction and ongoing training and development processes.

Board Appointments

As Board appointments are a matter for Government (including the appointment of Worker Board Members), ESB does not undertake an evaluation of individual Board members. However, the Chairman does engage with the Government in advance of the Board appointment process about the specific skills and diversity that are required on the Board. In November 2014, the Department of Public Expenditure, NDP Delivery and Reform published Guidelines on Appointments to State Boards and these guidelines apply to appointments to the Board of ESB.

Independent (non-worker) Board members are normally appointed for an initial term of five years, renewable for a further period up to a maximum of eight years in total (updated in line with the 2020 Code of Practice Annex\*). In the case of Worker Board Members, they are appointed for an initial term of four years and may be re-elected for further terms. Therefore, Board members are not subject to re-election at lesser intervals. The Chief Executive and independent Board members may be reappointed to the Board by Government and any reappointment of Worker Board Members is pursuant to the Worker Participation (State Enterprises) Act, 1977 subject to approval by Government.

Induction

An induction programme is in place to familiarise new Board members with the operations of the Group. The programme is tailored to the experience, background and requirements of the individual. Key elements are meeting members of the Executive Committee, visiting sites and receiving a briefing on the ESB Group strategy, individual businesses and the Enterprise Risk Management (ERM) Framework. Given the number of new members joining the Board in 2023, further emphasis was given to this induction programme during the year.

\* Note: Code of Practice Annex requirements do not apply to Worker Board Members. For Non-Executive Board Members in place at the date of publication of the Annex, it will be applied at the end of their contracts.

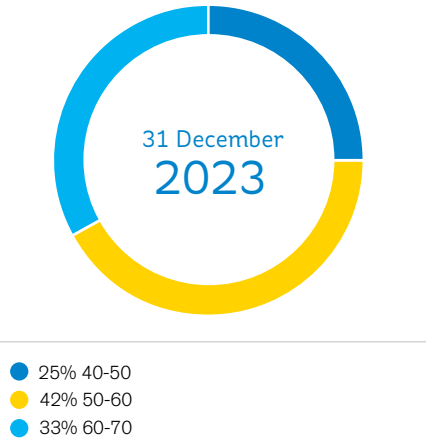
Composition of Board (Gender)



Length of tenure



Board Member age profile





The Board's Governance Report (continued)

Ongoing Training and Development

A continuing development programme is in place for all Board members. The Chairman and Company Secretary liaise with Board members for their specific needs, such as attendance at conferences, courses and webinars relevant to the business or briefings by management on specific topics. In 2023, in-depth training sessions were held on Customer Solutions' energy product offerings, financial matters, regulation, commodity hedging, cybersecurity, sustainability and fraud awareness. The online resource materials available to the Board were maintained and updated during 2023. These resources provide content to the Board on a range of topics including corporate governance, financial matters, strategy, enterprise risk, IT, environment and sustainability, people and culture, customers and Group policies. Particular focus will be given to CSRD in 2024.

Board Effectiveness

In compliance with the State Code and the UK Code, the Board conducts an annual evaluation of its own performance and that of its Committees (every third year this is done independently by an external evaluator). The evaluation relates to the Board's and Committees' collective performance and not to the individual performance of Board members other than the Chairman. The performance of the Chairman is explicitly considered as part of the Board evaluation process, in addition to a separate process co-ordinated by the Senior Independent Board Member. The purpose of these evaluations is to review the Board's operation and to identify ways to improve its effectiveness. It also helps to identify specific skills required by Board members, in relation to which the Chairman can make suggestions to the Government for consideration when appointments are being made. The evaluation provides assurance that the Board is committed to the highest standards of governance. The evaluation is led by the Chairman and supported by the Company Secretary.

The last external evaluation was carried out in 2021 and the overall assessment was that the ESB Board was positioned in the "Strong Category" range by reference to the benchmarks used. The Board is satisfied that all high priority actions from that evaluation have been addressed.

An update on the high priority recommendation from the 2022 internal evaluation and the 2022 evaluation of the Chairman's effectiveness was presented to the Board in 2023. The actions have been addressed as follows:

Recommendation	2023 Update
<ul style="list-style-type: none"><li>Strengthen Board succession planning through further improvements in the identification of key skill sets required of Board members.</li></ul>	<ul style="list-style-type: none"><li>The appointment of two non-executive Board members has added to the skillset of the Board.</li><li>Board training and induction continues to be a priority.</li></ul>
<ul style="list-style-type: none"><li>Chairman to provide feedback on stockholder engagement.</li></ul>	<ul style="list-style-type: none"><li>Updates were provided to the Board by both management and the Chairman on key stakeholder engagements, and key Government stakeholders met directly with the Board during the year.</li></ul>

The scheduled internal evaluation took place in 2023. The evaluation consisted of a questionnaire, which encompassed learnings from the questions used in the 2021 external review, in addition to questions seeking to determine the effectiveness of implementation of actions arising from the external review. To ensure that the review was as robust and objective as possible a questionnaire was issued to each Board member and separate questionnaires were issued for each Committee. Based on Board members' replies, a report was made to the Board on the outcomes, with proposed actions to address the issues raised.

The high priority actions from the 2023 internal evaluation were as follows:

- Continue to strengthen the Board succession planning process
- Review of length and timeliness of Board submissions and minutes
- Continued briefings on ESG matters
- Additional training on CSRD
- Additional finance and HR related training as part of individual Board members' ongoing development

These actions will be tracked throughout 2024.

Separately during 2023, the Senior Independent Board Member undertook an evaluation of the Chairman's effectiveness. A questionnaire was sent to Board members and members of the Executive Committee seeking their feedback on his performance. The results were discussed with the Chairman. Overall, the Chairman's effectiveness was strongly endorsed by the Board and the Executive Committee.

In addition to the recommendations from the external and internal evaluations, Board effectiveness was further enhanced during the year with:

- An update of the Board's Code of Conduct
- A continuation of the Board induction and training programme and a roll-out of sector specific in-house training
- Regular meetings between the Chairman and Board members for an open exchange concerning the efficiency and effectiveness of the Board

Examples of matters considered and/or approved by the Board in 2023

People	Stakeholders Considered
<ul style="list-style-type: none"><li>Staff survey results</li><li>Safety incidents</li><li>Culture including Smart Working</li><li>Resourcing and capability</li><li>Impact of cost of living pressures</li><li>Policy on inclusion and diversity</li><li>Gender Pay Gap Report 2023</li><li>Energy for Generations Fund</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Communities</li></ul>
Operations	Stakeholders Considered
<ul style="list-style-type: none"><li>Chief Executive operations reports</li><li>Safety, health and environment reports and performance updates</li><li>Property disposals</li><li>Investment in renewable/system services projects</li><li>Development of Temporary Emergency Generation</li><li>PR5 including smart metering programme update</li><li>NIE Networks' RP7 business plan</li><li>So Energy business updates</li><li>Updates on ongoing development projects (including Inch Cape and Nearth na Gaoithe)</li><li>Electricity price changes</li><li>SIRO updates</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Customers</li><li>Stockholders</li><li>Debt Investors and Rating Agencies</li><li>Communities</li><li>Suppliers, Contractors and Partners</li><li>Regulators, Environmental and Safety Authorities</li><li>Other Industry Bodies</li></ul>
Strategy	Stakeholders Considered
<ul style="list-style-type: none"><li>Group strategy update</li><li>Gas price outlook</li><li>Climate and energy policy updates</li><li>Labour market and workplace culture trends</li><li>ESB People Strategy</li><li>European markets overview</li><li>ESB Networks' and NIE Networks' strategy</li><li>European utility, M&amp;A and financing landscape</li><li>Science-based target and climate ambition</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Customers</li><li>Stockholders</li><li>Regulators, Environmental and Safety Authorities</li><li>Other Industry Bodies</li></ul>
Governance and Risk Management	Stakeholders Considered
<ul style="list-style-type: none"><li>Group Risk Plan</li><li>Internal audit plan for the year</li><li>Committees' Terms of Reference</li><li>Pension scheme trustee appointments</li><li>Group authority levels</li><li>Statement on the Prevention of Slavery and Human Trafficking</li><li>Board evaluation</li><li>Cybersecurity updates</li><li>Board policies</li><li>Annual assessment of effectiveness of internal control</li><li>ESB Regulations</li><li>Policy on Board Members' Fees and Expenses</li><li>Fraud or potential fraud incidents</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Customers</li><li>Stockholders</li><li>Suppliers, Contractors and Partners</li><li>Regulators, Environmental and Safety Authorities</li></ul>
Finance	Stakeholders Considered
<ul style="list-style-type: none"><li>Annual and half-yearly published results</li><li>ESB Regulatory Accounts</li><li>Quarterly financial performance and forecasts</li><li>Monthly Key Performance Indicators (KPIs)</li><li>Annual budget and five-year business plan</li><li>ESB Networks' and NIE Networks' annual budget</li><li>Dividend payments</li><li>Hurdle rates for new investments</li><li>Funding requirements</li></ul>	<ul style="list-style-type: none"><li>Stockholders</li><li>Debt Investors and Rating Agencies</li><li>Regulators, Environmental and Safety Authorities</li></ul>

The Board’s Governance Report (continued)

4. Audit, Risk and Internal Control

Compliance with Corporate Governance Codes

ESB complies with the State Code, which sets out the principles of corporate governance that boards of State bodies are required to observe. ESB also complies with the Corporate Governance Guidelines and other obligations imposed by the Ethics in Public Office Act, 1995, the Standards in Public Office Act, 2001 and the Regulation of Lobbying Act, 2015.

ESB is a statutory corporation established under the Electricity (Supply) Act, 1927 (as amended) and is not obliged to comply with the UK Code or the Irish Annex. The UK Code consists of principles (main and supporting) and provisions. Companies listed on the Irish Stock Exchange are required, as part of the Listing Rules, to describe how they apply the principles and comply with the provisions of the UK Code and the related Irish Annex, and to provide an explanation in the event of non-compliance. The Audit and Risk Committee completed a review of compliance with the UK Code and the Irish Annex during 2023 concluding that ESB complies on a voluntary basis, insofar as is reasonably applicable with the UK Code and the Irish Annex subject to the exceptions set out in the table opposite.

UK Code

Principle / Clause	Explanation
3	Committee chairs do not engage with Ministerial stockholders as there is a process in place whereby the Chairman engages with Ministerial stockholders and ensures that the Board and management are aware of the views of the stockholders.
J / 17 / 20 / 23	Appointments to the Board are a matter for the Government and accordingly ESB does not have a Nominations Committee.
15	Members of the Board of ESB are appointed in accordance with Section 2 of the Electricity (Supply) Act, 1927 and the Worker Participation (State Enterprises) Acts. Therefore, the requirement to take account of demands on directors' time and the undertaking of additional external appointments is a matter for the Government.
L	The Board evaluation process has not to date evaluated the individual performance of Board members (except for the Chairman) as the Board does not have a formal role in determining its own composition.
18	Board members are appointed for multi-year terms and therefore are not subject to re-election to the Board at lesser intervals.
32	The Board Chairman is also Chairman of the Remuneration and Management Development Committee, given the importance of compliance by ESB with Government policy in this area and the role of the Chairman as the primary interface with the Government.
34 / 36 / 39	ESB's policies and disclosures in relation to remuneration of the Chief Executive are in accordance with applicable Government guidelines. Notice periods in the Chief Executive's contract are in accordance with Government guidelines. The details of Board members' remuneration on page 147 do not include amounts paid to the four Worker Board Members as employees of ESB (as such pay is neither increased nor decreased because of their membership of the Board). Obligations regarding share awards are not relevant to ESB, nor are post-employment shareholding requirements relevant as beneficial interests in the stock of ESB are held only through participation in ESB's Employee Share Ownership Plan (ESOP) and ESB is majority owned by the Government.
41	The Government sets the pay of the Chief Executive and establishes pay policy relevant to senior management. This limits the discretion of the Remuneration and Management Development Committee in relation to these matters.

Irish Annex

Section	Explanation
1.1 / 1.7 / 4.1	Appointments to the Board are a matter for the Government. A reasoned explanation for Board appointments is not provided.
2.1	Appointments to the Board are a matter for the Government and accordingly ESB does not have a Nominations Committee.
3.2	The scope of the evaluation of the Board relates to the Board's and Committees' collective performance, and not to the individual performance of Board members.
5.2	ESB does not have a separate risk committee, with the monitoring of the effectiveness of risk management sitting under the Audit and Risk Committee, so no description is required.
6.3	CEO remuneration, per Government Policy, does not include a variable pay element.
6.4	There are no arrangements designed to achieve the retrospective recovery of variable compensation as this scenario has not arisen.
6.5	Share awards are not part of Board members' remuneration, save for notional allocations of stock made to eligible Board members as part of their participation in the ESB ESOP.

Financial and Business Reporting

The Board recognises its responsibility in preparing the Annual Report and Financial Statements and in presenting a fair, balanced and understandable assessment of the Group's position and prospects. The Board members' responsibilities regarding financial statements and going concern are set out on page 166.

Procurement

ESB complies with applicable procurement laws and the State Code. A paper detailing obligations and providing assurance of compliance is provided annually to the Audit and Risk Committee. This paper also includes details of any non-compliant procurement in line with the requirements of the State Code.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The system of internal control is designed to provide reasonable but not absolute assurance for the achievement of the following objectives:

- Effectiveness and efficiency of operations and safeguarding of the organisation's assets against loss
- Reliability of reporting for internal and external use
- Compliance with applicable laws and regulations

In order to discharge its responsibilities in a manner which ensures compliance with legislation and regulations, the Board has established an organisational structure with clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

The Group uses the integrated internal control framework as developed by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission as guidance for designing, implementing and conducting internal control and assessing its effectiveness.

ESB has in place a strong internal control framework, which includes the following:

- A Code of Ethics (“Our Code”) that sets the tone from the top and requires all employees to maintain the highest ethical standards in conducting business

- Comprehensive Anti-Bribery, Corruption and Fraud and Whistleblowing and Protected Disclosures Policies
- A Group Tax Compliance Framework and an ESB Group Tax Strategy
- Insider trading policies and procedures for the prevention of market abuse
- A clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board, which support the maintenance of a strong control environment
- A corporate governance framework that includes risk analysis, financial control review and formal annual governance compliance statements by the management of business units and joint ventures (JVs)
- Policies and procedures relating to operational and financial controls as well as compliance obligations including regulatory licence and ring-fencing obligations
- Large capital projects requiring the approval of the Board are closely monitored on an ongoing basis by the Finance and Investment Committee
- Comprehensive budgeting systems with an annual budget and five-year plan approved by the Board
- A comprehensive system of financial and non-financial reporting
- Cumulative actual results and KPIs are reported against budget and considered by the Board on a regular basis
- A telephone helpline and online webchat service that provides employees with a confidential and, if required, anonymous means of reporting any suspected wrongdoing or ethical concerns

An annual review of the effectiveness of the Group's system of internal control takes place and controls are reviewed systematically by Group Internal Audit. In these reviews, emphasis is placed on areas of greater risk as identified by risk analysis. Where weaknesses in the internal control system have been identified through the monitoring framework above, plans for addressing them are put in place and action plans are regularly monitored until completed.

Risk Management

Effective risk management is critical to the achievement of ESB's strategic objectives and the long-term sustainable growth of its business. The rapid changes taking place in ESB, the energy industry and the wider economy requires the Board to continuously re-assess the risks facing ESB and have clear strategies to manage those risks. Given the current changing and uncertain environment (which introduces increased operational risk), it is all the more important to have an enhanced focus on internal controls. The Board has overall responsibility for the Group's approach to risk, satisfying themselves that the systems of risk management are robust and defensible.

Specifically, the Board responsibilities in respect of risk include:

- Overall responsibility for ERM and crisis management processes including the effectiveness of management's mitigation measures and controls
- Ensuring risk management is embedded into all processes and activities
- Approval of the Group Risk Plan
- Overseeing that an appropriate risk culture is embedded throughout the Group
- Establishing a clearly articulated risk appetite position that clarifies the level of risk ESB is willing to accept, which also ensures that management and the Board align their views on risk and that investments and expenditures are considered in light of that appetite

An external review of the risk management process takes place periodically with the last review being in 2021. A dedicated project which aims to further strengthen ESB's ERM, governance and compliance structures continued during 2023 and progress is being monitored by the Audit and Risk Committee.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that might threaten its business model, future performance, solvency and liquidity. A cyclical review process for identifying, assessing and managing risks has been in place for the year under review and up to the date of approval of this Annual Report. The principal risks and uncertainties facing the Group and the mitigating strategies along with changes to principal risks during the year, are set out on pages 27 to 43.



The Board's Governance Report (continued)

The Board is aware that it must lead by example in shaping and supporting the Group values that underpin the approach to risk. It also seeks to ensure that sufficient risk management skills and capabilities are available in the business and that the knowledge and experience of all of the employees in ESB who understand the risks associated with operations is utilised. Regular reporting has facilitated the Board to stay abreast of changes in identified principal risks, in addition to emerging risks and uncertainties.

The Board focuses primarily on those risks that could undermine ESB's strategy, or which could adversely affect the long-term viability or reputation of the Group. The Board delegates responsibility for oversight of specific risks to Board Committees in accordance with the Committees' Terms of Reference and respective area of expertise. The Board agrees how Committees will keep one another, and the Board itself, informed about risks and risk oversight practices. Efficiency and effectiveness call for clear boundaries, communication channels, and handoff points. The Board defines these elements clearly, adjusting as needed. The Committees' Chairs report to the full Board on key risks falling within their remit, developments and matters requiring further discussion and consideration. The Audit and Risk Committee retains overall responsibility for ensuring that enterprise risks are properly identified, assessed, reported and controlled on behalf of the Board.

Risk appetite may also vary over time and the Board has explicitly considered the level of this appetite and how specific risks are managed within it. The propensity to take risk is always balanced by a focus on exercising appropriate control.

As well as regular reporting, a session of the Audit and Risk Committee was dedicated to risk during 2023, with all Board members invited to attend. The focus of this risk session was on corporate fraud and the impact of fraud on reputation.

Activities undertaken by the Audit and Risk Committee during 2023 in respect of its risk responsibilities included:

Activity	Detail
Group Risk Plan including review of risk appetite	The Committee reviewed the Group Risk Plan and recommended it to the Board for approval.
Business Continuity Planning (BCP) and Crisis Management Review	The Committee reviewed the effectiveness of business continuity plans, crisis management and resilience testing arrangements across the Group.
Mid-Year Risk Review	The Committee considered and reported to the Board any changes to the Group principal risks and emerging risks as approved at the start of the year, including a review of material changes to the risk profile.
Quarterly Risk Reports	The Committee reviewed changes to the status of the principal risks, including the effectiveness of operation of controls and status of mitigating actions.
Risk Deep Dive Meeting	The Committee considered the impact of fraud on corporate reputation.
Data Protection	The Committee reviewed the bi-annual Data Protection Dashboard and half-year Data Protection Report and regular cybersecurity updates.
External Assessment of the Group Internal Audit (GIA) Function	The Committee reviewed the progress on the implementation of the actions identified in the last independent assessment on the internal audit function (which took place in 2021).
Governance, Risk and Compliance (GRC) Programme	The Committee monitored progress of the GRC Programme.
Group Risk Management Policy	The Committee recommended the approval of the updated Group Risk Management Policy.
Governance of Non-Wholly Owned Entities	The Committee considered an updated policy and new detailed guidelines outlining the due diligence processes for such entities, in addition to ongoing management and oversight.

The 2023 Review of the Effectiveness of Internal Control and Risk Management

The Board retains overall responsibility for internal control and risk management. During 2023, the Board has directly and through delegated authority to the Audit and Risk Committee, reviewed the effectiveness of the Group's system of internal control covering financial, operational and compliance controls and risk management systems for 2023 and will ensure a similar review is performed in 2024.

The process used by the Board and the Audit and Risk Committee to review the effectiveness of the system of internal control includes:

- Review and consideration of the Annual Risk Plan, half-yearly risk review process, quarterly risk management updates and an annual risk deep dive review of a selection of principal risks (facilitated by ESB's dedicated risk management function)
- Review of the operation of cybersecurity risks and controls
- Independent advice on the adequacy of the current ERM process operating in ESB (generally conducted every three years and last reviewed in 2021)
- Internal audit of the ERM process
- Review and consideration of confirmation from management of satisfactory and effective operation of systems of internal control, both financial and operational – this is in the form of a detailed annual report presented to the Committee in January each year related to the preceding calendar year

- A review of the programme of GIA and consideration of its findings and reports. GIA also reports regularly on the status of implementation of recommendations raised previously from its own reports
- Independent assessment of the effectiveness of the internal audit function (this is carried out every five years and an assessment was last carried out in 2021)
- A review of reports from the external auditor which contain details of work carried out on the key audit risks and recommendations regarding internal control improvements
- A review of the risk oversight activities of other Board Committees in relation to specific risk areas falling within their remit under their Committee Terms of Reference

Separately, the Safety, Sustainability and Culture Committee reviews the effectiveness of processes in place to identify, assess, report and control risks in relation to health, safety and environmental matters.

Based on this review, the Board confirms the following for 2023:

- There is an ongoing process for identifying, evaluating and managing the principal and emerging risks of ESB
- Systems of internal control have been in place for the year under review and up to the date of approval of this Annual Report
- ESB materially complies with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting

- A number of control incidences occurred and areas of improvement were identified, including in relation to the control environment for some operational processes in ESB Networks and Customer Solutions; processes are in place to ensure that appropriate actions are taken, and progress is monitored until completed
- Allegations of wrongdoing are investigated and reported to the Audit and Risk Committee as set out on page 155
- No other significant failings or weaknesses in internal control were identified in the review

Through its ongoing involvement and overview of internal control and risk management activities, the Board is satisfied that internal control and risk management processes are effective.

The Board's Governance Report (continued)

Viability Statement

In accordance with the UK Code, the Board members have assessed the prospects of ESB over a longer period than that required in adopting the going concern basis of accounting. ESB's assessment has been made over a five-year period, which is consistent with the time frame of ESB's business planning process. The assessment is based on consideration of ESB's current position and prospects, maintenance of its financial strength (page 54), progress against ESB's strategy (page 16), risk appetite, principal risks (pages 27 to 43) and how these are managed. This includes consideration of the developments in the external environment (including the macroeconomic environment) in which ESB operates as set out on page 18 and the climate related-risks and opportunities set out on pages 34 and 41.

The Board has carried out a robust risk assessment of the principal and emerging risks facing ESB. As part of the ERM process the major and material potential consequences of a principal risk materialising are identified and, where possible and appropriate, the financial impact estimated. In addition, the ERM process considers the interdependency of principal risks, particularly in terms of impact. These risks and the way they are being managed and mitigated are outlined on pages 27 to 43.

Business Continuity and Crisis Management Plans have been developed to mitigate risks which may impact ESB's operations. These plans are exercised as part of an annual test plan, based on scenarios that could adversely impact ESB and assess the degree to which these risks can be mitigated. Results and lessons learned arising from the annual review and testing programme are reported to the Audit and Risk Committee.

The Board believes that a five-year viability assessment is most appropriate as it aligns with the business planning process cycle. The projections in the business plan consider ESB's cash flows, committed funding and liquidity positions and examine future funding requirements and financial covenants, along with other key financial ratios including those relevant to maintaining investment grade credit ratings.

The business plan also includes an assessment of performance against ESB's Strategic Performance Indicators

(SPIs) (as set out on page 17) as well as consideration of a number of relevant risks and opportunities. This includes consideration of the impact of climate-related matters notably the challenge associated with the scale of energy infrastructure which ESB is targeting to deliver as well as the drive to greater electrification in ESB's markets. It also includes greenhouse gas emissions projections and considerations.

The financial metrics in the business plan are subject to sensitivity analysis, which involves flexing a number of the main assumptions underlying the plan to assess their impact on key financial metrics, such as Net Debt and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and, where appropriate, analysis is carried out to evaluate the potential financial impact of ESB's principal risks actually occurring. The current five-year assessment included consideration of the risks outlined in the table below.

Relevant Principal Risks	Sensitivity Considered
<ul style="list-style-type: none"><li>Failing to maintain ESB's financial strength and liquidity</li><li>Exposure to continued volatility in, and disruptions to, energy markets and other elements of global supply chains</li><li>Failing to deliver the scale of renewable generation assets required to meet strategic objectives</li><li>Failing to deliver the growing and increasingly complex network infrastructures and systems required to meet future customer and societal needs</li><li>Failing to meet ESB's sustainability targets or to inform or respond to climate change policies and/or to capture opportunities and manage challenges presented by those policies</li></ul>	<ul style="list-style-type: none"><li>Delivery of performance improvement targets</li><li>Capital expenditure delivery</li><li>Inflation and interest rates</li><li>Tax rate changes</li><li>Commodity market movements</li><li>Customer numbers</li><li>Price control outcomes</li></ul>

The Board recognises the significance of maintaining financial strength and this is called out as a principal risk and as a foundational strategic capability. ESB's funding operations support capital expenditure, the refinancing of maturing debt and the maintenance of adequate liquidity. ESB's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. In 2020, ESB negotiated a €1.4 billion sustainability-linked revolving credit facility (RCF) which provides ESB with a substantial level of standby liquidity. This facility currently extends to 2027. In 2022, ESB agreed an additional RCF of £750 million with an initial tenor of 12 months which was subsequently extended for a period of six months and will now terminate in June 2024. ESB was also in a position to raise three separate bonds to secure its funding position during 2023. ESB's funding position reflects its underlying financial strength and BBB+ (or equivalent) credit ratings from two major credit rating agencies on a standalone basis. Further details on debt maturity and ESB's funding are set out on pages 58 and 59.

Based on the results of the above analysis, the Board members have a reasonable expectation that ESB will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Going Concern

ESB has delivered operating profits of €1,121 million for the year. ESB's cashflow and liquidity position has remained strong throughout a period of uncertainty and change for the energy industry in 2023.

The Group has considerable financial resources (with net assets of €5 billion and liquidity (as defined in the Alternative Performance Measures section) of €3.7 billion at 31 December 2023) and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries, the Board is satisfied that ESB has sufficient cash flows, available liquidity and access to capital markets to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing ESB's financial statements as set out in note 1 of the financial statements. ESB's performance, business model, strategy and principal risks and uncertainties and how these are managed are set out in the Strategy and Performance report on pages 8 to 119.

ESB's financial position, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 54 to 59. Note 29 of the financial statements includes an overview of financial risk management, details of its financial instruments and hedging activities and its exposure to credit and liquidity risks.



The Board's Governance Report (continued)

5. Remuneration

Based on ESB's Group structure and its operations across a number of jurisdictions, there are a number of remuneration models in place across the Group. For employees covered by collective bargaining agreements, pay bands and rates are collectively bargained with the recognised trade unions. ESB informs and consults all of its employees on remuneration matters through the performance management process. ESB continuously reviews and benchmarks its market-based reward offering to ensure that it continues to attract and maintain the capability to deliver its strategy.

The Terms of Reference of the Remuneration and Management Development Committee sets out the overall approach to executive remuneration. The Board adopts and implements a policy on executive remuneration which is clear, simple, predictable, proportionate and free from the risk of excessive reward. The objective of the policy is to support the successful implementation of ESB's business strategy by establishing a reward proposition and related governance that attracts, motivates, and retains executives of the quality required to lead ESB successfully and which is consistent with ESB's values.

Chief Executive's Remuneration

The Chief Executive's remuneration is set by reference to Government policy on the payment arrangements for Chief Executives of commercial State Bodies. ESB's Chief Executive remuneration consists of an annual salary, a car (subject to benefit-in-kind) and employer pension contribution. In line with Government policy, the Chief Executive of State Companies should not receive performance related payments, therefore no such payments were made to ESB's Chief Executive during 2023. In accordance with the Government's "One Person, One Salary" rule, the Chief Executive is not entitled to receive a fee as a member of the Board.

Worker Board Members' Remuneration

Worker Board Members are appointed under the Worker Participation (State Enterprises) Act, 1977 and are employees of ESB. They are members of an ESB Pension Scheme. Worker Board Members are entitled to receive a separate fee in respect of their position as Board members.

Executive Director and Senior Managements' Remuneration

ESB operates performance related remuneration for Executive Directors and senior managers linked to the achievement of personal, financial and strategic objectives which fully reflect the Group's purpose and values. Incentives are payable on a phased basis over three years and they become payable following the end of the performance period. External market benchmarks are provided to the Remuneration and Management Development Committee to support them in their consideration of the appropriate level of remuneration.

ESB's performance management process is grounded in the Group's strategic objectives and measured by the Group and Business Unit's strategic performance indicators translated into specific individual objectives and key results (including related to the decarbonisation of ESB's activities). Business separation arrangements for the licensed networks businesses require that the remuneration of the relevant Managing Directors and senior managers are linked to their performance and the performance of those networks businesses only.

Independent Board Members' Remuneration

Independent Board members (including the Chairman) serving on the Board of ESB are entitled to fees, at levels determined by the Minister for Public Expenditure, NDP Delivery and Reform. The current fee is set out in the respective warrant of appointment issued to Board members by the Minister for the Environment, Climate and Communications.

Board Members' Expenses

Board members are entitled to reimbursement of reasonable expenses incurred for attending Board and related meetings/events. In compliance with the State Code, disclosure is required of the expenses paid to Board members. During 2023, €45,205<sup>1</sup> was reimbursed to, or paid on behalf of, Board members for travel expenses, accommodation and other related expenses. The above expenses do not include those of the Chief Executive or the Worker Board Members in respect of their executive or employee duties. They also do not include amounts relating to training or membership fees paid on behalf of Board members.

Board Members' and Chief Executive Remuneration

Chairman

	2023 €	2022 €
Terence O'Rourke	31,500	31,500

Chief Executive

	2023 €	2022 €
Salary and taxable benefits	318,083	335,273
Benefit-in-Kind (Car)	5,212	-
Pension contributions	49,427	54,013
Total	372,722	389,286

Independent/Worker Board Members

	2023 €	2022 €
Michael Barry <sup>6</sup>	15,623	-
Aisling Curtis <sup>1</sup>	10,763	-
Annette Flynn <sup>1</sup>	10,763	-
Karen Halpenny <sup>6</sup>	15,750	-
Owen Kilmurray <sup>6</sup>	15,750	-
Paul Lynam	15,750	16,512
Noreen O'Kelly <sup>2</sup>	4,944	15,750
Gráinne O'Shea <sup>6</sup>	15,750	-
Alf Smiddy	15,750	16,512
Dr Sara Venning	15,750	16,512
Trevor Walsh <sup>6</sup>	15,750	-
Anne Butler <sup>3</sup>	-	14,000
Dave Byrne <sup>5</sup>	-	15,750
Stephen Carrig <sup>5</sup>	-	15,750
Andrew Hastings <sup>4</sup>	-	11,219
Seán Kelly <sup>5</sup>	-	15,750
Tony Merriman <sup>5</sup>	-	15,750
Total	152,343	153,505

1. Term commenced April 2023  
2. Term completed April 2023  
3. Term completed November 2022  
4. Resigned September 2022  
5. Term completed December 2022  
6. Term commenced January 2023

1 The amount of any expense claimed by a non-executive Board member which is subject to deduction of tax is grossed up (that is, expenses grossed up for tax purposes at the applicable rate of tax for the individual Board member) to keep Board members whole. The amount of expenses disclosed opposite includes the impact of any such grossing up.

# Audit and Risk Committee Report



Michael Barry  
Chairman

### Chair's Introduction

On behalf of the Audit and Risk Committee, I am pleased to introduce the Audit and Risk Committee Report for the year ended 31 December 2023. The purpose of the report is to provide an insight into the workings of the Audit and Risk Committee over the last 12 months. I confirm that the Audit and Risk Committee has satisfied its responsibilities as set out in its Terms of Reference and under the Code of Practice for the Governance of State Bodies (the State Code), the UK Corporate Governance Code 2018 (the UK Code) and the Irish Corporate Governance Annex (the Irish Annex) (with explanations for any exceptions set out in the table on page 140).

The responsibilities of the Audit and Risk Committee are summarised on page 149 and are set out in full in its Terms of Reference. The Audit and Risk Committee for 2023 consisted of four independent Board members. The members bring a broad range of experience and expertise from a wide range of industries, which is vital in supporting effective governance. The Board has confirmed that each member of the Audit and Risk Committee is independent, and that the membership meets the requirements of the State Code and the UK Code in terms of recent and relevant financial experience and competence relevant to the sector in which the Group operates.

### Committee Meetings

The Audit and Risk Committee held eight meetings during 2023. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of Service	Meetings Attended
Michael Barry (Chairman)* <sup>1</sup>	Independent Board Member	1 year	8
Annette Flynn <sup>2</sup>	Independent Board Member	7 months	4
Paul Lynam <sup>3</sup>	Independent Board Member	3 years and 9 months	8
Noreen O'Kelly <sup>^ 1</sup>	Senior Independent Board Member	9 years and 10 months	2
Alf Smiddy <sup>1</sup>	Senior Independent Board Member	6 years and 10 months	8

\* Appointed to the Committee in January 2023 and appointed as Chairman in June 2023  
^ Term completed April 2023  
1. Fellow of Chartered Accountants Ireland  
2. Fellow of the Association of Chartered Certified Accountants, appointed to the Committee in June 2023  
3. Executive positions held in industry

### Role

The role of the Audit and Risk Committee is set out in its Terms of Reference, a copy of which can be found on the ESB website. The Terms of Reference sets out the duties of the Audit and Risk Committee under the following headings:

- Financial and Annual Reporting
- Internal Controls, Compliance and Risk Management Systems
- Whistleblowing, Fraud and Investigations
- Internal Audit
- External Audit

### Duty

#### Financial and Annual Reporting

Including a review of ESB's Annual and Interim Report and Financial Statements to ensure that when taken as a whole, they are fair, balanced and understandable and that appropriate accounting standards, estimates and judgements have been applied

### Activities carried out in 2023

- Reviewed the clarity and completeness of the financial and non-financial disclosures in the Annual Report and Financial Statements and the material information presented within them
- Reviewed ESB's Annual Report and Financial Statements to ensure that they were fair, balanced and understandable
- Considered and challenged the methods used to account for significant or unusual transactions and how these were presented and disclosed in the financial statements
- Reviewed whether the Group had applied appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
- Reviewed going concern assumptions/viability statement
- Reviewed the interim results which consist of financial statements and explanatory notes
- Reviewed and considered the key messages for the financial results publications
- Reviewed and recommended to the Board for approval, the ESB Regulatory Accounts
- Reviewed the ESB Finance DAC Financial Statements and recommended to the Board of ESB Finance DAC for approval
- Reviewed the status of large company subsidiary audits and financial statements (as defined by the Companies Act, 2014)
- Reviewed ESG disclosures in the Annual Report

#### Internal Controls, Compliance and Risk Management Systems

Review the effectiveness of internal control and risk management

- Reviewed and monitored the effectiveness of the Group's system of internal control
- Reviewed the arrangements for business continuity planning and crisis management
- Reviewed ESB's Risk Management Policy, Risk Plan, Risk Appetite Statement and regular risk reports (recommending them to the Board for approval as required)
- Reviewed resourcing of the risk function
- Reviewed the biannual Data Protection Dashboard
- Received an update on the cybersecurity strategy
- Reviewed compliance with the UK Code and the Irish Annex
- Reviewed procurement compliance
- Reviewed compliance with the State Code
- Reviewed the Group Tax Strategy
- Received an update on the Governance, Risk and Compliance (GRC) Programme
- Reviewed the updated policy on the governance of non-wholly owned subsidiaries
- Reviewed risk oversight activities of other Board Committees



Audit and Risk Committee Report (continued)

Duty	Activities carried out in 2023
<b>Whistleblowing, Fraud and Investigations</b> Review the adequacy and security of the arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters	<ul style="list-style-type: none"><li>Reviewed the procedures and policies for preventing and detecting fraud and were informed of any instances of fraud or potential fraud, and other irregularities</li><li>Reviewed and considered updates on the status of protected disclosures</li><li>Considered the impact of workplace fraud on corporate reputation</li><li>Received an update on corporate fraud from the perspective of the An Garda Síochána Economic Crime Bureau</li><li>Received an update on fraud trends from the perspective of external auditors provided by Grant Thornton</li></ul>
<b>Internal Audit</b> Monitor and assess the role and effectiveness of the internal audit function	<ul style="list-style-type: none"><li>Monitored progress against the 2023 internal audit plan (including NIE Networks) to assess the effectiveness of the function</li><li>Agreed the 2024 internal audit plan</li><li>Reviewed reports detailing the results of key audits, management's response and the timeliness of resolution of actions</li><li>Met with the Head of Group Internal Audit (GIA) without management being present</li><li>Reviewed internal audit key performance indicators</li><li>Reviewed resourcing of the internal audit function</li><li>Reviewed progress on implementation of actions identified in the last external assessment of the internal audit function</li><li>Reviewed the GIA vision and strategy</li></ul>
<b>External Audit</b> Monitor and review the objectivity, independence and quality of the external auditor and review the findings of the audit with the external auditor	<ul style="list-style-type: none"><li>Assessed the effectiveness of the external audit process including the independence and objectivity of the external auditor</li><li>Ensured that all key risks were identified and appropriately robust audit procedures were included in the external audit plan</li><li>Reviewed the report from Deloitte on its audit of the financial statements and their comments on accounting, financial control and other audit issues</li><li>Considered and reviewed non-audit services provided by Deloitte and adherence to ESB policy</li><li>Met with the external auditor without management being present, giving Deloitte the opportunity to raise any matters in confidence</li><li>Reviewed Deloitte's internal control recommendations and management's response</li></ul>

Financial and Annual Reporting

The Audit and Risk Committee receives and considers the interim and year-end financial statements from management, including consideration of the consistent application of ESB's accounting policies. Annually, the Committee receives a paper on the key accounting estimates and judgements contained within the financial statements. In addition, the Committee receives reports from the internal audit team and discusses the audit strategy with the external auditor.

Considering the information from these activities, the Audit and Risk Committee determined the key areas of judgement in the Group's financial statements related to the following:

- Carrying value of long-lived assets and goodwill
- Carrying value of investments in, and loans to, equity accounted investees (joint ventures)
- Valuation of asset retirement obligations
- Pension obligations – ESB defined benefit pension scheme
- Financial instruments and own use contracts
- Partnership with Ørsted
- Temporary emergency generation

These issues were discussed with management during the year. The Audit and Risk Committee reviewed and agreed the auditor's Group audit plan, and the audit findings report at the conclusion of the audit of the year-end financial statements.

Significant issues considered	How issues were addressed by the Audit and Risk Committee
<b>Carrying value of long-lived assets and goodwill Republic of Ireland (ROI) and United Kingdom (UK) generation portfolio</b> As at 31 December 2023, no indications of potential impairment of the ROI and UK generation assets were identified.	The Audit and Risk Committee recognises that judgements are made to assess whether indicators of impairment exist.  To assist with their decision regarding impairment, the Audit and Risk Committee reviewed and challenged the papers prepared by management.
<b>Networks transmission and distribution long-lived assets</b> As at 31 December 2023, there were no indicators of impairment of the carrying value of the asset base of ESB Networks.	Following the review above, the Audit and Risk Committee is satisfied with the impairment review approach and key assumptions used.
<b>Northern Ireland Electricity Networks (NIE Networks) long-lived assets</b> As at 31 December 2023, there were no indicators of impairment of the carrying value of the asset base of NIE Networks.	
<b>Goodwill</b> Goodwill recognised on the acquisition of NIE Networks and So Energy as at 31 December 2023 amounted to €195 million. An annual impairment test of the carrying value of this goodwill was carried out in accordance with IAS 36 and no impairment was required. The significant judgements used to carry out this test are explained fully in note 15 of the financial statements.	
<b>Carrying value of investments in, and loans to, equity accounted investees (joint ventures)</b> An impairment assessment of the carrying value of the investment (and related shareholder loan) in Neart na Gaoithe (NnG) was carried out in accordance with IAS 36 and an impairment charge of €15 million was necessary following this review. Further details (including details of the assumptions used) are in note 16 of the financial statements.	To assist with their decision on the level of impairment charge the Committee reviewed and challenged the papers prepared by management, including details of the methodologies and assumptions applied in determining the recoverable values.  Following the review above, the Audit and Risk Committee is satisfied with the impairment review approach and key assumptions used.

Audit and Risk Committee Report (continued)

Significant issues considered	How issues were addressed by the Audit and Risk Committee
<p><b>Valuation of asset retirement obligations</b></p> <p>ESB has provided for the expected decommissioning costs associated with the closure of certain generation stations, wind farms and the asset retirement obligations for ESB Networks' and NIE Networks' creosote treated wood poles in ROI and NI. The costs are capitalised in property, plant and equipment and are depreciated over the useful economic lives of the assets to which they relate unless the related asset has reached the end of its useful life.</p> <p>For ESB Networks and NIE Networks, following a review of key inputs to the provision, including disposal costs and discount rate, the asset retirement provision has decreased from €351 million to €317 million. This is primarily as a result of movements in discount rates.</p> <p>In Generation and Trading, the asset retirement provision increased by €27 million in 2023. The closing provision as at 31 December 2023 is €218 million. The movements are primarily as a result of increases in demolition costs and provisions in respect of new assets offset by increases in discount rates.</p> <p>See note 2 and 28 of the financial statements for further details.</p>	<p>The Committee has reviewed and challenged the papers prepared and presented by management detailing the basis and assumptions for the provisions. The Committee is satisfied with the review of asset retirement obligations and the underlying basis for assumptions used.</p>
<p><b>Pension obligations - ESB defined benefit pension scheme (the Scheme)</b></p> <p>In accordance with IAS 19 Employee Benefits, ESB continues to reflect its existing committed obligations on the balance sheet as set out in note 24 of the financial statements. This treatment is based on the following key factors, none of which changed for the year ended 31 December 2023:</p> <ul style="list-style-type: none"><li>▪ The Scheme is registered as a Defined Benefit Scheme with the Pensions Authority. The regulations governing the Scheme stipulate the benefits that are to be provided and they also stipulate contributions to be paid by both ESB and the contributing members.</li><li>▪ The Scheme is not a typical balance of costs Defined Benefit Scheme (where the employer is liable to pay the balance of contributions required to fund benefits). ESB does not intend that any further contributions, other than the normal ongoing contributions will be made.</li><li>▪ Should a deficit arise in the future, ESB is obliged under the Scheme regulations to consult with the parties to the Scheme. However, ESB has no obligation to increase contributions to maintain benefits in the event of a deficit and its rate of contribution cannot be altered without the agreement of ESB and the approval of the Minister for Environment, Climate and Communications.</li></ul>	<p>The Audit and Risk Committee is satisfied that the appropriate accounting treatment, determined in accordance with IAS 19 Employee Benefits, is to reflect the Group's existing committed obligations, as set out in the notes to the financial statements.</p>

Significant issues considered	How issues were addressed by the Audit and Risk Committee
<p><b>Financial instruments and own use contracts</b></p> <p>Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 Financial Instruments.</p> <p>Further details of the impact of the fair valuation of such contracts are included in note 23 of the financial statements.</p>	<p>The Committee has reviewed and challenged the papers prepared and presented by management detailing the basis for the treatment of such commodity contracts. The Audit and Risk Committee is satisfied that the appropriate accounting treatment has been determined in accordance with IFRS 9 Financial Instruments.</p>
<p><b>Partnership with Ørsted</b></p> <p>In June 2023, ESB and Ørsted entered into a joint arrangement to develop a portfolio of offshore wind projects. The arrangement includes additional contingent consideration to be received by ESB from Ørsted related to a number of key milestones being reached on each project. Due to the projects being in the early stages of development, the fair value of this contingent consideration has been estimated as nil.</p>	<p>The Committee has reviewed and challenged management's assessment detailing the basis for the treatment of such an arrangement. The Audit and Risk Committee is satisfied that the appropriate accounting treatment has been determined.</p>
<p><b>Temporary emergency generation</b></p> <p>ESB has entered into temporary emergency generation contracts with EirGrid whereby ESB's role in the arrangements is to accommodate the provision of temporary electricity generation capacity on ESB sites to provide enhanced security of energy supply to the Irish electricity grid. Under the arrangements, all associated costs (net of revenues earned) of the related assets, including purchasing, construction, operation, maintenance and decommissioning (net of disposal proceeds) are reimbursed in full to ESB by EirGrid. The direction regarding use of the asset is determined by EirGrid and not by ESB. No property, plant and equipment nor right-of-use assets have been recognised in the financial statements.</p>	<p>The Committee has reviewed and challenged management's assessment detailing the basis for the treatment of the arrangement. The Committee is satisfied that the appropriate accounting treatment has been determined in accordance with the relevant standards.</p>

The above description of significant issues considered should be read in conjunction with the independent auditor's report on pages 167 to 176 and the use of estimates and judgements disclosed in note 2 of the financial statements.

<p><b>Fair, Balanced and Understandable</b></p> <p>At the request of the Board, the Audit and Risk Committee has considered whether, in its opinion, the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide all the necessary information for stockholders/stakeholders to assess ESB's performance, business model and strategy. Consideration is also given to whether the information is presented in a clear and concise format, avoids the use of jargon and is easily understood by the reader.</p>	<p>To assist in the process of supporting the fair, balanced and understandable assessment statement, management prepared a report to the Audit and Risk Committee setting out the key considerations in arriving at the statement and to assist in its challenge and testing of a fair, balanced and understandable assessment.</p>	<p>In reaching their conclusion, the Audit and Risk Committee considered the following:</p> <ul style="list-style-type: none"><li>▪ Board members received copies of the Annual Report and Financial Statements to review early in the reporting cycle to ensure the key messages in the Annual Report were aligned with the Group's position, performance, business model and strategy and the narrative sections of the Annual Report were consistent with the financial statements</li></ul>
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Audit and Risk Committee Report (continued)

- That a robust process was put in place by management for the preparation of the Annual Report and Financial Statements for the year ended 31 December 2023, including early planning, taking into consideration regulatory changes and best practice
- Understandable, clear language used throughout the report
- Clear linkages to the strategic objectives are provided throughout the report
- That the key performance indicators (KPIs) used and reported in the Annual Report are consistent with those provided by management to the Board throughout the year
- Review of data and information included in the Annual Report by internal audit
- That all key events and issues reported to the Board during the year, both positive and negative, have been adequately referenced or reflected in the Annual Report

Following its review, the Audit and Risk Committee is of the opinion that the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide all the necessary information for stockholders/ stakeholders to assess ESB's performance, business model and strategy and has recommended them to the Board for approval.

External Audit  
Audit Quality

To maintain audit quality and provide assurance on the integrity of financial reporting, the Audit and Risk Committee reviews and challenges the proposed external audit plan, including its scope and materiality prior to approval, to ensure that the external auditor has identified the key audit risks and developed a robust approach. The Audit and Risk Committee considers the external auditor's response to accounting, financial control and audit issues as they arise and meets with them at least once annually without management present, providing the external auditor with the opportunity to raise any matters in confidence.

**Discussions with External Auditor**  
The Audit and Risk Committee has received and discussed a report from the external auditor on the findings from the audit, including those relating to the judgement areas noted on pages 167 to 176.

After reviewing the presentations and reports from management and considering views expressed by the external auditor, the Audit and Risk Committee is satisfied that the financial statements appropriately address critical judgements and key estimates and that the external auditor has demonstrated appropriate levels of professional scepticism. The Audit and Risk Committee is also satisfied that the assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust.

Throughout the year, ESB and Deloitte were engaged in ongoing, open communication on current matters as and when they arose. The Audit and Risk Committee met with Deloitte privately during 2023.

**Auditor Independence**  
The Audit and Risk Committee assesses the auditor's independence on an ongoing basis.

Auditor independence and objectivity is safeguarded by several control measures, including:

- A limit on the nature and value of non-audit services performed by the external auditor as covered under the policy for non-audit services
- Monitoring any changes in legislation related to auditor objectivity and independence
- Confirmation from Deloitte that they have appropriate internal safeguards in place that are consistent with applicable professional standards
- Audit partner rotation every five years

- Providing opportunities to meet with the Audit and Risk Committee privately
- Annual review of the effectiveness of the external audit process
- Annual confirmation of independence by the external auditor

The Audit and Risk Committee is satisfied that the auditor, Deloitte, is both independent and objective.

The Committee considers the appointment of the external auditor and this process is subject to public tender. The last tender process was completed in 2021 and following this tender Deloitte were appointed as auditor beginning with the financial year ended 2022. The auditor is reappointed annually by stockholders at the Annual General Meeting.

**Audit Process Effectiveness**  
The effectiveness of the current external audit process is reviewed annually, taking into account feedback from a questionnaire on the evaluation of the external auditor and the external audit process by the Audit and Risk Committee. Feedback is obtained by both management and the Committee. The evaluation focuses on areas such as the robustness of the audit planning process, audit execution, reporting and the role of management. A review was carried out in 2023 and overall, the Audit and Risk Committee is satisfied with the effectiveness of the external audit process.

**Non-Audit Services**  
The policy on the engagement of ESB's external auditor for non-audit services takes account of the EU audit regulation and directive on non-audit services in compliance with Statutory Instrument No. 312/2016 - European Union (Statutory Audits) Regulations 2016 in Ireland (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No. 537/2014) as well as the relevant ethical standards, namely the Ethical Standard for Auditors issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) which was updated in November 2020 and the Financial Reporting Council (FRC) Revised Ethical Standard 2019.

The policy outlines the governance arrangements that apply to the provision of non-audit services. This policy includes a list of prohibited services and outlines the governance arrangements that apply to the provision of permitted non-audit services. The policy includes a defined approval process and follows ESB procurement procedures and Group authority levels.

An update on the nature of non-audit services provided by Deloitte and the value of such services is presented to the Audit and Risk Committee at least annually to demonstrate that the services comply with the policy (including that they are within the fee cap set out in the policy).

A summary of the audit and non-audit fees paid to the external auditor is set out in note 11 of the financial statements. The primary non-audit related services provided by the external auditor during the year were in respect of permitted work on the provision of tax services and comfort letters in connection with bond issuance.

The Audit and Risk Committee is satisfied that the fees paid in 2023 did not compromise the independence or integrity of the external auditor. The Committee will continue to monitor the type and level of services provided to prevent any perceived or actual impact on auditor's independence.

**Internal Audit**  
The Audit and Risk Committee has a specific role to monitor and assess the role and effectiveness of the internal audit function. Group Internal Audit conducts its activities in conformance with the International Standards for Professional Practice of Internal Auditing (IIAS). The IIAS require that an external assessment of compliance with the standards be carried out every five years and the most recent assessment was carried out by KPMG in 2021. Updates are provided to the Audit and Risk Committee on the output of this assessment and the implementation of any recommendations. Group Internal Audit is ISO9001 accredited, and this accreditation is audited annually by the National Standards Authority of Ireland (NSAI). In 2023, Group Internal Audit retained its certification with no recommendations for improvement.

Anti-Bribery, Corruption, Fraud and Wrongdoing

In line with its Terms of Reference, the Audit and Risk Committee reviewed and assessed reports on incidents of fraud and attempted fraud during the year, as well as the processes in place to manage the risk of fraud. In 2023, the Committee also oversaw the establishment of a dedicated Fraud Risk Manager role (within Group Internal Audit) and an independent Fraud and Wrongdoing Triage Committee. The Triage Committee is made up of senior management from a range of disciplines and their role is to provide guidance when an allegation of wrongdoing is made. See further details related to ESB's Anti-Bribery, Corruption and Fraud Policy, and ESB's Whistleblowing and Protected Disclosure Policy on page 161.

Audit and Risk Committee Effectiveness

As part of the internal Board evaluation conducted in 2023, the operation of the Audit and Risk Committee was evaluated. The key findings related to Committee specific inductions, CSRD (Corporate Sustainability Reporting Directive) training and a requirement for further detail on business continuity arrangements in the event of a cyberattack. Further detail on the Board effectiveness evaluation is included on page 138.

Additionally, on an annual basis, an end of year report is prepared for the Committee, which reviews materials that were presented to the Committee by reference to its annual workplan to provide assurance that the Committee had adequate coverage of its oversight responsibilities and is delivering against its Terms of Reference.

**Meetings**  
The internal and external auditors have full and unrestricted access to the Audit and Risk Committee. The Audit and Risk Committee Chair reports the outcome of its meetings to the Board. Meetings, or part thereof, are routinely attended by the Board Chairman, Chief Executive and/or Deputy Chief Executive, Executive Director, Group Finance and Commercial, Head of Group Internal Audit and representatives of the external auditor. Committee-only sessions are arranged at the beginning/ end of meetings, as determined by the Audit and Risk Committee Chair.

Looking Ahead

The key areas of focus in 2024 for the Audit and Risk Committee will include the following:

- Risk Management: In light of the current geopolitical and macroeconomic environment and the key risks impacting the energy sector, critically review ESB's risk management and stress testing practices including resiliency toward low-likelihood and high-impact risks. Ensure ongoing monitoring of principal and emerging risks facing ESB and corrective actions is in place.
- Internal Controls: The internal control environment and governance arrangements within ESB, with a particular focus on Environmental, Social and Governance (ESG) reporting and governance structures
- IT/OT: Cybersecurity, Artificial Intelligence, data privacy and clarity of governance/control
- Audit quality

The Audit and Risk Committee will also continue to keep its activities under review, taking into consideration external developments and Board priorities.


On behalf of the Audit and Risk Committee



**Michael Barry**  
Chairman, Audit and Risk Committee  
28 February 2024

# Board Committees in 2023

The Terms of Reference of each Board Committee are reviewed annually and revised and updated where appropriate (note the Customer, Marketing and Innovation Committee Terms of Reference will be reviewed in early 2024). The Terms of Reference of all Committees are available on the ESB website or upon request from the Company Secretary.



**Dr Sara Venning**  
Chair

**Role**  
The Safety, Sustainability and Culture Committee's responsibilities are set out in its Terms of Reference, which were reviewed during the year and revised and updated where appropriate. The Committee Chair meets as required with the Chair of the Audit and Risk Committee to agree and update as appropriate the specific risk responsibilities of the Safety, Sustainability and Culture Committee.

See pages 88 to 119 for further information on Safety, Sustainability and Culture in 2023 as set out in the People, Planet, Society section.

## Safety, Sustainability and Culture Committee


**Committee Meetings**  
The Committee held five meetings during 2023. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of service	Meetings attended
Dr Sara Venning (Chair)^	Independent Board Member	2 years and 1 month	5
Aisling Curtis*	Independent Board Member	7 months	2
Karen Halpenny~	Worker Board Member	1 year	5
Paddy Hayes	Chief Executive	1 year and 10 months	4
Owen Kilmurray~*	Worker Board Member	5 months	2
Paul Lynam*	Independent Board Member	6 years and 3 months	2
Alf Smiddy*	Senior Independent Board Member	7 months	3

^ Dr Sara Venning was appointed as Chair of the Committee in January 2023.  
~ Karen Halpenny and Owen Kilmurray were appointed to the Committee in January 2023 replacing Board members who had retired/whose term ended by 31 December 2022.  
\* Aisling Curtis and Alf Smiddy were appointed to the Committee in June 2023 replacing Owen Kilmurray and Paul Lynam.

### Key Activities of the Safety, Sustainability and Culture Committee in 2023

Duty	Activity
Safety, Health and Wellbeing/ Sustainability and the Environment	<div>Reviewed and considered:</div> <ul style="list-style-type: none"><li>Key safety risk and KPI updates</li><li>Health and wellbeing updates</li><li>Environmental incidents updates</li><li>Update on ESB Networks' environmental risks</li><li>Sustainable and Socially Responsible Plan 2022 - 2025</li><li>Sustainability Annual Report</li><li>"Beat the Peak" pledge</li><li>Statement on the Prevention of Slavery and Human Trafficking</li><li>River Sustainability Strategy and Fisheries Conservation Programme</li><li>Annual Dam Safety Report and hydro update</li><li>NIE Networks' environment and sustainability update</li><li>NIE Networks' Safer Together update</li><li>Sustainability Transformation Enablement Programme (STEP) updates</li><li>GIA update on results of the audits completed with a safety or sustainability scope</li><li>ESB Networks public safety update</li><li>Update on lessons learned from high potential (P1) safety incidents</li><li>ESB Sustainability Leadership Plan</li><li>Nearrt na Gaoithe offshore wind safety</li><li>Science-based targets accreditation</li></ul>
Culture and People	<div>Reviewed and considered:</div> <ul style="list-style-type: none"><li>Diversity, Equity and Inclusion Strategy</li><li>Gender Pay Gap Report 2023</li><li>Feedback from Our Voice Survey</li><li>Culture including Smart Working</li><li>GIA update on results of the audits completed with a cultural scope</li><li>Resourcing and capability update</li><li>Embedding externally recruited electricians into ESB Networks</li></ul>



**Terence O'Rourke**  
Chairman

**Role**  
The Remuneration and Management Development Committee's responsibilities are set out in its Terms of Reference, which were reviewed during the year and revised and updated where appropriate.

## Remuneration and Management Development Committee

**Committee Meetings**  
The Committee held four meetings during 2023. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of service	Meetings attended
Terence O'Rourke (Chairman)	Chairman	3 years and 2 months	4
Annette Flynn^	Independent Board Member	7 months	2
Noreen O'Kelly*	Senior Independent Board Member	1 year and 2 months	1
Alf Smiddy^	Senior Independent Board Member	7 months	3

^ Annette Flynn and Alf Smiddy were appointed to the Committee in June 2023.  
\* Noreen O'Kelly completed her term in April 2023.

### Key Activities of the Remuneration and Management Development Committee in 2023

Duty	Activity
Board and Main Subsidiary Board Members' Remuneration	<ul style="list-style-type: none"><li>Approved appointment of Finance and Regulation Director, NIE Networks</li><li>Approved appointment of (i) Chairperson Designate and (ii) re-appointment of a non-executive director to the Board of NIE Networks</li><li>Reviewed Board succession planning</li></ul>
Chief Executive Remuneration (including objectives/key results)	<ul style="list-style-type: none"><li>Reviewed Chief Executive's performance against 2022 targets</li><li>Agreed 2024 performance targets for the Chief Executive</li><li>Approved an Executive Remuneration Policy and reviewed compliance with the policy for the Chief Executive</li><li>Reviewed recommendations of Senior Public Service Recruitment and Pay Determination Processes</li></ul>
Executive Remuneration	<ul style="list-style-type: none"><li>Reviewed performance against 2022 targets</li><li>Approved the Executive Reward Policy</li><li>Reviewed and approved remuneration for the Executive Committee</li><li>Reviewed Remuneration Policy compliance for the Executive Committee</li><li>Approved incorporating of ESG into short-term incentive plans</li></ul>
Succession Planning and Leadership Development	<ul style="list-style-type: none"><li>Review of talent pipeline, succession planning and leadership development planning for Executive Director roles</li><li>Review of Executive Director development plans</li></ul>



Board Committees in 2023 (continued)



Paul Lynam  
Chairman

Role

The Finance and Investment Committee's responsibilities are set out in its Terms of Reference which were reviewed during the year and revised and updated where appropriate.

Finance And Investment Committee

Committee Meetings

The Committee held eight meetings during 2023. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of service	Meetings attended
Paul Lynam (Chairman)^	Independent Board Member	6 years and 10 months	8
Michael Barry~	Independent Board Member	7 months	7
Annette Flynn~	Independent Board Member	7 months	5
Paddy Hayes	Chief Executive	1 year and 10 months	8
Noreen O'Kelly~	Senior Independent Board Member	7 years and 7 months	1
Gráinne O'Shea*	Worker Board Member	1 year	8

^ Paul Lynam was appointed as Chairman of the Committee in January 2023.  
\* Gráinne O'Shea was appointed to the Committee in January 2023 replacing Board members who had resigned/whose term ended by 31 December 2022.  
~ Michael Barry and Annette Flynn were appointed to the Committee in June 2023 replacing other Board members who had resigned/whose term ended by 31 December 2022 and Noreen O'Kelly who completed her term in April 2023. Michael Barry was co-opted to the Committee for the April 2023 meeting.

Key Activities of the Finance and Investment Committee in 2023

Duty	Activity
Investments and Capital Expenditure	Reviewed and recommended to the Board (where applicable): <ul style="list-style-type: none"><li>Renewable investments (offshore wind, onshore wind and solar)</li><li>Other major capital investments</li><li>Major property disposals</li><li>SIRO business update</li><li>So Energy updates</li><li>Various onshore and offshore wind project updates</li><li>Quarterly capital expenditure reports</li><li>PR5 delivery update</li><li>NIE Networks RP6 extension update</li><li>Investment hurdle rates</li><li>Temporary emergency generation approval</li></ul>
Funding	Reviewed and recommended to the Board (where applicable): <ul style="list-style-type: none"><li>2023 Funding Plan</li><li>Updates on Group borrowings, Letters of Credit and bonds</li><li>Review of Group Treasury Risk Management Policies</li><li>Credit rating agencies review</li><li>Funding and Treasury Policy update</li></ul>
Financial Performance/ Stockholder Matters	Reviewed and recommended to the Board (where applicable): <ul style="list-style-type: none"><li>Integrated Business Plan 2024 - 2028</li><li>Performance Improvement Plan update</li><li>Quarterly financial updates</li><li>ESB Networks and NIE Networks annual financial plans (2024)</li></ul>
Energy Markets and Trading	Reviewed and recommended to the Board (where applicable): <ul style="list-style-type: none"><li>Energy trading strategy updates from Generation and Trading and Electric Ireland</li><li>Energy trading risks and compliance management</li><li>ESB electricity tariffs for ROI residential customers</li><li>Market Abuse and Insider Trading Policy</li></ul>



Aisling Curtis  
Chair

Role

The Customer, Marketing and Innovation Committee's responsibilities are set out in its Terms of Reference which will be reviewed in early 2024 and revised and updated where appropriate.

Customer, Marketing and Innovation Committee

Committee Meetings

The Committee held four meetings during 2023. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of service	Meetings attended
Aisling Curtis (Chair)* ^	Independent Board Member	7 months	1
Owen Kilmurray*	Worker Board Member	7 months	2
Marguerite Sayers*	Deputy Chief Executive	7 months	2
Dr Sara Venning*	Independent Board Member	7 months	1
Trevor Walsh~	Worker Board Member	7 months	4
Paddy Hayes*	Chief Executive	1 year and 3 months	2
Alf Smiddy* ^	Senior Independent Board Member	6 years and 3 months	3

\* Aisling Curtis, Owen Kilmurray, Marguerite Sayers and Dr Sara Venning were appointed to the Committee in June 2023 replacing Paddy Hayes, Alf Smiddy and other Board members who had retired/whose term ended in December 2022.  
^ Aisling Curtis was appointed Chair of the Committee in June 2023. Alf Smiddy chaired the July 2023 meeting in Aisling's absence.  
~ Trevor Walsh was appointed to the Committee in January 2023 replacing Board members who had retired/whose term ended in December 2022.

Key Activities of the Customer, Marketing and Innovation Committee in 2023

Duty	Activity
Customer	Reviewed and considered: <ul style="list-style-type: none"><li>Customer Solutions customer and market update</li><li>Electric Ireland call centre performance</li><li>Vulnerable customer supports</li><li>Customer Solutions energy crisis response (ROI, NI &amp; GB)</li><li>Empowered Customers – ESB Networks' Customer Transformation Programme</li><li>Electric Ireland marketing campaigns</li><li>ESB Networks' customer performance update</li><li>Data protection and the customer</li><li>Smart Energy Services and ESB ecars updates</li></ul>
Reputational and Stakeholder Management	Received updates on: <ul style="list-style-type: none"><li>Customer Solutions regulatory matters</li><li>Electric Ireland brand strategy and communications plan</li><li>Electric Ireland 2023 sponsorship programmes</li><li>ESB reputation survey</li><li>External stakeholder management updates from Generation and Trading and ESB Networks</li><li>ESB Brand Strategy and Communications Framework</li></ul>
Innovation and Technology	Reviewed and considered: <ul style="list-style-type: none"><li>National Smart Metering Programme update</li><li>Developments in wave energy technology</li><li>Digitalisation update and overview of generative AI</li><li>Launch of Electric Ireland mobile app</li><li>2023 Free Electrons campaign</li><li>Digital and data strategy update</li><li>Digital capability and culture at ESB (including a focus on ESB Networks)</li></ul>

# Board Members' Report

The Board members present their report together with the audited financial statements of ESB and of the Group for the year ended 31 December 2023.

**Principal Activities**

The principal activities of the Group are the generation, transmission, distribution and supply of electricity, gas and energy services in the Republic of Ireland (ROI) and Northern Ireland (NI). The Group also operates internationally, in the generation and supply of electricity in Great Britain (GB) and is involved in several international engineering consultancy projects notably in the Middle East, Africa and Asia.

**ESB Annual General Meeting (AGM)**

ESB holds an AGM each year, no later than 15 months after the last AGM. The 2023 AGM was held on 26 April 2023. The Chairman gave an overview of the year and invited representatives of the Ministerial stockholders and of the Trustee of the ESB Employee Share Ownership Plan (ESOP) to make comments. The external auditor also attends the AGM.

**Business Review**

Commentaries on performance in the year ended 31 December 2023, including information on recent events and potential future developments, are contained in the Chairman's Statement and the Chief Executive's Review. The performance of the business, its financial position and the principal risks faced by the Group are reflected in the reviews for each major business unit on pages 60 to 79, the Financial Review on pages 54 to 59 and the Risk Report on pages 27 to 43.

**Results and Dividend for the year**

The financial results of the Group show a profit after tax of €868 million for the financial year 2023, compared with a profit of €558 million for 2022. The dividend policy updated in 2021 and agreed with the Government in 2022, provides for targeted dividends at a rate of 40% of adjusted profit after tax. The Board is recommending a dividend for 2023 of 11.35 cent per unit of stock, or €220.1 million.

**Share Capital**

An Employee Share Ownership Plan (ESOP) market liquidity proposal was approved by ESB's Board in 2015. ESB approved the expenditure of up to €25 million to acquire capital stock in internal ESOP markets, commencing in 2017, with the objective of improving liquidity in the market. This expenditure commitment by ESB matched the expenditure committed by the ESOP Trustee under the proposal. In 2021, ESB (or a subsidiary) committed up to €35 million of additional funds to purchase shares in future markets from 2021 onwards on the same basis as the funds committed in 2015. ESB purchased and cancelled capital stock worth €4.5 million in 2023 (2022: €12.4 million). Further details are outlined in notes 20 and 32 of the financial statements. Details of the Group's share capital are outlined in note 20 of the financial statements.

**Principal Risks and Uncertainties**

A description of the principal risks and uncertainties facing the Group is set out in the Risk Report on pages 27 to 43.

**Financial Instruments**

The financial risk management objectives and policies of the Group along with a description of the use of financial instruments is set out in note 29 of the financial statements.

**Accounting Records**

The Board members believe that they have employed accounting personnel with appropriate expertise and provided adequate resources to the finance function to ensure compliance with ESB's obligation to keep adequate accounting records. The accounting records of ESB are held at 27 Fitzwilliam Street Lower, Dublin 2, D02 KT92.

**Report under Section 22 of the Protected Disclosures Act, 2014**

Section 22 of the Protected Disclosures Act, 2014 (as amended (the "Act")) imposes obligations on ESB regarding protected disclosures made to it under the Act. ESB has internal reporting channels set out in its Group Policy on Whistleblowing and Protected Disclosures, which includes a confidential reporting line managed by an external third party. ESB publishes a report under Section 22 relating to protected disclosures made to it on its website.

**Regulation of Lobbying Act, 2015**

In accordance with the requirements of the Regulation of Lobbying Act, ESB is registered on the Lobbying Register at [www.lobbying.ie](http://www.lobbying.ie) and has made the required returns for the three return periods across 2023.

**Human Rights (including Protection Against Modern Slavery)**

ESB is committed to respecting all internationally recognised human rights including those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. This commitment is supported by a range of policies covering focus areas within human rights including employee rights, non-discrimination, inclusion and diversity as well as modern slavery. The ESB's employee Code of Ethics ("Our Code") requires all employees to operate fairly and to respect all human rights.

Human trafficking and modern slavery are criminal offences under Irish and United Kingdom (UK) law. The UK Modern Slavery Act, 2015 imposes obligations on organisations of a certain size, which carry on a business in the UK. As the parent of a number of subsidiary companies with operations in the UK, ESB has adopted a policy on modern slavery with the aim of preventing opportunities for modern slavery occurring within its business and supply chains. In accordance with the UK Modern Slavery Act, ESB publishes an annual statement setting out the steps that ESB has taken during the previous financial year to ensure that slavery and human trafficking is not operating within either its own business or its supply chains. No incidents of modern slavery have been found to date. The most recent Annual Statement was published in June 2023 and it included details of the steps taken by ESB to prevent acts of modern slavery from occurring within its supply chain. The statement is available on ESB's website.

ESB has assessed its business areas and locations to identify potential human rights issues and risks and preventive measures, both within the Group and in other organisations that provide goods and services to ESB. ESB's assessment of human rights and equality issues (it believes to be relevant to its functions) and the policies, plans and actions in place or proposed to be put in place to address those issues in compliance with Section 42(s) of the Irish Human Rights and Equality Act, 2014, is published separately on ESB's website.

Further details can be found in the People, Planet, Society section starting on page 85 and in ESB's Sustainability Report published on ESB's website.

**Anti-Bribery, Corruption, Fraud and Wrongdoing**

ESB has a detailed Anti-Bribery, Corruption and Fraud Policy in place, which outlines the standards of behaviour expected of staff in how they work and to promote controls to prevent, deter and detect bribery, corruption and fraud. Ireland has enacted anti-bribery and corruption laws consistent with the aims of the United Nations Convention against Corruption. ESB's Anti-Bribery, Corruption and Fraud Policy, available on the ESB website, is consistent with these laws. Staff are required to confirm compliance with Our Code on an annual basis. Briefings on the Anti-Bribery, Corruption and Fraud Policy and online training is available to all staff and it is included as standard in induction for new employees. Further improvements to the training as well as a roll out to specific teams is planned for 2024.

ESB has a zero-tolerance approach to bribery, corruption and fraud and is committed to investigating all incidents of this nature promptly, independently and objectively. In addition to Our Code and the Anti-Bribery, Corruption and Fraud Policy, ESB has, in compliance with the Protected Disclosures Act, 2014 (as amended), a Whistleblowing and Protected Disclosures Policy, which outlines specific procedures for the reporting and investigation of concerns raised in relation to wrongdoing. A telephone helpline and online webchat service provides employees with a confidential and, if required, anonymous means of reporting any suspected wrongdoing or ethical concerns.

When a wrongdoing is identified, an initial assessment is completed to determine whether there is sufficient information to merit a formal investigation. The initial assessment is conducted by the line manager who was made aware of the potential wrongdoing (to the extent that they themselves are not involved), together with the Wrongdoing Triage Committee which has representatives from Group

Internal Audit (GIA), Group Finance, Legal and HR. Where a formal investigation is required, an independent investigator(s) is appointed, with advice obtained from Legal and HR as required. The investigator/ investigation team is independent from the incident, with no connection to the subject matter of the investigation and will have the relevant skills and expertise to conduct the investigation properly. The investigator/ investigation team may be ESB employees or external third parties (or a combination of both).

GIA oversees all investigations ensuring that appropriate terms of reference are agreed, appropriate budget is available to conduct investigations and fair, unbiased investigations are conducted in line with ESB's Whistleblowing and Protected Disclosures Policy and related guidelines for investigating/managing incidents of wrongdoing. The outcome of each investigation is reported by GIA to the Audit and Risk Committee.

During 2023:

- There were three confirmed incidents of fraud, bribery or corruption related to attempts by third parties to defraud the organisation. A number of other matters are under review to determine if fraud, corruption or bribery has taken place.
- There were no convictions or fines relating to the violation of anti-corruption or anti-bribery laws.
- A suspected fraud-related data breach was reported relating to a number of Electric Ireland customers and a Garda investigation is ongoing.
- There were no confirmed incidents relating to ESB's own workforce in which employees were dismissed or disciplined for corruption or bribery related incidents.



Board Members' Report (continued)

- There were also no confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery.
- There were no insufficiencies identified in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery. This is an area subject to continuous improvement and enhancements were made during 2023 as outlined on page 155 including with the establishment of a dedicated Fraud Risk Manager role and the Wrongdoing Triage Committee.

In May 2022, allegations concerning unlawfully seeking/accepting payments were made by a third party in relation to four ESB employees. ESB reported these allegations to An Garda Síochána, who are conducting an ongoing investigation. In July 2022, ESB initiated legal proceedings against two companies concerned with the allegations, and in February 2023 initiated legal proceedings against one of the employees named in the allegations, who subsequently resigned. In addition, in April 2023, ESB initiated legal proceedings in respect of another one of the four employees arising out of a failure to provide confirmation that no unlawful payments were made. At all times, ESB has taken the allegations referred to very seriously and remains committed to fully investigating and taking appropriate action.

Incidents or attempted incidents of fraud are reported to the Audit and Risk Committee on a quarterly basis as outlined on page 155.

Environment and Sustainability

As the world faces climate and biodiversity crises, sustainability is a critical issue for organisations. ESB's strategy commits to leadership in reducing carbon emissions and supporting the electrification of heat and transport as well as net-zero emissions by 2040. ESB is a CDP A- rated entity and is a member of the All-Ireland Pollinator Plan.

Sustainability in its fullest sense includes carrying out business operations with a purpose that seeks to benefit society overall. Rather than adding to climate change or otherwise depleting environmental, natural and social resources, a sustainable business aims, over time, to contribute to regenerating these resources where possible. ESB's strategy and purpose seek to progress in this direction. ESB's policies, including the Environment and Sustainability, and Human Rights policies, set out the high-level principles to integrate sustainability into decision-making and to progress towards these goals throughout the organisation. Environmental Management Systems are operated throughout the Group. ESB reports on its ESG performance annually, including direct and indirect carbon emissions, in its Sustainability Report. ESB has made initial disclosures under the Task Force on Climate-Related Financial Disclosures (TCFD) framework and voluntarily discloses under the EU Taxonomy Regulation in this Annual Report. The Sustainability, Transformation and Enablement Programme (STEP) is underway to increase organisational capability in sustainability, including enhanced reporting and governance in line with EU regulations and the growing needs of investors, and stakeholders. Information on the Group's sustainability performance, including social programmes (or Corporate Social Responsibility) is set out on pages 86 to 119.

Political Donations - Electoral Act, 1997

ESB made no political donations during the year.

Principal Subsidiary, Joint Venture and Associated Undertakings

Details of the principal subsidiary, joint venture and associated undertakings are outlined in note 35 of the financial statements.

Prompt Payments Regulation

The Board acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the Prompt Payment of Accounts Act, 1997 and European Communities (Late Payments in Commercial Transactions) Regulations, 2012 (S.I. No. 580 of 2012) as amended by European Communities (Late Payment in Commercial Transactions) (Amendment) Regulations 2016 (S.I. No. 281 of 2016). The Board is satisfied that ESB has complied with the requirements of the Regulations. Refer to page 287 for the report on compliance.

Related Party Transactions

Related party transactions are set out in note 31 of the financial statements.

Research and Development

ESB's business is involved in innovative projects and programmes related to the energy sector. A number of these projects and programmes are referred to in the Strategy and Performance section on pages 6 to 119.

Statement under Section 330 of the Companies Act, 2014

The ESB Regulations require ESB to observe the provisions of the Companies Act, 2014 applying to a Companies Act entity in regard to audit and/or auditors. This requires the Board members to make a statement in the form required by Section 330 of the 2014 Act. In compliance with this requirement, the Board confirms that it complies with Section 330 of the Companies Act, 2014 and, in this regard, each of the Board members confirms that:

- So far as the Board member is aware, there is no relevant audit information of which ESB's statutory auditor is unaware
- Each Board member has taken all the steps that he or she ought to have taken as a Board member in order to make himself or herself aware of any relevant audit information and to establish that ESB's auditor is aware of that information (within the meaning of Section 330)

Internal Control and Risk Management Systems

As set out on page 143, the Board confirms that there is an ongoing process for identifying, evaluating and managing risks faced by the Group. The Board has delegated responsibility to the Audit and Risk Committee to monitor and review the Group's risk management and internal control processes. The report of the Audit and Risk Committee is set out on page 148.

Going Concern

The Board members' viability statement and going concern assessment are set out on pages 144 and 145. Based on this assessment, the Board has a reasonable expectation that ESB will continue in operation for at least 12 months from the date of approval of the financial statements.

Significant Events Since Year End

There have been no significant events since the year end which would require adjustment to, or disclosure in this report.

Future Developments

ESB is a strong diversified, vertically integrated utility operating right across the electricity/gas and energy services markets from generation, through transmission and distribution to supply of customers, operating predominantly in the Irish and UK energy markets. ESB's strategy is designed to ensure that the business continues to grow while maintaining the financial strength to invest at the necessary scale and pace to deliver on its commitment to net zero by 2040 (see pages 16 to 19 for more information on the strategy).

Auditor

At the AGM held during 2023, Deloitte Ireland LLP was reappointed as ESB's auditor for the 2024 financial year in accordance with Section 7(2) of the Electricity (Supply) Act, 1927 (as amended).

At the 2024 AGM, the stockholders will be asked to authorise the Board members to fix the remuneration of the auditor in respect of the year ended 31 December 2024.

Approval of the 2023 Annual Report and Financial Statements

The Board is satisfied, after taking into account the recommendation of the Audit and Risk Committee, that the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provides the information necessary for stockholders to assess ESB's position, performance, business model and strategy.



Terence O'Rourke  
Chairman



Paddy Hayes  
Chief Executive

28 February 2024



# INVESTED IN EMPOWERED CUSTOMERS

Earlier this year NIE Networks teams connected Lancaster Park to the electricity network, one of 10,000 connections delivered on an annual basis. Lancaster Park is a flagship development of domestic homes in Belfast. The homes require up to 90% less heating energy than a conventional home and do not require the use of fossil fuels, ensuring a healthier living experience for families.

NIE Networks recognises the responsibility it bears to ensure that the electricity networks in Northern Ireland are developed in a way that allows all of the families and businesses in Northern Ireland to participate in the transition from fossil fuels. Its RP7 Business Plan sets out the required level of investment needed to allow the homes and businesses of Northern Ireland to invest in electric vehicles and heating to the scale needed to meet Northern Ireland's climate change commitments.

## Chapter 3 Financial Statements

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Statement of Board Members’ Responsibilities

The Board is responsible for preparing the annual report, incorporating financial statements for ESB and for the ESB Group, comprising ESB and its subsidiaries “the Group”.

Notwithstanding that ESB as a statutory body is not in scope of the Companies Act, 2014, under Regulation 78 of ESB’s governing regulations, adopted pursuant to Section 6(1) of the Electricity (Supply) Act, 1927 (as amended) (“the ESB Regulations”), the Board is required to prepare financial statements comprised of and in the form required for Companies Act entities under Section 292 of the Companies Act and (for group financial statements) under Section 295 of the Companies Act.

ESB is also required under Section 7(4) of the Electricity (Supply) Act, 1927 (as amended) and Regulation 78 of the ESB Regulations to furnish its annual report, which incorporates the financial statements, to the Minister for the Environment, Climate and Communications.

The Code of Practice for the Governance of State Bodies provides<sup>1</sup> that the Board is responsible for the preparation of the annual report, and financial statements which are prepared in accordance with relevant accounting standards. The Board has elected to prepare ESB’s financial statements in accordance with IFRS as adopted by the European Union and as applied in accordance with the applicable provisions of the Companies Act, 2014 and the ESB Regulations.

The Board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and of ESB and of the Group’s profit or loss for that year.

In preparing the financial statements the Board members are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state that the financial statements comply with IFRS as adopted by the European Union, and as regards ESB, as applied in accordance with the Companies Act, 2014 and the ESB Regulations
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and ESB will continue in business

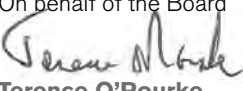
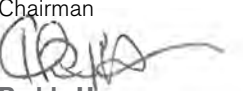
The Board members are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of ESB, and which enable them to ensure that the financial statements of ESB and the Group are prepared in accordance with applicable IFRS as adopted by the European Union and as applied in accordance with applicable provisions of the Companies Act, 2014 and the ESB Regulations.

The Board members are also responsible for safeguarding the assets of ESB and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board members are responsible for the maintenance and integrity of the corporate and financial information included on ESB’s website www.esb.ie. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Board members confirms that, to the best of his or her knowledge and belief:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union and ESB’s financial statements prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act, 2014, and as applied by the ESB Regulations, give a true and fair view of the assets, liabilities, financial position of the Group and of ESB at 31 December 2023 and of the profit of the Group for the year then ended
- the Board Members’ Report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group and ESB, together with a description of the principal risks and uncertainties that they face
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for stockholders to assess ESB’s position, performance, business model and strategy

On behalf of the Board  
  
**Terence O'Rourke**  
Chairman  
  
**Paddy Hayes**  
Chief Executive

28 February 2024

Independent Auditor’s Report to the Stockholders of Electricity Supply Board (ESB)

Report on the Audit of the Financial Statements

Opinion on the Financial Statements of ESB

- In our opinion the Group and Parent financial statements:
- give a true and fair view of the assets, liabilities, and financial position of the Group and Parent as at 31 December 2023 and of the profit of the Group and Parent for the financial year then ended; and
  - have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014 as applied by the ESB Acts 1927 to 2014.

- The financial statements we have audited comprise:
- the Group financial statements:
    - the Group Income Statement;
    - the Group Statement of Comprehensive Income;
    - the Group Balance Sheet;
    - the Group Statement of Changes in Equity;
    - the Group Cash Flow Statement; and
    - the related notes 1 to 35, including a summary of material accounting policy information as set out in note 1.

- the Parent financial statements:
  - the Parent Balance Sheet;
  - the Parent Statement of Changes in Equity;
  - the Parent Cash Flow Statement; and
  - the related notes 1 to 35, including a summary of material accounting policy information as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation of the Group and Parent financial statements is the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014) and International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (‘IFRIC’) interpretations (“the relevant financial reporting framework”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the Group and Parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our Audit Approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>▪ Revenue recognition - Retail electricity receivables – unbilled</li><li>▪ Carrying value of long-lived assets</li><li>▪ Valuation of asset retirement obligations</li><li>▪ Recoverability of the carrying value of investments in joint ventures</li><li>▪ Completeness of pension obligations</li><li>▪ Energy Derivatives – classification and valuation of own use contracts</li></ul> <p>With the exception of recoverability of the carrying value of investments in joint ventures as discussed below, the key audit matters are the same as the prior year.</p>
<b>Materiality</b>	<p>The materiality that we used in the current year for Group was €50 million which was determined on the basis of profit before tax and exceptional items.</p> <p>The materiality that we used for the Parent was €45 million which was determined as 90% of Group materiality.</p>
<b>Scoping</b>	<p>We conducted our work across the four reportable segments and the head office function. Our audit work covered in excess of 90% of Group revenues, profit before taxation and exceptional items, total assets, and total liabilities.</p>
<b>Changes in our approach</b>	<p>There were no other significant changes to our audit approach. In determining the key audit matters, we considered the continuing increased activities with joint ventures during the year. As a result of this increased activity, the key audit matter identified in the previous year relating to the recoverability of the carrying value of investments in joint ventures; Neart na Gaoithe was extended to consider all joint ventures.</p>

Conclusions relating to Going Concern

In auditing the financial statements, we have concluded that the Board members’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Board members’ assessment of the Group and Parent’s ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the Group’s process and relevant controls for assessing going concern and reviewing management’s and the Board members’ output of that assessment;
- Evaluating the financial forecast prepared by the Group, including challenging whether key assumptions used in the preparation of the forecast are reasonable and whether the forecast reflects the estimated economic impacts of climate relating to the Group;

<sup>1</sup> Paragraph 1.2 - Code of Practice for the Governance of State Bodies - Business and Financial Reporting Requirements.

Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

- Evaluating management's ability to forecast accurately based on an assessment of the historical accuracy of forecasts;
- Evaluating the Group's financing arrangements, including the agreements in respect of the undrawn committed bank facilities in place, collateral requirement sensitivities and overall headroom within the Group;
- Reading and considering the key terms of revolving credit facility agreements to confirm their availability; and
- Reviewing the adequacy of the disclosures included in the financial statements on going concern and, through our audit procedures, assessing whether they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or

conditions that, individually or collectively, may cast significant doubt on the Group and Parent's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code and the Irish Corporate Governance Annex, we have nothing material to add or draw attention to in relation to the Board members' statement in the financial statements about whether the Board members considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. With the exception of the key audit matter relating to the recoverability of the carrying value of investments in joint ventures as discussed above, the key audit matters are consistent with the prior year.

Revenue recognition – Retail electricity receivables - unbilled

Key audit matter description	Retail electricity receivables - unbilled is the revenue from energy supplied to the customer between the date of their last bill and the financial year end date and requires estimation ("unbilled revenue").
	In determining the unbilled revenue at the financial year end, volumes are estimated by reference to key assumptions including electricity volume purchases. We consider unbilled revenue relating to retail electricity as a key audit matter as the unbilled revenue balances are based on management estimates and derived from complex models. In addition, revenue recognition is a presumed fraud risk under auditing standards.
	At 31 December 2023 the unbilled revenue balance was €511.3 million (2022: €690.4 million).
	The Group's accounting policy for unbilled revenue is disclosed in note 1 - Accounting policies (xix) - 'Revenue from sales to electricity and gas customers'. The key sources of estimation uncertainty in relation to unbilled revenue are disclosed in note 2 – 'Use of Estimates and Judgements' and further disclosures are presented in note 18 – 'Trade and other receivables'.
How the scope of our audit responded to the key audit matter	We evaluated the design, determined the implementation of relevant controls relating to unbilled revenue including relevant IT controls.
	We discussed with management the revenue recognition policy for each of the revenue streams, including those that rely on estimates or are derived from output of unbilled revenue models and calculations.
	We assessed and challenged the key assumptions used in the unbilled revenue models. The integrity of the models were assessed by evaluating the calculation methodology used and consistency with the prior year. The calculations within the models were checked for arithmetical accuracy.
	We agreed the key inputs in the calculation to source data.
	We reviewed actual billings, mapped the trends and actual billings, mapped actual bills to meter readings and compared the billings used by management in the roll forward revenue reconciliations to identify any over/ under provision.
	We assessed the collectability of unbilled amounts due at year end by reference to testing of debtor balances.
Key observations	We have no observations that impact on our audit in respect of the amounts related to unbilled revenue.

Carrying value of long-lived assets

Key audit matter description	The Group has material Plant, Plant and Equipment assets (PPE) in the Generation and Trading segment ('long-lived assets') valued at cost less accumulated depreciation and provision for impairment.
	In accordance with Group policies an impairment review is required where there is an indication that an asset may be impaired. There is a risk, including the risk of management bias, that reviews for indicators of impairment may not take into account up to date information including the impact of climate change and the Group's strategy in respect of net zero. In addition, there is a risk that key assumptions in the impairment reviews relating to the useful lives of the long-lived assets, the future cash flows and the discount rate applied to arrive at the net present value may be misstated.
	We consider the carrying values of long-lived assets to be a key audit matter as significant management judgements, which may be subject to management bias, are required in assessing long-lived assets for indicators of impairment and where indicators exist, determining inputs for impairment review models.
	At 31 December 2023, the total carrying value of the Group's PPE was €10,318.4 million (2022: €10,097.1 million).
How the scope of our audit responded to the key audit matter	The Group's accounting policy for long-lived assets is disclosed in notes 1 – Accounting Policies (vii) - 'Property, plant and equipment and depreciation'. The key sources of estimation uncertainty in relation to long-lived assets are disclosed in note 2 – 'Use of Estimates and Judgements' and further disclosures are presented in note 12 – 'Property, Plant and Equipment'. This matter has been included as a significant issue in page 151 of the Audit and Risk Committee section in Chapter 2.
	We evaluated the design and determined the implementation of relevant controls relating to the impairment assessment of long-lived assets including the relevant controls over the models used within the assessment.
	We reviewed management's assessment of indicators of impairment and we challenged their assessment of climate change impact considerations by reference to the Group's strategy for net zero.
	For assets where indicators of impairment existed, with the assistance of our valuation specialists as part of our engagement team, we reviewed the impairment models used to assess value in use.
	We assessed the appropriateness of key assumptions and inputs used in the models. This included evaluating the discount rates used for each type of asset and challenging the cash flow projection forecasts for those assets by reference to the groups forecasting models and the determination of useful lives of long-lived assets within those models.
Key observations	The integrity of the models used were assessed by evaluating their consistency with generally accepted valuation practices. The calculations within the models were checked for arithmetical accuracy.
	We performed stress testing on the model to determine the impact of reasonably possible changes to the assumptions on the outcome of the model.
	We also considered the adequacy of the disclosures in the financial statements in relation to these matters.
Key observations	We noted impairment reviews have been carried out on generation assets displaying indicators of impairments and no impairments provisions were identified.



Independent auditor's report to the stockholders of  
Electricity Supply Board (ESB) (continued)

Valuation of asset retirement obligations

<b>Key audit matter description</b>	<p>The Group holds significant provisions for asset retirement obligations (ARO) in respect of generation station closures, creosote treated wood poles and other assets. Given the level of change and focus on environmental obligations, including operational decisions as to how and when assets are disposed of, the identification and quantification of all asset retirement obligations requires significant management judgement. Key assumptions used in management's estimate include the existence of an obligation, the estimated useful life of the asset, the estimated decommissioning and environmental rehabilitation costs and discount and inflation rates used in the cash flow models.</p> <p>We determined the provision in respect of creosote treated wood poles and station closures to be a key audit matter due to the level of management judgement and estimation in determining the amount of provision required and complexity of models used.</p> <p>At 31 December 2023 the Group's provisions for asset retirements were €535.2 million (2022: €542.9 million).</p> <p>The Group's accounting policy for provision for asset retirement obligations is disclosed in note 1 - Accounting Policies (xvi) - 'Provisions'. The key sources of estimation uncertainty in relation to asset retirement obligations are disclosed in note 2 – 'Use of Estimates and Judgements' and further disclosures are presented in note 28 – 'Provisions'. This matter has been included as a significant issue in page 152 of the Audit and Risk Committee section in Chapter 2.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We evaluated the design and determined the implementation of relevant controls relating to the valuation of asset retirement obligations.</p> <p>We discussed with management the policy for each class of asset requiring a provision for asset retirement including the consideration of any changes in laws and regulations or management's intent.</p> <p>We assessed the methodologies used and challenged the key assumptions used in determining provisions for each relevant asset class. The integrity of the models used were assessed by evaluating the calculation methodology used and the consistency with the prior year. The calculations within the models were checked for arithmetical accuracy.</p> <p>We challenged the key assumptions and evaluated the appropriateness of provisions by reference to internal and external reports on the costs of decommissioning and environmental rehabilitation.</p> <p>With the assistance of our valuation specialists, we assessed the reasonableness of discount rates used by reference to generally accepted valuation practices.</p> <p>We also considered the adequacy of disclosures in the financial statements in relation to these matters.</p>
<b>Key observations</b>	<p>Based on the audit procedures performed, we concluded that assumptions and methodologies adopted by management to determine the Group's asset retirement obligations were reasonable.</p>

Recoverability of the carrying value of investments in joint ventures

<b>Key audit matter description</b>	<p>The Group has a number of investments in joint ventures including wind farm and solar projects which are equity accounted in line with IAS 28. The carrying values of some of these investments are dependent upon estimated future cash flows.</p> <p>In accordance with Group policies an impairment review is required where there is an indication that an asset may be impaired. There is a risk, including the risk of management bias, that reviews for indicators of impairment may not take into account up to date information. In addition there is a risk that key assumptions in the impairment reviews relating to future energy prices, estimated costs to completion, project timelines, assumed commercial operational date and the discount rates applied to arrive at the net present value may be misstated.</p> <p>We consider the recoverability of the carrying values of investments in joint ventures to be a key audit matter given the complexity of the models used and the significant management judgements required in determining inputs and assumptions.</p> <p>At 31 December 2023, the carrying value of investments in joint ventures was €297.2 million (2022: €337.2 million). An impairment charge of €14.8 million was recognised during the financial year (2022: €91.2 million).</p> <p>The Group's accounting policy for investments in joint ventures is disclosed in note 1 – Accounting Policies (iii) - 'Accounting for joint arrangements', (xiii) - 'Financial Assets and liabilities' and (xxiii) 'Exceptional items'. The key sources of estimation uncertainty in relation to investments in joint ventures are disclosed in note 2 – 'Use of Estimates and Judgements' and further disclosures are presented in note 16 – 'Equity Accounted Investees'. This matter has been included as a significant issue in page 151 of the Audit and Risk Committee section in Chapter 2.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We evaluated the design and determined the implementation of relevant controls relating to the valuation of investments in joint ventures.</p> <p>We reviewed management's assessment of indicators of impairment.</p> <p>For assets where indicators of impairment existed, we obtained management's impairment model and the third-party valuation report prepared by management's expert.</p> <p>With the assistance of our valuation specialists:</p> <ul style="list-style-type: none"><li>▪ We assessed the appropriateness of key assumptions and inputs used in the model including agreeing inputs to third party information where available.</li><li>▪ We assessed the model for integrity by evaluating its consistency with generally accepted valuation practices. The calculations within the model were checked for arithmetical accuracy.</li><li>▪ We performed stress testing on the model to determine the impact of reasonably possible changes to the assumptions on the outcome of the model and challenged assumptions for robustness.</li><li>▪ We challenged the key facts and assumptions including the discount rates, estimated costs to completion; future energy prices; project timelines and assumed commercial operational dates.</li></ul> <p>We reviewed the third-party valuation report and considered the consistency of assumptions and information used by the management's expert. We assessed the competency of management's expert and the scope of the work performed.</p> <p>We agreed the carrying value before impairment to the Group's share of net assets based on the share of the joint venture and compared this to the fair value and determined whether the appropriate impairment was calculated.</p> <p>We also considered the adequacy of the disclosures in the financial statements in relation to these matters.</p>
<b>Key observations</b>	<p>Based on the audit procedures performed, we concluded that the impairment charge recognised in the financial statements is reasonable and that the related disclosures included in the financial statements are appropriate.</p>

Independent auditor’s report to the stockholders of Electricity Supply Board (ESB) (continued)

Completeness of pension obligations

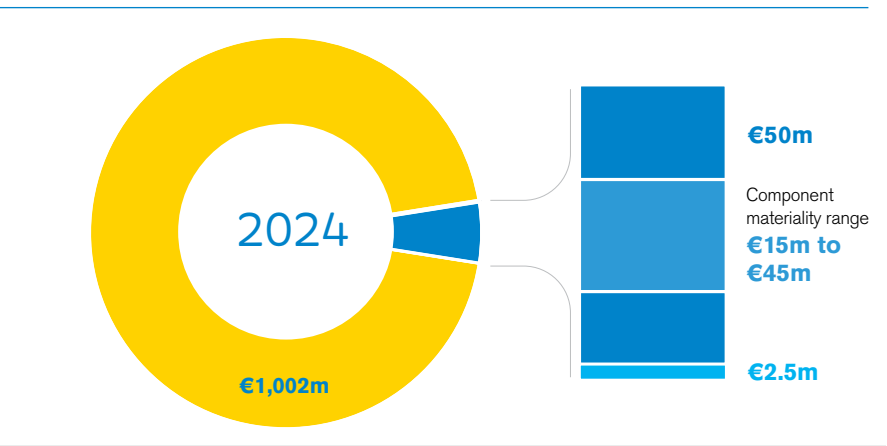
Key audit matter description	As set out in note 24 to the financial statements, the regulations governing the “ESB Defined Benefit Scheme” (the “Scheme”) stipulate the benefits that are to be provided, and the contributions to be paid, by both ESB and the contributing members. ESB has determined that its legal and constructive obligations in respect of pension contributions payable by it to the ESB Defined Benefit Scheme Fund are limited to the amounts provided for in the Scheme Rules, namely, the normal ongoing contributions and the contribution which was committed and already paid by ESB under the 2010 Pensions agreement.
	The Defined Benefit Pension Scheme is not a typical “balance of costs” scheme where the employer is liable to pay the balance of contributions required to fund benefits.
	We determined this to be a key audit matter as there is a high level of complexity and management judgement involved in the interpretation of the Scheme Rules and the determination of the related accounting and adequacy of disclosures in the financial statements.
How the scope of our audit responded to the key audit matter	The Group's accounting policy for pension obligations is disclosed in note 1 - Accounting Policies (xvii) - 'Pension Obligations'. The key sources of estimation uncertainty in relation to retirement benefits are disclosed in note 2 – 'Use of Estimates and Judgements' and further disclosures are presented in note 24 - 'Pension Liabilities'. This matter has been included as a significant issue in page 152 of the Audit and Risk Committee section in Chapter 2.
	We obtained an understanding of the ESB obligations in respect of the ESB Defined Benefit Scheme including management's assessment from prior periods and made enquiries of senior management and internal legal counsel.
	We reviewed board minutes and any other relevant correspondences to determine whether there had been any changes in circumstances in the current financial year.
Key observations	We obtained representations from the Board that ESB does not intend to make any further payments to the Scheme, including to the extent that there are any deficits or future deficits under the minimum funding standard, other than ESB's regular fixed rate contributions, which are specified within the Scheme Rules.
	We assessed the accounting treatment and considered the adequacy of the disclosures in the financial statements in relation to these matters.
	Based on the audit procedures performed, we concluded that the accounting treatment and disclosure is reasonable.

Energy Derivatives – classification of own use contracts

Key audit matter description	Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas, carbon, and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 Financial Instruments. The application of the “own use” exemption in IFRS 9 requires significant management judgement. There is a significant risk that own use contracts may be incorrectly classified and consequently not recorded at fair value.
	The Group's accounting policy for own use contracts is disclosed in note 1 - Accounting Policies (xiii)b - 'Derivative financial instruments and other hedging instruments'. The key sources of estimation uncertainty are disclosed in note 2 – 'Use of Estimates and Judgements' and further disclosures are presented in note 23 – 'Derivative Financial Instruments'. This matter has been included as a significant issue in page 153 of the Audit and Risk Committee section in Chapter 2.
	We evaluated the design and determined the implementation of relevant controls relating to the classification of contracts as own use and the on-going monitoring that contracts continue to meet the requirements for own use determination including the retrospective review of usage.
How the scope of our audit responded to the key audit matter	We reviewed the Group's accounting policy and material own use contracts to determine whether the application of the own-use treatment under IFRS 9 was appropriate.
	We reviewed the prospective and retrospective demand tests performed by the Group to determine whether the contract volumes exceed the amount of estimated own use demand in the relevant periods. This also included an evaluation of the contracts for net settlement activity.
	We assessed the final accounting treatment and the adequacy of the disclosures in the financial statements in relation to these matters.
Key observations	We assessed whether there was any change to designated own use contracts in the period.
	Based on the audit procedures performed, we concluded that the accounting treatment in relation to the classification of own use contracts is reasonable.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

**Our Application of Materiality**  
We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.





Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent financial statements
Materiality	€50 million (2022: €40 million)	€45 million (2022: €35 million)
Basis for determining materiality	5% of profit before tax and exceptional items	90% of Group
Rationale for the benchmark applied	We have considered profit before tax and exceptional items to be the critical component for determining materiality because it is the most important measure for the users of the Group's financial statements and the impact of exceptional items is excluded to avoid distortion of the critical component on an annual basis. In setting our benchmark, we have considered quantitative and qualitative factors such as our understanding of the Group and its environment.	We considered it appropriate to restrict materiality for the Parent financial statements to €45 million, given the size of the Parent relative to the group. We also considered the other factors such as a significant portion of the reporting segments are operated directly by the Parent.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent financial statements
Performance materiality	75% (2022: 75%) of Group materiality	75% (2022: 75%) of Parent materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"><li>the quality of the control environment and whether we were able to rely on controls,</li><li>control deficiencies reported in prior years,</li><li>the nature, volume, and size of misstatements (corrected and uncorrected) in the previous audit, and</li><li>changes in the business might affect our ability to forecast misstatements.</li></ul>	

We agreed with the Audit and Risk Committee that we would report to them any audit differences in excess of €2.5 million (5% of materiality) (2022: €2.0 million) as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An Overview of the Scope of our Audit

We determined the scope of our audit by updating our understanding of the Group and its operating environment, including the identification of key controls, and assessing the risks of material misstatement.

We conducted our work across the four reportable segments (note 3 – ‘Segment reporting’) and the head office function. Our audit work covered in excess of 90% of Group revenues, profit before taxation and exceptional items, total assets and total liabilities. With the exception of NIE Networks and So Energy, all audit work was performed by the Group audit team.

For the NIE Networks business within the Networks segment and the So Energy business within the Customer Solutions segment, the Group team utilised component audit teams. We provided detailed instructions to component audit teams; held on-going status calls and reviewed workpapers prepared by the component teams. Our audit work for all components was executed at levels of materiality applicable to each individual component which were lower than Group materiality and ranged from €15 million to €45 million.

Other Information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Board Members

As explained more fully in the Statement of Board Member's Responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014), and for such

internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Group and Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Group and Parent or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/>.

This description forms part of our auditor's report.

Extent to which the Audit was Considered Capable of Detecting Irregularities, including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for key management's remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 12 December 2023;
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant component audit team members, internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: 'Revenue recognition - Retail electricity receivables - unbilled', 'Carrying value of long-lived assets', 'Asset Retirement Obligations' and 'Recoverability of the carrying value of investments in joint ventures'. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group and Parent operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Corporate Governance Code, Companies Act 2014, ESB Acts 1927 to 2014, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and Parent's ability to operate or to avoid a material penalty. These included the Group's operating licence, energy and utility regulator requirements in the Republic of Ireland, Northern Ireland and the UK and environmental regulations.

Audit response to risks identified

As a result of performing the above, we identified 'Revenue recognition - Retail electricity receivables - unbilled', 'Carrying value of long-lived assets', 'Asset Retirement Obligations' and 'Recoverability of the carrying value of investments in joint ventures' as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the licensing authority; and

Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

Opinion on Other Matters Prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Parent were sufficient to permit the financial statements to be readily and properly audited.
- The Parent balance sheet is in agreement with the accounting records.
- In our opinion the information given in the Board Members' Report is consistent with the financial statements and the Board Members' Report has been prepared in accordance with the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014).

Corporate Governance Statement

ISAs (Ireland) requires us to review the Board members' statement in relation to going concern, longer-term viability and the part of the Corporate Governance Statement relating to the Group's voluntary compliance with the applicable provisions of the UK Corporate Governance Code and Irish Corporate Governance Annex specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially

consistent with the financial statements and our knowledge obtained during the audit:

- the Board members' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified on page 145;
- the Board members' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 144;
- the Board members' statement on fair, balanced and understandable set out on page 166;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and an explanation of how they are being managed or mitigated set out on page 143;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 143; and
- the section describing the work of the Audit and Risk Committee set out on page 148.

Matters on which we are Required to Report by Exception

Under the Code of Practice for the Governance of State Bodies (the "Code") we are required to report to you if the statement regarding the system of internal control included in the Board's Governance Report on pages 130 to 147 does not reflect the Group's compliance with paragraph 1.9(iv) of the Business and Financial Reporting Requirements of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Based on the knowledge and understanding of the Group and the Parent and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Members' Report.

We have nothing to report in respect of the provisions in the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014) which require us to report to you if, in our

opinion, the disclosures of Board members' remuneration and transactions specified by law are not made.

Other Matters which we are Required to Address

Following the recommendation of the Audit and Risk Committee and subsequent approval by the Minister for State, we were appointed by the Board members on 22 May 2022 (the date of our engagement letter) to audit the financial statements of the financial year ending 31 December 2022 and subsequent periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the year ended 31 December 2022 and 31 December 2023.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISA (Ireland) 260.

Use of our Report

This report is made solely to the stockholders, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the stockholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the stockholders as a body, for our audit work, for this report, or for the opinions we have formed.



Glenn Gillard

For and on behalf of Deloitte Ireland LLP  
Chartered Accountants and Statutory Audit Firm  
Deloitte & Touche House, Earlsfort Terrace,  
Dublin 2

28 February 2024

Note: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Board members but no control procedures can provide absolute assurance in this area. Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Group Income Statement  
For the financial year ended 31 December 2023

	Notes	2023	2022	
		Total €m	Excluding exceptional items €m	Exceptional items note 6 €m
Revenue	4	8,775.7	7,596.1	-
Other operating income (net)	7	9.2	19.1	-
Net impairment losses on financial assets	8/18	(70.4)	(38.5)	-
Operating costs (net)	8	(7,593.7)	(6,730.0)	-
Operating profit		1,120.8	846.7	-
Net interest on borrowings	9	(191.1)	(131.3)	-
Financing charges	9	(19.5)	(15.2)	-
Fair value movement on financial instruments	9	(20.5)	85.9	-
Finance income	9	113.0	36.2	-
Net finance cost		(118.1)	(24.4)	-
Impairment of equity accounted investees		(14.8)	-	(91.2)
Share of equity accounted investees profit/(loss), net of tax	16	13.7	(30.9)	-
Profit before taxation		1,001.6	791.4	(91.2)
Income tax expense	21	(133.8)	(142.1)	-
Profit after taxation		867.8	649.3	(91.2)
Attributable to:				
Equity holders of the Parent		879.6	678.4	(91.2)
Non-controlling interest		(11.8)	(29.1)	-
Profit for the financial year		867.8	649.3	(91.2)



# Group Statement of Comprehensive Income

## For the financial year ended 31 December 2023

	2023 €m	2022 €m
<b>Profit for the financial year</b>	<b>867.8</b>	558.1
<b>Items that will not be reclassified subsequently to the income statement:</b>		
NIE Networks pension scheme actuarial (losses) / gains	(18.8)	51.5
Tax on items that will not be reclassified to the income statement	4.2	(6.1)
	(14.6)	45.4
<b>Items that are or may be reclassified subsequently to the income statement:</b>		
Translation differences on consolidation of foreign subsidiaries	0.1	1.7
Fair value gains on cash flow hedges	9.4	1.4
Fair value (losses) / gains on cash flow hedges in equity accounted investees	(59.5)	260.2
Transferred to the income statement on cash flow hedges	34.6	(22.0)
Tax on items that are or may be reclassified subsequently to the income statement	(1.2)	(1.9)
Tax on items that are or may be reclassified subsequently to the income statement for equity accounted investees	13.3	(58.5)
Tax on items transferred to the income statement	(4.3)	2.7
	(7.6)	183.6
<b>Other comprehensive income for the financial year, net of tax</b>	<b>(22.2)</b>	229.0
<b>Total comprehensive income for the financial year</b>	<b>845.6</b>	787.1
<b>Attributable to:</b>		
Equity holders of the Parent	857.4	816.2
Non-controlling interest	(11.8)	(29.1)
<b>Total comprehensive income for the financial year</b>	<b>845.6</b>	787.1

# Group Balance Sheet

## As at 31 December 2023

	Notes	2023 €m	2022 €m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	12,324.9	11,614.1
Intangible assets	13	600.7	512.0
Right-of-use assets	14	129.9	123.2
Goodwill	15	195.3	191.9
Investments in equity accounted investees	16	292.2	332.2
Financial asset investments at fair value through profit or loss	16	5.0	5.0
Trade and other receivables	18	724.7	584.9
Derivative financial instruments	23	163.6	125.3
Deferred tax assets	21	1.4	1.5
Asset – NIE Networks pension scheme	24	73.5	65.8
<b>Total non-current assets</b>		<b>14,511.2</b>	13,555.9
<b>Current assets</b>			
Inventories	17	161.6	225.9
Intangible assets	13	438.1	678.0
Derivative financial instruments	23	344.7	843.7
Current tax asset		22.0	31.3
Trade and other receivables	18	2,217.7	2,915.3
Cash and cash equivalents	19	1,977.8	990.0
<b>Total current assets</b>		<b>5,161.9</b>	5,684.2
<b>Total assets</b>		<b>19,673.1</b>	19,240.1
<b>Equity</b>			
Capital stock	20	1,939.1	1,941.4
Capital redemption reserve		40.8	38.5
Translation reserve		-	(0.1)
Other reserves		(136.0)	(125.9)
Cash flow hedging reserve		181.8	189.5
Retained earnings		3,334.6	2,786.5
<b>Equity attributable to equity holders of the Parent</b>		<b>5,360.3</b>	4,829.9
Non-controlling interest		(60.3)	(48.3)
<b>Total equity</b>		<b>5,300.0</b>	4,781.6
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings and other debt	22	7,375.4	6,329.4
Lease liabilities	14	120.5	112.8
Liability – ESB pension scheme	25	73.5	78.2
Employee related liabilities	25	15.4	23.7
Deferred income	27	1,508.2	1,419.1
Provisions	28	585.1	616.2
Deferred tax liabilities	21	560.3	555.6
Derivative financial instruments	23	406.8	505.6
<b>Total non-current liabilities</b>		<b>10,645.2</b>	9,640.6
<b>Current liabilities</b>			
Borrowings and other debt	22	363.7	563.4
Lease liabilities	14	15.5	16.0
Liability – ESB pension scheme	25	9.6	10.5
Employee related liabilities	25	100.5	82.2
Trade and other payables	26	2,245.6	2,362.0
Deferred income	27	106.0	99.3
Provisions	28	491.2	594.7
Derivative financial instruments	23	395.8	1,089.8
<b>Total current liabilities</b>		<b>3,727.9</b>	4,817.9
<b>Total liabilities</b>		<b>14,373.1</b>	14,458.5
<b>Total equity and liabilities</b>		<b>19,673.1</b>	19,240.1

Terence O'Rourke

Terence O'Rourke  
Chairman

Paddy Hayes

Paddy Hayes  
Chief Executive

Paul Stapleton

Paul Stapleton  
Executive Director, Group Finance and Commercial

# Group Statement of Changes in Equity

## For the financial year ended 31 December 2023

	Capital stock	Translation reserve	Capital redemption reserve	Cash flow hedging reserve	Other reserves <sup>1</sup>	Retained earnings	Total	Non-controlling interest	Total equity
	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Reconciliation of changes in equity</b>									
<b>Balance at 1 January 2022</b>	1,949.4	(2.4)	30.5	7.6	(192.5)	2,367.8	<b>4,160.4</b>	(49.1)	<b>4,111.3</b>
<b>Total comprehensive income for the year</b>									
Profit for the financial year	-	-	-	-	-	587.2	<b>587.2</b>	(29.1)	<b>558.1</b>
NIE Networks pension scheme actuarial gain	-	-	-	-	51.5	-	<b>51.5</b>	-	<b>51.5</b>
Foreign currency translation adjustments	-	2.3	-	-	(0.5)	(0.1)	<b>1.7</b>	-	<b>1.7</b>
Cash flow hedges:									
▪ Net fair value gains	-	-	-	1.4	-	-	<b>1.4</b>	-	<b>1.4</b>
▪ Transfers to the income statement									
- Finance cost (interest)	-	-	-	2.6	-	-	<b>2.6</b>	-	<b>2.6</b>
- Finance cost (foreign translation movements)	-	-	-	(14.8)	-	-	<b>(14.8)</b>	-	<b>(14.8)</b>
- Other operating expenses	-	-	-	(9.8)	-	-	<b>(9.8)</b>	-	<b>(9.8)</b>
Fair value gain for hedges in equity accounted investees	-	-	-	260.2	-	-	<b>260.2</b>	-	<b>260.2</b>
Tax on items taken directly to OCI	-	-	-	(1.9)	(6.1)	-	<b>(8.0)</b>	-	<b>(8.0)</b>
Tax on items transferred to the income statement	-	-	-	2.7	-	-	<b>2.7</b>	-	<b>2.7</b>
Tax on items taken directly to OCI for equity accounted investees	-	-	-	(58.5)	-	-	<b>(58.5)</b>	-	<b>(58.5)</b>
<b>Total comprehensive income for the year</b>	-	2.3	-	181.9	44.9	587.1	<b>816.2</b>	(29.1)	<b>787.1</b>
<b>Transactions with owners recognised directly in equity</b>									
Dividends	-	-	-	-	-	(126.1)	<b>(126.1)</b>	-	<b>(126.1)</b>
Repurchase of own shares <sup>1</sup>	(8.0)	-	8.0	-	-	(12.4)	<b>(12.4)</b>	-	<b>(12.4)</b>
ESOP repurchase provision <sup>2</sup>	-	-	-	-	12.4	-	<b>12.4</b>	-	<b>12.4</b>
Redemption reserve	-	-	-	-	9.3	-	<b>9.3</b>	-	<b>9.3</b>
Transfer from minority interest to equity attributable to equity holders of the Parent <sup>3</sup>	-	-	-	-	-	1.8	<b>1.8</b>	(1.8)	-
Transfer from minority interest to equity attributable to equity holders of the Parent <sup>4</sup>	-	-	-	-	-	(31.7)	<b>(31.7)</b>	31.7	-
<b>Balance at 31 December 2022</b>	1,941.4	(0.1)	38.5	189.5	(125.9)	2,786.5	<b>4,829.9</b>	(48.3)	<b>4,781.6</b>
<b>Balance at 1 January 2023</b>	1,941.4	(0.1)	38.5	189.5	(125.9)	2,786.5	<b>4,829.9</b>	(48.3)	<b>4,781.6</b>
<b>Total comprehensive income for the year</b>									
Profit for the financial year	-	-	-	-	-	879.6	<b>879.6</b>	(11.8)	<b>867.8</b>
NIE Networks pension scheme actuarial loss	-	-	-	-	(18.8)	-	<b>(18.8)</b>	-	<b>(18.8)</b>
Foreign currency translation adjustments	-	0.1	-	-	-	-	<b>0.1</b>	-	<b>0.1</b>
Cash flow hedges:									
▪ Net fair value gains	-	-	-	9.4	-	-	<b>9.4</b>	-	<b>9.4</b>
▪ Transfers to the income statement									
- Finance cost (interest)	-	-	-	2.9	-	-	<b>2.9</b>	-	<b>2.9</b>
- Finance cost (foreign translation movements)	-	-	-	26.6	-	-	<b>26.6</b>	-	<b>26.6</b>
- Other operating expenses	-	-	-	5.1	-	-	<b>5.1</b>	-	<b>5.1</b>
Fair value loss for hedges in equity accounted investees	-	-	-	(59.5)	-	-	<b>(59.5)</b>	-	<b>(59.5)</b>
Tax on items taken directly to OCI	-	-	-	(1.2)	4.2	-	<b>3.0</b>	-	<b>3.0</b>
Tax on items transferred to the income statement	-	-	-	(4.3)	-	-	<b>(4.3)</b>	-	<b>(4.3)</b>
Tax on items taken directly to OCI for equity accounted investees	-	-	-	13.3	-	-	<b>13.3</b>	-	<b>13.3</b>
<b>Total comprehensive income for the year</b>	-	0.1	-	(7.7)	(14.6)	879.6	<b>857.4</b>	(11.8)	<b>845.6</b>
<b>Transactions with owners recognised directly in equity</b>									
Dividends	-	-	-	-	-	(327.0)	<b>(327.0)</b>	(0.2)	<b>(327.2)</b>
Repurchase of own shares <sup>1</sup>	(2.3)	-	2.3	-	-	(4.5)	<b>(4.5)</b>	-	<b>(4.5)</b>
ESOP repurchase provision <sup>2</sup>	-	-	-	-	4.5	-	<b>4.5</b>	-	<b>4.5</b>
<b>Balance at 31 December 2023</b>	1,939.1	-	40.8	181.8	(136.0)	3,334.6	<b>5,360.3</b>	(60.3)	<b>5,300.0</b>

1 Other reserves include (i) other reserves relating to the Northern Ireland Electricity Networks Limited (NIE Networks) pension scheme of (€119.7) million (2022: (€105.1) million), (ii) a non-distributable reserve of (€5.0) million (2022: (€5.0) million) which was created on the sale of the Group's share in Ocean Communications Limited in 2001; (iii) an ESOP repurchase provision which relates to the amount that ESB has committed to date to purchase from the ESOP internal market (€10.1) million (2022: (€14.6) million). See note 20 for further details on other reserves and note 32 for information on the ESOP repurchase.

2 Refer to note 32 for information on the ESOP repurchase provision.

3 Transfer from minority interest to equity attributable to equity holders of the Parent in 2022 related to a reduction in the minority interest in Kirk Hill Wind Farm Ltd.

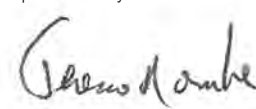
4 Transfer from minority interest to equity attributable to equity holders of the Parent in 2022 related to a reduction in the minority interest in So Energy.

# Parent Balance Sheet

## As at 31 December 2023

	Notes	2023 €m	2022 €m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>8,847.5</b>	8,162.8
Intangible assets	13	<b>537.9</b>	462.5
Right-of-use assets	14	<b>59.8</b>	61.7
Investments in equity accounted investees	16	<b>26.8</b>	43.9
Investments in subsidiary undertakings	16	<b>61.8</b>	61.8
Trade and other receivables	18	<b>2,243.8</b>	2,412.0
Derivative financial instruments	23	<b>156.8</b>	131.4
<b>Total non-current assets</b>		<b>11,934.4</b>	11,336.1
<b>Current assets</b>			
Inventories	17	<b>115.5</b>	194.2
Intangible assets	13	<b>403.4</b>	649.2
Derivative financial instruments	23	<b>331.2</b>	824.6
Current tax asset		<b>48.6</b>	46.7
Trade and other receivables	18	<b>3,498.3</b>	4,589.8
Cash and cash equivalents	19	<b>1,281.8</b>	256.4
<b>Total current assets</b>		<b>5,678.8</b>	6,560.9
<b>Total assets</b>		<b>17,613.2</b>	17,897.0
<b>Equity</b>			
Capital stock	20	<b>1,939.1</b>	1,941.4
Capital redemption reserve		<b>40.8</b>	38.5
Translation reserve		<b>(0.3)</b>	(0.3)
Cash flow hedging and other reserves		<b>6.6</b>	14.6
Other reserves		<b>(9.7)</b>	(14.2)
Retained earnings		<b>2,485.3</b>	2,402.6
<b>Equity attributable to equity holders of the Parent</b>		<b>4,461.8</b>	4,382.6
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings and other debt	22	<b>478.3</b>	502.1
Lease liabilities	14	<b>55.0</b>	56.7
Liability – ESB pension scheme	25	<b>73.5</b>	78.2
Employee related liabilities	25	<b>15.4</b>	23.7
Deferred income	27	<b>1,026.3</b>	964.9
Provisions	28	<b>475.7</b>	507.1
Deferred tax liabilities	21	<b>406.0</b>	395.1
Derivative financial instruments	23	<b>66.7</b>	162.0
<b>Total non-current liabilities</b>		<b>2,596.9</b>	2,689.8
<b>Current liabilities</b>			
Bank overdraft	19	<b>-</b>	319.5
Borrowings and other debt	22	<b>63.7</b>	563.4
Lease liabilities	14	<b>7.9</b>	7.9
Liability – ESB pension scheme	25	<b>9.6</b>	10.5
Employee related liabilities	25	<b>91.5</b>	74.6
Trade and other payables	26	<b>9,697.2</b>	8,638.7
Deferred income	27	<b>67.8</b>	68.7
Provisions	28	<b>250.5</b>	327.8
Derivative financial instruments	23	<b>366.3</b>	813.5
<b>Total current liabilities</b>		<b>10,554.5</b>	10,824.6
<b>Total liabilities</b>		<b>13,151.4</b>	13,514.4
<b>Total equity and liabilities</b>		<b>17,613.2</b>	17,897.0

The Company is availing of the exemption from presenting its separate profit and loss account in these financial statements and from filing it with the Registrar of Companies. The profit for the year dealt with in the financial statements of the Company amounts to €409.7 million (2022: €490.8 million).

  
**Terence O'Rourke**  
Chairman

  
**Paddy Hayes**  
Chief Executive

  
**Paul Stapleton**  
Executive Director, Group Finance and Commercial



# Parent Statement of Changes in Equity

## For the financial year ended 31 December 2023

	Capital stock €m	Capital redemption reserve €m	Cash flow hedging and other reserves €m	Retained earnings €m	Total €m
<b>Reconciliation of changes in equity</b>					
<b>Balance at 1 January 2022</b>	1,949.4	30.5	(31.8)	2,037.9	<b>3,986.0</b>
<b>Total comprehensive income for the year</b>					
Profit for the financial year	-	-	-	490.8	<b>490.8</b>
Other changes	-	-	(0.3)	-	<b>(0.3)</b>
Cash flow hedges:					
▪ Net fair value gains	-	-	27.5	-	<b>27.5</b>
▪ Transfers to the income statement					
- Finance cost (interest)	-	-	2.6	-	<b>2.6</b>
- Finance cost (foreign translation movements)	-	-	(14.8)	-	<b>(14.8)</b>
- Other operating expenses	-	-	(13.5)	-	<b>(13.5)</b>
Fair value gains for hedges in equity accounted investees	-	-	20.8	-	<b>20.8</b>
Tax on items taken directly to OCI	-	-	(3.4)	-	<b>(3.4)</b>
Tax on items transferred to the income statement	-	-	3.2	-	<b>3.2</b>
Tax on items taken directly to OCI for equity accounted investees	-	-	(2.6)	-	<b>(2.6)</b>
<b>Total comprehensive income for the year</b>	-	-	19.5	490.8	<b>510.3</b>
<b>Transactions with owners recognised directly in equity</b>					
Dividends	-	-	-	(126.1)	<b>(126.1)</b>
Repurchase of own shares <sup>1</sup>	(8.0)	8.0	-	-	<b>-</b>
ESOP repurchase provision <sup>1</sup>	-	-	12.4	-	<b>12.4</b>
<b>Balance at 31 December 2022</b>	1,941.4	38.5	0.1	2,402.6	<b>4,382.6</b>
<b>Balance at 1 January 2023</b>	<b>1,941.4</b>	<b>38.5</b>	<b>0.1</b>	<b>2,402.6</b>	<b>4,382.6</b>
<b>Total comprehensive income for the year</b>					
Profit for the financial year	-	-	-	409.7	<b>409.7</b>
Cash flow hedges:					
▪ Net fair value losses	-	-	(30.7)	-	<b>(30.7)</b>
▪ Transfers to the income statement					
- Finance cost (interest)	-	-	2.9	-	<b>2.9</b>
- Finance cost (foreign translation movements)	-	-	26.6	-	<b>26.6</b>
- Other operating expenses	-	-	(0.7)	-	<b>(0.7)</b>
Fair value losses for hedges in equity accounted investees	-	-	(7.3)	-	<b>(7.3)</b>
Tax on items taken directly to OCI	-	-	3.9	-	<b>3.9</b>
Tax on items transferred to the income statement	-	-	(3.6)	-	<b>(3.6)</b>
Tax on items taken directly to OCI for equity accounted investees	-	-	0.9	-	<b>0.9</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(8.0)</b>	<b>409.7</b>	<b>401.7</b>
<b>Transactions with owners recognised directly in equity</b>					
Dividends	-	-	-	(327.0)	<b>(327.0)</b>
Repurchase of own shares <sup>1</sup>	(2.3)	2.3	-	-	<b>-</b>
ESOP repurchase provision <sup>1</sup>	-	-	4.5	-	<b>4.5</b>
<b>Balance at 31 December 2023</b>	<b>1,939.1</b>	<b>40.8</b>	<b>(3.4)</b>	<b>2,485.3</b>	<b>4,461.8</b>

<sup>1</sup> Refer to note 32 for information on the ESOP repurchase.

# Group Cash Flow Statement

## For the financial year ended 31 December 2023

	Notes	2023 €m	2022 €m
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>1,001.6</b>	<b>700.2</b>
<b>Adjustments for:</b>			
Depreciation and amortisation	8	<b>942.3</b>	914.6
Transfer to the income statement from intangibles	13	<b>-</b>	24.5
Revenue from supply contributions and amortisation of other deferred income	4/27	<b>(116.2)</b>	(111.8)
Net emissions movements	13/28	<b>166.5</b>	(191.0)
Profit on disposal of subsidiaries	7	<b>(10.2)</b>	(3.4)
Net finance cost	9	<b>118.1</b>	24.4
Impact of fair value adjustments in operating costs		<b>(20.5)</b>	(12.8)
(Profit) / losses from equity accounted investees	16	<b>(13.7)</b>	30.9
Impairment of equity accounted investees	16	<b>14.8</b>	91.2
Dividend received	7	<b>-</b>	(4.0)
Net impairment losses on financial assets	8/18	<b>70.4</b>	38.5
Impairment charge	8	<b>5.1</b>	2.8
<b>Operating cash flows before changes in working capital and provisions</b>		<b>2,158.2</b>	1,504.1
Restricted cash <sup>1</sup>	19	<b>(204.5)</b>	754.0
Charge in relation to provisions	28	<b>7.2</b>	107.7
Charge in relation to employee related liabilities	25	<b>120.5</b>	64.8
Utilisation of provisions	28	<b>(66.7)</b>	(69.2)
Payments in respect of employee related liabilities		<b>(140.6)</b>	(114.7)
Deferred income received	27	<b>29.7</b>	23.4
Networks supply contributions received		<b>174.0</b>	181.0
Net exchanged traded collateral received / (paid)		<b>181.0</b>	(1,009.0)
Decrease / (increase) in trade and other receivables		<b>471.0</b>	(654.0)
Decrease / (increase) in inventories		<b>65.9</b>	(94.6)
Increase in trade and other payables		<b>65.2</b>	248.3
<b>Cash generated from operations</b>		<b>2,860.9</b>	941.8
Current tax paid		<b>(117.3)</b>	(103.4)
Payments on inflation linked interest rate swaps	23	<b>(3.6)</b>	(22.3)
Financing costs paid		<b>(194.9)</b>	(153.6)
<b>Net cash inflow from operating activities</b>		<b>2,545.1</b>	662.5
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(1,513.3)</b>	(1,193.7)
Purchase of intangible assets		<b>(172.1)</b>	(129.0)
Proceeds from sale of investments		<b>-</b>	3.1
Proceeds from sale of subsidiaries	7	<b>10.2</b>	-
Amounts advanced to equity accounted investees as shareholder loans		<b>(123.6)</b>	(286.8)
Dividends received from joint venture undertakings	16	<b>34.1</b>	29.0
Dividends received from investments measured at fair value through profit or loss	7	<b>-</b>	4.0
Purchase of financial asset investments		<b>(35.3)</b>	(1.2)
Interest received		<b>74.9</b>	13.1
<b>Net cash outflow from investing activities</b>		<b>(1,725.1)</b>	(1,561.5)
<b>Cash flows from financing activities</b>			
Dividends paid	20	<b>(327.2)</b>	(126.1)
Principal elements of lease payments	14	<b>(16.2)</b>	(15.6)
Repurchase of ESOP shares	32	<b>(4.5)</b>	(12.4)
Proceeds and repayments from borrowing activities	22	<b>783.4</b>	1,529.6
Payments on inflation linked interest rate swaps	23	<b>(265.5)</b>	-
<b>Net cash inflow from financing activities</b>		<b>170.0</b>	1,375.5
<b>Net increase in cash and cash equivalents</b>		<b>990.0</b>	476.5
<b>Cash and cash equivalents at 1 January</b>	19	<b>990.0</b>	537.0
<b>Effect of exchange rate fluctuations on cash held</b>		<b>(2.2)</b>	(23.5)
<b>Cash and cash equivalents at 31 December</b>	19	<b>1,977.8</b>	990.0

<sup>1</sup> Included in cash and cash equivalents at 31 December 2023 is €549.5 million (2022: €754.0 million) in relation to cash received from the Irish and UK Government in relation to energy credits that was ultimately paid to various energy suppliers to offset customers' bills. This cash is not freely available in the normal course of business.

# Parent Cash Flow Statement

For the financial year ended 31 December 2023

	Notes	2023 €m	2022 €m
<b>Cash flows from operating activities</b>			
Profit before taxation		487.1	565.2
<b>Adjustments for:</b>			
Depreciation and amortisation		635.2	606.0
Revenue from supply contributions and other deferred income	27	(67.8)	(67.0)
Net emissions movements		203.9	(310.8)
Net finance (income) / cost		(39.5)	35.1
Impact of fair value movement on financial instruments in operating costs		(17.9)	18.5
Loss from equity accounted investees		10.9	15.8
Dividend received from subsidiary undertakings		(8.5)	(10.0)
Net impairment losses on financial assets		37.8	15.2
<b>Operating cash flows before changes in working capital and provisions</b>		<b>1,241.2</b>	<b>868.0</b>
Restricted cash <sup>1</sup>	19	(27.4)	107.4
Charge in relation to provisions		5.4	89.3
Charge in relation to employee related liabilities	25	105.4	53.5
Utilisation of provisions		(63.0)	(124.6)
Payments in respect of employee related liabilities	25	(106.9)	(77.1)
Networks supply contributions received		119.0	141.1
Net exchanged traded collateral received / (paid)		175.0	(1,001.0)
Decrease / (increase) in trade and other receivables		394.1	(1,709.1)
Decrease / (increase) in inventories		79.3	(102.0)
Increase in trade and other payables		1,037.3	2,721.6
<b>Cash generated from operations</b>		<b>2,959.4</b>	<b>967.1</b>
Current tax paid		(62.7)	(96.0)
Interest paid		(94.6)	(112.0)
<b>Net cash inflow from operating activities</b>		<b>2,802.1</b>	<b>759.1</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,231.3)	(907.2)
Purchase of intangible assets		(153.4)	(118.2)
Amounts advanced to equity accounted investees as shareholder loans		(16.2)	(12.8)
Amounts received from / (advanced to) subsidiary undertakings		669.7	(322.9)
Interest received		163.0	70.6
Dividends received from subsidiary undertakings		8.5	10.0
<b>Net cash outflow from investing activities</b>		<b>(559.7)</b>	<b>(1,280.5)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	20	(327.0)	(126.1)
Principal elements of lease payments	14	(9.1)	(8.5)
Repurchase of ESOP shares	32	(4.5)	(12.4)
Proceeds and repayments from borrowing activities	22	(554.9)	162.7
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(895.5)</b>	<b>15.7</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,346.9</b>	<b>(505.7)</b>
<b>Effect of exchange rate fluctuations on cash held</b>		<b>(2.0)</b>	<b>(20.7)</b>
<b>Cash and cash equivalents at 1 January</b>	19	<b>(63.1)</b>	<b>463.3</b>
<b>Cash and cash equivalents at 31 December</b>	19	<b>1,281.8</b>	<b>(63.1)</b>

1 Included in cash and cash equivalents at 31 December 2023 is €80.0 million (2022: €107.4 million) in relation to cash received from the Irish Government in relation to energy credits that was ultimately paid to various energy suppliers to offset customers' bills. This cash is not freely available in the normal course of business.

# Notes to the Financial Statements

## 1. STATEMENT OF ACCOUNTING POLICIES

### (i) General information and basis of preparation

Electricity Supply Board (ESB) is a statutory corporation established under the Electricity (Supply) Act, 1927 and is domiciled in Ireland. The consolidated financial statements of ESB as at and for the financial year ended 31 December 2023 comprise the Parent and its subsidiaries (together referred to as “ESB” or “the Group”) and the Group’s interests in associates and jointly controlled entities.

The Parent and consolidated financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the EU (EU IFRS) as applied in accordance with the Companies Act 2014 as applied by ESB Acts 1927 to 2014. The Companies Act 2014 provide a Parent entity that presents its individual financial statements together with its consolidated financial statements with an exemption from publishing the Parent income statement and statement of comprehensive income which forms part of the Parent financial statements prepared and approved in accordance with the Act. The financial statements of the Parent and Group have been prepared in accordance with the EU IFRS standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective for accounting periods ending on or before 31 December 2023. The Parent and consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and certain financial asset investments which are measured at fair value.

The policies set out below have been consistently applied to all years presented in these consolidated financial statements and have been applied consistently by all Group entities – with the exception of adoption of amended standards as set out at note 1 (iv) below. Parent accounting policies are consistent with the consolidated financial statements policies outlined below except where otherwise stated.

### Going concern

The Group’s position, performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the annual report. The going concern statement in Chapter 2 forms part of the Group financial statements.

The funding and liquidity management of the Group are described in note 22. The amount of cash and cash equivalents that the Group had on hand on 31 December 2023, excluding restricted cash, was €1,428.3 million (see note 19). The Group also has undrawn revolving credit facilities of €2.3 billion providing standby liquidity to February 2027. Including cash and other facilities, the Group has overall liquidity of €3.7 billion at 31 December 2023. ESB continues to effectively manage the cash collateral position of the Group in relation to exchange traded gas, coal, and carbon hedging contracts. Note 22 and Note 29 includes an overview of financial risk management, details of the Group’s financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries, the Board is satisfied that ESB has sufficient cash flows, available strong liquidity and access to capital markets to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, the consolidated and Parent financial statements are prepared on the going concern basis of accounting.

### (ii) Basis of consolidation

The Group’s financial statements consolidate the financial statements of the Parent and of all subsidiary undertakings and include the Group’s share of the results and net assets of associates and joint ventures made up to 31 December 2023. The results of subsidiary undertakings acquired or disposed of in the year are included in the Group income statement from the date of acquisition or up to the date of disposal. ESB Parent has availed of the exemption in section 304(2) of the Companies Act 2014 not to present its individual income statement, statement of comprehensive income and related notes that form part of the approved Parent financial statements.

### Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

### Acquisitions

When accounting for business combinations under IFRS 3 Business Combinations, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed.



Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the income statement.

Where a put and/or call option exists on non-controlling interests in subsidiary, a redemption liability is recognised through equity for the unavoidable obligation to transfer cash under this option, discounted to present value.

Costs relating to the acquisition (other than those associated with the issue of debt or equity securities) that the Group incurs in connection with a business combination are expensed as incurred.

IFRS 10 - Consolidated Financial Statements

The IFRS 10 control model focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 requires the Group to consolidate investees that it controls on the basis of de facto control.

In accordance with IFRS 10, the Group's assessment of control is performed on a continuous basis and the Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of the control model.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Accounting for Joint arrangements

IFRS 11 - Joint arrangements

Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure and legal form of the arrangements, the contractual terms of the arrangement agreed by the parties and when relevant, other facts and circumstances.

Joint operations

Joint operations are those undertakings in which ESB is deemed to have joint control of the arrangement and has rights to the assets and obligations for the liabilities of the arrangement. Accordingly, the Company's share of assets, liabilities, revenues, expenses and other comprehensive income are recognised in the respective categories within the consolidated financial statements.

Joint ventures

Joint venture undertakings (joint ventures) are those undertakings over which ESB exercises contractual control jointly with another party, whereby the Group has rights to net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Joint ventures are accounted for using the equity method of accounting. Under the equity method, the Group's share of the profits or losses after tax of joint ventures is included in the consolidated income statement after interest and financing charges. The Group's share of items of other comprehensive income is shown in the statement of comprehensive income.

The Group's interests in the net assets are included as investments in joint ventures on the face of the consolidated balance sheet at an amount representing the Group's share of the fair values of the net assets at acquisition plus goodwill, acquisition costs, the Group's share of post acquisition retained income and expenses less any impairment charge. Net liabilities are only recognised to the extent that ESB has incurred legal or constructive obligations or made payments on behalf of joint ventures.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Where contingent consideration has been recognised on acquisition, the Group recognises a liability. Any subsequent change in the measurement of the contingent consideration is accounted for using the cost-based approach and applied prospectively in accordance with IAS 8. The change in contingent consideration liability is adjusted to the cost of the investment.

The amounts included in the consolidated financial statements in respect of post acquisition results of joint ventures are taken from their latest financial information made up to the Group's balance sheet date.

The Group assesses if a change in the facts and circumstances requires reassessment of whether joint control still exists. The Group has evaluated its involvement in joint arrangements and has confirmed that these investments meet the criteria of joint ventures which continue to be accounted for using the equity method.

In the Parent financial statements, investments in joint ventures are accounted for using the equity method of accounting using the same method as described above.

Associates

Entities other than joint arrangements and subsidiaries and over whose operating and financial policies the Group is in a position to exercise significant influence but not control or joint control, are accounted for as associates using the equity method and are included in the consolidated financial statements from the date on which significant influence is deemed to arise until the date on which such influence ceases to exist.

(iv) New standards and interpretations

The following standards and Interpretations are effective for the Group in 2023:

New standards or amendments	Details	Effective Date	Effect on the results and financial position of the group
IAS 1 (Amendments)	Disclosure of Accounting Policies	1 January 2023	No material effect
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023	No material effect
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	€15.2m increase in deferred tax assets €14.8m increase in deferred tax liabilities €0.2m increase to profit after taxation €0.2m decrease in property, plant and equipment See note 21 for further details
IAS 12 (Amendments)	Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	1 January 2023	No material effect - see note 21 for further details
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	1 January 2023	No material effect

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(v) Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the financial year ended 31 December 2023 and have not been applied in preparing these financial statements:

New standards or amendments	Details	Effective Date	Expected effect on the results and financial position of the group
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024	Management are currently assessing impact but not expecting to be material
IAS 1 (Amendments)	Non-current liabilities with Covenants (including deferral of Effective Date)	1 January 2024	No material effect
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024	No material effect
IAS 7 and IFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024	No material effect
IAS 21 (Amendments)	The effects of changes in foreign exchange rates: lack of exchangeability	1 January 2025	No material effect

(vi) Foreign currencies

These financial statements are presented in euro, which is the Parent's functional currency.

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each Group income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(vii) Property, plant and equipment and depreciation

Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value, except for land which is shown at cost less impairment. Property, plant and equipment includes capitalised employee, interest and other costs that are directly attributable to the asset and an appropriate portion of relevant overheads.

Depreciation

The charge for depreciation is calculated to write down the cost of property, plant and equipment to its estimated residual value over its expected useful life using methods appropriate to the nature of the Group's business and to the character and extent of its property, plant and equipment. No depreciation is provided on freehold land or on assets in the course of construction. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Generation plant and thermal station structures	20 years
Wind farm generating assets	20 / 25 years
Distribution plant and structures	25 / 30 years
Transmission plant and structures	30 years
General buildings and hydro stations	50 years
Smart Meters	10 years

Subsequent expenditure

Subsequent expenditure on property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged in the income statement during the financial period in which they are incurred.

Included in property, plant and equipment are strategic spares in relation to the electricity generation business. Strategic spares in the ESB Network's business are carried within assets under construction pending commissioning.

(viii) Intangible assets and goodwill

(a) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented separately on the balance sheet. Where the Group acquires less than 100% of a business, goodwill is measured using the proportionate share of the net assets recognised in the purchase price allocation calculation.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of the asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses in respect of goodwill are recognised in the income statement, and are not reversed. For impairment losses where goodwill is recognised using the proportionate share of purchase price allocation, only the impairment loss relating to the goodwill that is allocated to the Parent is recognised as a goodwill impairment loss.

(b) Emission allowances and renewable obligation certificates (ROCs)

Emission allowances purchased by ESB are recorded as current intangible assets at cost.

As emissions arise, a charge is recorded in the income statement to reflect the amount required to settle the liability to the relevant authority. This provision includes the carrying value of the emission allowances held, as well as the current market value of any additional allowances required to settle the obligation. These allowances are returned to the relevant Authority in charge of the scheme within four months of the end of that calendar year for the European CO<sub>2</sub> emissions trading scheme and three months for the UK emissions trading scheme, in order to cover the liability for actual emissions of CO<sub>2</sub> during that year. Accordingly, all emission allowances and ROCs are presented in the balance sheet as current intangible assets.



Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

ROCs are certificates issued to operators of accredited renewable generating stations in the UK for the eligible renewable electricity they generate. The Group internally generates ROCs via its wind farms and also purchases ROCs from third parties. Internally generated ROCs are recognised at fair value (based on the prevailing compliance period buyout price and estimate of recycle benefit) in the income statement and intangible assets in line with the electricity physically generated. Purchased ROCs are recognised initially at cost (purchase price) within intangible assets. The group uses both internally generated and externally purchased ROCs to settle the associated renewable obligation scheme liability in the Customer Solutions business.

Emission allowances and ROCs held as intangible assets are not subsequently amortised or revalued as they are held for settlement of the related liabilities or external sale in the following year.

(c) Software costs and other intangible assets

Acquired computer software licenses and other intangible assets including grid connections and other acquired rights, are capitalised on the basis of the costs incurred to acquire and bring the specific asset into use. These assets are measured at cost less accumulated amortisation, which is estimated over their useful lives on a straight line basis, and accumulated impairment losses. Major asset classifications and their allotted life spans are:

Software	3 / 5 years
Other intangibles	up to 20 years

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell
- the expenditure attributable to the software during its development can be reliably measured.

Direct costs include the costs of software development, employees and an appropriate portion of relevant overheads. These assets are measured at cost less accumulated amortisation, which is estimated over their estimated useful lives (three to five years) on a straight line basis, and accumulated impairment losses.

Incremental costs of obtaining a contract are capitalised in line with IFRS 15 Revenue from Contracts with Customers where those costs would not have been incurred if the contract had not been obtained and ESB expects to recover those costs. These assets are measured at cost less accumulated amortisation, which is estimated over their useful lives (2 years) on a straight line basis, and accumulated impairment losses.

(d) Research and development

Research expenditure and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ix) Impairment of non-current assets other than goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets not yet in use are tested annually for impairment. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

For electricity generation assets, value in use is based on the estimated cash flows expected to be generated by the asset and is based on estimates of forecast power generation and forecast power, gas, carbon and capacity prices (where applicable) and the timing and extent of operating costs and capital expenditure. These cash flows are discounted to their present value using a pre-tax discount rate that reflects the current markets assessment of the time value of money and the risks specific to the asset.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(x) Right-of-Use of Assets and Lease Liabilities

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. At the inception of a lease contract the Group assess whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an asset for a period of time in exchange of consideration, it is recognised as a lease.

To assess the right to control an asset, the Group considers the following:

- does the contract contain an identifiable asset
- does the Group have the right to obtain substantially all of the economic benefits of the asset
- does the Group have the right to operate the asset throughout the period of the contract

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low-value assets are considered low value if the value of the asset when new is less than €5,000. Low value assets within ESB comprise predominantly of IT equipment and small items of office furniture.

The Group leases various land and buildings, wind farm land and motor vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(xi) Borrowing costs

Borrowing costs attributable to the construction of major assets, which necessarily take substantial time to get ready for intended use, are added to the cost of those assets at the weighted average cost of borrowings, until such time as the assets are substantially ready for their intended use. The capitalisation rate applied equates to the average cost of ESB's outstanding debt and where applicable, a project specific rate is applied. The impact of hedging is also factored into the calculation of the capitalisation rate where applicable. Fees associated with the raising of debt are capitalised and then amortised over the life of the corresponding debt. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to the income statement when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

(xii) Inventories

Inventories are carried at the lower of average cost and net realisable value. Cost comprises all purchase price and direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on normal selling price less all further costs expected to be incurred prior to disposal.

Specific provision is made for damaged, deteriorated, obsolete and unusable items where appropriate.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(xiii) Financial assets and liabilities

Classification and measurement

The following accounting policies apply to the measurement of financial assets in the ESB's consolidated financial statements:

Financial assets at fair value through profit or loss (FVTPL)

On initial recognition, these assets are recognised at fair value, with transaction costs being recognised in the income statement and subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Financial assets at fair value through other comprehensive income (FVOCI)

On initial recognition, these assets are recognised at fair value and subsequently measured at fair value. Net gains and losses are recognised in other comprehensive income.

Financial assets at amortised cost

These assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment is recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Trade and other receivables

Financial assets are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price.

Loans and balances with equity accounted investees

Loans and balances with equity accounted investees are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current assets or current liabilities on the balance sheet where amounts are either expected to be settled within 12 months of the balance sheet date or where loans are repayable on demand. Loans receivable which are not expected to be settled within 12 months of the balance sheet date and are not repayable on demand are classified as non-current assets. Loans payable which are not expected to be settled within 12 months of the balance sheet date and are not repayable on demand are classified as non-current liabilities where there is an unconditional right to defer settlement of the liability beyond 12 months from the balance sheet date. Loans and balances that are included within trade and other receivables or trade and other payables are initially recorded at invoiced value and thereafter at amortised cost using the effective interest method less loss allowance made for impairment.

Loans and balances with Group companies (Parent)

Loans and balances with Group Companies are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current assets or current liabilities on the balance sheet where amounts are either expected to be settled within 12 months of the balance sheet date or where loans are repayable on demand. Loans receivable which are not expected to be settled within 12 months of the balance sheet date and are not repayable on demand are classified as non-current assets. Loans payable which are not expected to be settled within 12 months of the balance sheet date and are not repayable on demand are classified as non-current liabilities where there is an unconditional right to defer settlement of the liability beyond 12 months from the balance sheet date. Loans and balances are included within trade and other receivables or trade and other payables in the Parent balance sheet and are initially recorded at fair value or invoiced value respectively. Thereafter, loans and balances are recorded at amortised cost.

Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and loans and balances with Group companies. Expected credit losses on shareholder loans advanced to equity accounted investees are measured using the general approach. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the Group's past history, existing market conditions and forward looking estimates at the end of each reporting period. Refer to note 18 for further details.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

For loans and balances with group companies, the Parent applies the general approach permitted by IFRS 9, which requires 12 month expected credit losses to be recognised on initial recognition of these receivables. If a significant increase in credit risk occurs, this requires expected lifetime credit losses to be recognised on these receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents for the purpose of cash flow include bank overdrafts payable on demand and form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Cash deposits with maturities of three months or more are included as short term deposits within trade and other receivables.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting the use of bank balances are disclosed in note 19. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the balance sheet.

(a) Borrowings

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition these borrowings are stated at amortised cost using the effective interest rate method. If a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss is recognised in the income statement. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

(b) Derivative financial instruments and other hedging instruments

The Group uses derivative financial instruments to hedge its exposure to commodity price, foreign exchange and interest rate risk arising from operational, financing and investing activities. The principal derivatives used include interest rate swaps, inflation-linked interest rate swaps, currency swaps and forward foreign currency contracts. Commodity contracts are also used to hedge the Group's exposures to the purchase of fuel and sale of electricity. The Group applies the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 Financial Instruments.

Commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. The changes in fair value when a hedge accounting relationship exists and the contract has been designated as held for hedging purposes will be recognised in accordance with IFRS 9 as cash flow hedges or fair value hedges.

Financial derivative instruments are used by the Group to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value at the balance sheet date. With the exception of the inflation linked interest rate swaps the majority of other derivative financial instruments are designated as being held for hedging purposes.

The designation of the hedge relationship is established at the inception of the contract. The treatment of gains and losses on subsequent re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a fair value or cash flow hedge.

All fair value movements on derivatives that are not designated as hedging relationships are recorded through the income statement within finance income and expense or other operating costs, as appropriate. Fair value movements on the commodity derivatives which primarily relate to energy margin are recorded in total operating costs while any fair value movements on interest related derivatives impact finance costs in the income statement.



Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of that asset or liability. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in the income statement at the same time as the hedged transaction. The gain or loss relating to the ineffective portion is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the income statement immediately.

Hedge of net investment in foreign entity

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in other comprehensive income, and taken to the translation reserve, with any ineffective portion recognised in the income statement immediately.

(c) Guarantees

During the normal course of business, the Group provides guarantees and bonds to third parties, subsidiary companies of the Parent and equity accounted investees. Where claims are probable, the expected credit loss model is applied.

(xiv) Capital stock

The units of capital stock are measured at the price at which they were initially issued to the Department of Public Expenditure and Reform, the Department of Environment, Climate and Communications and ESB ESOP Trustee Limited.

(xv) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity.

(a) Current tax

Current tax is provided at current rates and is calculated on the basis of results for the year. The income tax expense in the income statement does not include taxation on the Group's share of profits of joint venture undertakings, as this is included within the separate line on the face of the income statement for share of equity accounted investee profit / (loss), net of tax.

(b) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that the Board consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(xvi) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provision for asset retirement obligations

The provision for retirement and decommissioning of generating stations, wind farms, other electricity generation assets, ESB Networks and NIE Networks creosote treated wood poles represents the present value of the current estimate of the costs of closure of the stations and the disposal of the poles at the end of their useful lives.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

The estimated costs of asset retirement obligations are recognised in full at the outset of the asset life, but discounted to present values using an appropriate pre-tax discount rate. The costs are capitalised in property, plant and equipment and are depreciated over the useful economic lives of the stations or other assets to which they relate unless the related asset has reached the end of its useful life. Subsequent changes in the liability in respect of assets that have reached the end of their useful life are recognised in the income statement as they occur. The costs are reviewed each year and amended as appropriate. Amendments to the discounted estimated costs are capitalised into the relevant assets and depreciated over the remaining life of those assets to the extent that the assets are still in use.

As the costs are capitalised and initially provided on a discounted basis, the provision is increased by a financing charge in each period, which is calculated based on the provision balance and discount rate applied at the last measurement date (updated annually) and is included in the income statement as a financing charge. In this way, the provision will equal the estimated closure costs at the end of the useful economic lives of stations or other assets. The actual expenditure is set against the provision as stations are closed or other obligations are met.

The provision for asset retirement obligations is included within current or non-current provisions as appropriate on the balance sheet.

(xvii) Employee related liabilities

(a) Restructuring liabilities

Voluntary termination benefits are payable under various collective agreements between the Board of ESB and ESB Group of Unions when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as a result of an offer made to employees to encourage voluntary redundancy. Ordinary termination benefits not covered by the aforementioned agreement are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group begins to implement the restructuring plan. Benefits expected to be settled more than twelve months after the balance sheet date are discounted to present value. Future operating losses are not provided for.

(b) Other short-term employee related liabilities

The costs of holiday leave and bonuses accrued are recognised when employees render the service or performance that increases their entitlement to future compensated absences or payments.

(xviii) Pension obligations

The Group companies operate various pension schemes in the Republic of Ireland and Northern Ireland, which are funded through payments to trustee administered funds.

Pension schemes in the Republic of Ireland

The Group operates two pension schemes, which are called the ESB Defined Benefit Pension Scheme and the ESB Defined Contribution Pension Scheme. Pensions for employees in the electricity business are funded through a contributory pension scheme called the ESB Defined Benefit (DB) Pension Scheme. The fund is vested in Trustees nominated by ESB and its members for the sole benefit of employees and their dependants. The Scheme is registered as a Defined Benefit Scheme with the Pensions Authority.

The regulations governing the Scheme stipulate the benefits that are to be provided and the contributions to be paid by both ESB and the contributing members. Benefits payable are determined by reference to a Career Average Revalued Earnings (CARE) pension model for benefits earned after 1 January 2012 (previously based on final salary). ESB has no legal obligation to increase contributions to maintain benefits in the event of a deficit and ESB's rate of contribution cannot be altered without the agreement of ESB and approval of the Minister for Environment, Climate and Communications. Should an actuarial deficit arise in the future, ESB is obliged under the Scheme regulations to consult with the Superannuation Committee, the Trustees and the Scheme Actuary to consider the necessity of submitting an amending Scheme for Ministerial approval.

Under the 2010 Pensions Agreement (approved by employees in July 2010 and formally ratified by the Board of ESB on 20 October 2010), ESB agreed to a once-off cash injection into the Scheme, payable over a number of years, which had an agreed valuation for actuarial purposes as at 1 January 2010 of €591.0 million. The fixed contribution rates for the employer and for employees were not changed. Under the Agreement, membership of the Scheme has been closed to new joiners.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

The obligations to the Scheme reflected in ESB's financial statements have been determined in accordance with IAS 19 Employee Benefits. Given that the Scheme is not a typical "balance of costs" Defined Benefit Scheme (where the employer is liable to pay the balance of contributions required to fund benefits), the obligations to be reflected in the financial statements require the exercise of judgement. Should a deficit arise in the future, the Company, as noted above, is obliged to consult with the parties to the Scheme. However, ESB has no obligation to increase contributions to maintain benefits in the event of a deficit and the Company does not intend that any further contributions, other than the normal on-going contributions will be made (note: the €591.0 million additional contribution agreed as part of the 2010 Pensions Agreement has now been fully paid). Therefore, ESB has concluded that the financial statements should reflect its obligations to the Scheme, which consist of:

- (a) Pre-existing commitments relating to past service (the present value of the agreed contributions that relates to service prior to October 2010); and
- (b) Past Voluntary Severance (VS) Programmes – in 2010 the Company recognised a future commitment in respect of staff who have left the Company under past VS programmes. ESB will make pension contributions in respect of those staff and these are recognised at fair value.

Ongoing contributions (up to 16.4%) are recognised in the income statement as incurred. Any unpaid amounts at year end are recognised as liabilities on the balance sheet.

The ESB Defined Contribution Pension Scheme is a defined contribution scheme and contributions to the Scheme are accounted for on a defined contribution basis with the employers' contribution charged to the Group Income Statement in the period the contributions become payable.

FM United Kingdom Stakeholder Scheme

ESB operates a stakeholder pension scheme in the UK for all its GB employees. The pension scheme is a defined contribution scheme and contributions to the Scheme are accounted for on a defined contribution basis with the employers' contribution charged to the Group Income Statement in the period the contributions become payable.

Pension scheme in Northern Ireland

The Group's wholly owned subsidiary undertaking, Northern Ireland Electricity Networks Limited (NIE Networks), operates a pension scheme which has two sections: Defined contribution Options, defined benefit Focus. Pension costs in respect of the defined contribution scheme are charged to the income statement as they become payable. Focus has been closed to new members since 1998. The defined benefit obligation of NIE Networks is calculated annually by independent actuaries using the projected unit credit method, and discounted at a rate selected with reference to the current rate of return of high quality corporate bonds of equivalent currency and term to the liabilities. Pension scheme assets are measured at fair value. Full actuarial valuations are obtained at least triennially and are updated annually thereafter. Actuarial gains and losses are recognised in full in the period in which they occur and are recognised in other comprehensive income.

The cost of providing benefits under the defined benefit scheme is charged to the income statement over the periods benefiting from employees' service. Past service costs including curtailment losses are recognised in the income statement in the period they occur. The interest income from pension scheme assets and the interest expense on pension scheme liabilities are included within net finance cost.

Where a surplus on the 'Focus' defined benefit scheme exists, the Group recognises an accounting surplus in line with the most recent IAS19 valuation on the basis of the Group's assessment that it has the right to any remaining surplus on the eventual winding up of the pension scheme following gradual settlement of the scheme's liabilities.

(xix) Revenue from contracts with customers

Revenue principally comprises the sales values derived from the following:

- Customer Solutions revenues consist primarily of sales to electricity and gas customers.
- ESB Networks and NIE Networks earn Use of System income in the Republic of Ireland and Northern Ireland respectively.
- Generation and Trading revenue derives mainly from electricity generation.
- Revenue derived from the provision of engineering, telecommunication and other services.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Customer Solutions

Revenue from sales to electricity and gas customers

This revenue is earned from both residential and business customers in the Republic of Ireland (ROI), Northern Ireland (NI) and Great Britain (GB). Revenue is recognised at the point in time of consumption of gas and electricity. Electricity and gas revenue includes the value of units supplied to customers between the date of the last meter reading and the period end. This estimate is initially included in trade and other receivables in the balance sheet as retail energy receivables - unbilled, customers are billed monthly or bi-monthly depending on the type of account, and are subsequently recognised as retail energy receivables - billed. Residential credit terms and debtor days in respect of retail electricity receivables are 14 days. Credit terms for business customers vary by contract.

Unbilled revenue is arrived at by using estimated revenue which is calculated by applying the tariffs applicable to specific customer types to estimated volume (or actual volume, if available) of electricity or gas consumed across those customer types, less the total amounts already billed for the relevant period. This process includes the analysis of calculated unbilled volumes and rates (in GWh and millions of therms) taking into consideration, movements in pricing tariffs, seasonality and data on total consumption by supplier obtained by I-SEM. There are a number of offerings such as sign-up bonuses, discounts and rewards available to customers which are all accounted for as variable consideration under IFRS 15. Discounts and rewards that are enduring are applied over time to our relevant customer bills. On joining the sign-up bonuses are applied to customer accounts which are recognised over time in line with customer usage.

Other revenue

Other revenue comprises of income derived from the provision of energy and telecommunications services and represents the transaction prices of services and works delivered to customers. Services are deemed to have been delivered to customers when, and to the extent that, the entity has met its performance obligations under its contracts. Revenue is recognised over time in accordance with the input method in the income statement in line with the contract terms in proportion to the stage of completion, based on total costs of the contract. Billed revenue is recognised as a trade receivable-non energy and is normally settled in 30 business days. Unbilled revenue is recognised in other receivables.

ESB Networks - Revenue from Use of System charges to customers

ESB Networks mainly recognises revenue from Use of System that comprises of Distribution Use of System (DUoS) revenue and Transmission Use of System (TUoS) revenue. ESB Networks operates in the Republic of Ireland and is a regulated business, earning its revenue primarily from an allowed return on its Regulated Asset Base (RAB) and recovery of its operating costs.

DUoS revenue is earned through charges to suppliers for the use of the ESB Networks distribution system. DUoS revenue is recognised in line with the use of the system by suppliers and any outstanding billed and unbilled usage for DUoS is included as a Use of System receivable on the balance sheet. DUoS revenue is invoiced on a bi-monthly basis. Revenue is also earned from operations & maintenance annual charges for generators connected to the distribution system. These are based on a standard amount per km line or cable and are recognised over time as the performance obligation is satisfied.

TUoS revenue is earned by maintaining the transmission assets to facilitate their effective operation by EirGrid. For this fixed price contract TUoS revenue is recognised over time on a straight-line basis and a Use of System receivable is recognised on the balance sheet.

ESB Networks receives non-repayable supply contributions income as a result of providing new connections to its existing network in respect of property, plant and equipment. These contributions are held in trade and other payables as progress payments until their performance obligation is satisfied. When the work on the connection has met the performance obligation they are transferred to deferred income and released to revenue in the income statement over the estimated useful economic lives of the related assets (as a proxy for the life of the cusomter relationship). The useful life of these assets is estimated at 25 and 30 years for distribution and transmission networks respectively.

ESB Networks also recognises revenue from a number of unregulated sources. Revenue is recognised from providing ancillary network services and other miscellaneous income. All unregulated income is recognised at a point in time with a corresponding receivable carried on the balance sheet for each item.

NIE Networks - Revenue from Use of System charges to customers

NIE Networks derives its revenue principally through charges for use of the distribution system (DUoS) levelled on electricity suppliers and transmission service charges (TSC) mainly for use of the transmission system levied on System Operator for Northern Ireland (SONI).

DUoS revenue is recognised in line with the use of the system by suppliers and any outstanding billed and unbilled usage for DUoS is included within Use of System receivable at the balance sheet date.



Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Included within the Group's operating profit are revenues and costs associated with the Public Service Obligation (PSO) charges which are fully recoverable (including amounts paid under the Northern Ireland Sustainable Energy Programme), albeit there are timing differences between the receipt of revenue / payment of costs and the recovery of those amounts through the PSO charges. PSO revenue is earned over time in line with the use of system by suppliers under the schedule of entitlement set by the Utility Regulator for each tariff period. In addition to PSO tariff revenues, NIE Networks recognises income received from the Power Procurement Business (PPB) at a point in time as NIE Networks does not have control over the amount or timing of receipt of PPB revenues.

TSC revenue is earned by maintaining the transmission assets to facilitate the effective operation by SONI. For this fixed price contract TSC revenue is recognised over time on a straight-line basis and a Use of System receivable is recognised on the balance sheet.

NIE Networks receives non-repayable supply contributions income as a result of providing new connections to its existing network in respect of property, plant and equipment. These contributions are held in trade and other payables as progress payments until their performance obligation is satisfied. When the work on the connection has met the performance obligation they are transferred to deferred income and released to revenue in the income statement over the estimated useful economic lives of the related assets(as a proxy for the life of the customer relationship). The useful life of these assets is estimated at 25 and 30 years for distribution and transmission networks respectively.

Generation and Trading revenue - derives mainly from electricity generation

Republic of Ireland

Integrated-Single Electricity Market (I-SEM)

The I-SEM is the wholesale electricity market arrangement for Ireland and Northern Ireland that went live on 1 October 2018. Within I-SEM there are multiple markets or auctions, each spanning different trading time frames, with separate (although related) clearing and settlement mechanisms.

There are two ex-ante markets for physical energy: the Day-Ahead Market and the Intraday Market. In addition, Energy balancing services are offered into the Balancing Market by generators (energy producers) and suppliers (energy consumers). Capacity is a commitment by a generator or interconnector owner to be available to deliver energy into the grid, if called on to do so. Capacity providers who are successful in the Capacity Market receive a regular capacity payment, which assists with funding generation capacity. Revenue from the sale of electricity in the I-SEM markets are recognised over time on consumption of electricity and an I-SEM receivable is recognised on the balance sheet and settled daily for the ex-ante market and weekly for the ex-post market.

Capacity income is received through the 'Capacity Remuneration Mechanism' (CRM) where a capacity payment is made to a participant in respect of a Generator Unit in each Capacity Period on the basis of the Unit's Eligible Availability, which is based on the Unit's Availability Profile. Revenue is recognised over time and recognised as an I-SEM receivable on the balance sheet and settled within one month.

Ancillary income is received through 'Delivering a Secure Sustainable Electricity System' (DS3) programme for provision of frequency response services to the grid. Ancillary income is recognised over time. Ancillary income is recognised as an I-SEM receivable on the balance sheet and settled within one month.

Great Britain

British Electricity Trading and Transmission Arrangements is the wholesale electricity market operating in Great Britain (GB). Unlike the I-SEM, trading can take place between generators and suppliers either bilaterally or through exchanges. Both physical and financial contracts can be struck to manage price volatility, for timescales ranging from several years ahead to on-the-day trading markets. The British Government operates a capacity remuneration scheme and under the scheme, generators are awarded capacity contracts (based on the outcome of an auction) that enable them to receive payments for the provision of generation capacity while also incurring penalties for non-delivery during scarcity events. Revenue in respect of capacity payments is recognised over time.

Revenue derived from GB is through the sale of power to individual GB counterparties and is recognised over time when performance obligations are satisfied. Revenue relating to the GB market is recognised as other electricity receivables on the balance sheet and settled daily or monthly depending on the terms of the individual contract.

Other Segments - Other revenue

Other revenue comprises of income derived from the provision of electrical, mechanical, civil, environmental, engineering, property sales and consultancy services and represents the transaction price of services and works delivered to customers.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Services are deemed to have been delivered to customers when, and to the extent that, the entity has met its performance obligations under its contracts. Revenue is recognised over time in accordance with the input method in the income statement in line with the contract terms in proportion to the stage of completion, based on total costs of the contract. Billed revenue is recognised as a trade receivable-non electricity and settled in 30 business days. Unbilled revenue is recognised in other receivables.

(xx) Other operating income

Other operating income comprises of income which accrues to the Group outside of the Group's normal trading activities.

(xxi) Operating segments – IFRS 8

ESB has applied the disclosure requirements of IFRS 8 Operating Segments to the Group. IFRS 8 specifies how an entity should disclose information about its segments using a "management approach" under which segment information is presented on the same basis as that used for internal reporting. Financial information for segments whose operating activities are regularly reviewed by the Executive Committee and the Board, collectively the Chief Operating Decision Maker (CODM), in order to make decisions about allocating resources and assessing performance has been presented in note 3 to the financial statements.

(xxii) Costs

(a) Employee costs

Salaries, overtime, expenses, bonuses, social welfare contributions (PRSI), national insurance, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group.

(b) Energy costs

Energy costs comprise direct fuel (primarily coal and gas), purchased electricity, Use of System charges (other electricity costs) and net emissions costs. Fuel and purchased electricity costs are recognised as they are utilised. The Group has entered into certain long term power purchase agreements for fixed amounts. Also included in Energy costs is an amount relating to the impact of the Irish Government's scheme to cap the market revenues of certain electricity generators from 1 December 2022 until June 2023.

(c) Operating and other maintenance costs

Operating and other maintenance costs relate primarily to overhaul and project costs, contractor costs and establishment costs. These costs are recognised in the income statement as they are incurred.

(d) Finance income and finance costs

Finance income comprises interest income on bank deposits, which attract interest at prevailing deposit interest rates, interest income on loans, and interest income on amounts due from equity accounted investees. Finance income in Parent also comprises interest income on amounts due from subsidiary undertakings.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, pension financing charges, fair value gains and losses on financial instruments not qualifying for hedge accounting or where hedge accounting is not used, losses on hedging instruments that are not recognised in operating costs and reclassifications of amounts previously recognised in other comprehensive income.

(xxiii) Exceptional items

The Group has used the term "exceptional" to describe certain items which, in ESB's view, warrant separate disclosure by virtue of their size or incidence, or due to the fact that certain gains or losses are determined to be non-recurring in nature. Exceptional items may include restructuring, significant impairments, profit or loss on asset disposals, material changes in estimates or once off costs where separate identification is important to gain an understanding of the financial statements. Further details of the Group's exceptional items are provided in note 6 of the financial statements.

Notes to the Financial Statements (continued)

2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Parent and consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the income statement and other comprehensive income, and the valuation of the assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

It should be noted that the impact of variation in some assumptions and estimates can have a particularly material impact on the reported results. These include but are not limited to:

(i) Impact of climate-related risks

Specifically given the nature of the Group's operations and the Group's Net Zero by 2040 Strategy, ESB has considered how climate related risks may impact upon the financial statements. In this context, the following have been considered:

(a) Physical Climate Impacts

In 2023, ESB performed a robust physical climate risk and vulnerability assessment for its activities and the relevant hazards under two Inter-Governmental Panel on Climate Change (IPCC) scenarios.

Physical climate events notably storms, flooding and changing weather patterns have the potential to cause damage to ESB assets, particularly in ESB's generation and networks businesses. Preventative maintenance programmes are in place to reduce physical climate risks in these businesses. In relation to electricity network assets, mechanisms exist for the costs of extreme storms to be recovered through regulated tariffs.

Changing weather patterns may also impact on the volumes achieved from the Group's wind and hydro generation assets. Weather events such as intense rainfall could also lead to more incidences where ESB has to manage flood water through its hydro generation plants. A provision for legal claims relating to flooding in Cork in 2009 is in place as set out in note 28.

While physical climate issues have not had a material financial impact to date, the impact of such events is considered as part of ESB's impairment and provisions assessments as required.

(b) Net Zero Transition

ESB's commitments to Net Zero, as well as energy policy changes and the regulatory environment have the potential to impact, in the medium to long term, on the level of electricity generation from ESB's thermal generation fleet. This coupled with an increasing amount of renewables being connected to the grid both in Ireland and Great Britain, as well as increased costs related to thermal energy sources, including carbon costs, may result in changes to future cash flows derived from thermal assets and impact on expected useful lives. These changes are considered through the Group's annual impairment assessments and reviews of asset lives.

ESB's thermal generation fleet has been subject to impairment charges in recent years and the majority of thermal assets are close to the end of their useful economic lives (with the exception of some newer gas fired generation stations, notably Carrington in Great Britain and flexible gas generation assets). ESB's thermal assets, including new flexible generation assets, are required to provide security of supply in both Ireland and GB in the medium term during the transition to net zero. Therefore, no adjustments to the useful economic lives of assets with material carrying values have been made during the period ended 31 December 2023.

(c) Environmental Obligations

Given the nature of the Group's assets, there are specific decommissioning provisions in place relating to asset retirement obligations arising from environmental and other legislation. See part (v) below.

(d) Going concern and Viability Statement

The implications of climate-related risks and opportunities have been considered in the Group's going concern viability statement assessments (as part of ESB's business planning process).

(ii) Retirement benefits

The accounting for the ESB pension liability requires judgement regarding the appropriate accounting treatment in line with IAS 19 - Employee Benefits relating to ESB's committed obligations to the scheme. The Board is satisfied that the appropriate accounting treatment, determined in accordance with IAS 19 Employee Benefits, is to reflect its existing committed obligations, as set out in the notes to the financial statements (see note 25).

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

The employees in NIE Networks are entitled to membership of the Northern Ireland Electricity Pension Scheme (the NIE Networks Scheme) which has both defined benefit and defined contribution arrangements. The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. This involves estimates about uncertain future events including the life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. A pension asset on NIE Networks defined benefit pension scheme has been recognised as the amount of the surplus at the balance sheet date that the Group has a right to. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 24.

(iii) Impairment assessments and carrying value of long-lived assets and goodwill

Assessment of the recoverable amount, being the higher of value in use and the fair value less cost to sell, of property plant and equipment, intangible assets, right-of-use assets, goodwill (described in note 15) and equity accounted investees, in accordance with IAS 36 Impairment of Assets, as described below:

- For power generation assets, value in use is based on the estimated Cash flows expected to be generated by the asset which are based on an external review of forecast power generation and forecast power, gas, carbon and capacity prices (where applicable), the timing and extent of operating costs and capital expenditure and ancillary income.
- For goodwill on the acquisition of Northern Ireland Electricity Networks, the fair value is calculated by reference to the market valuations of comparable regulated utilities. See note 15 for further details.
- For goodwill on the acquisition of So Energy Ltd (So Energy), the value in use is based on expected cashflows and a terminal value. Expected cashflows are based on assumptions in respect of customer numbers, margin per customer and operating costs. See note 15 for further details.
- For other tangible and intangible assets, where assets are required to be tested for impairment, value in use is determined based on estimated cashflows or other benefits expected to be derived from use of the assets.
- For fair value less cost to sell, the approach is consistent across all assets where fair values are based on independent third party assessments less costs.
- Cash flows used in value in use models are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The estimation of forecasted revenues and the timing of expenditure requires judgement and is dependent on the economic factors associated with these assets.
- The equity investment in Neart na Gaoithe has been assessed based on a fair value less costs to sell approach determined by an independent third party. The valuer has determined the fair value less costs to sell based on market assumptions using the income approach under IFRS 13 and in line with IAS 36. Please refer to note 16 for further details.

(iv) Financial instruments

As described in note 29 section (i), the valuation of certain financial instruments is based on a number of judgemental factors and assumptions which of necessity are not based on observable inputs. These have been classified as level 3 financial instruments, under the meaning of IFRS 13 Fair Value Measurement and IAS 36 Impairment of Assets. The designation of commodity contracts held as own use (and therefore not within the scope of IFRS 9) requires judgement related to the nature of the contract and the expected sale, purchase or usage requirements of the relevant commodity.

(v) Asset retirement obligations, legal and other provisions

Future costs required to settle current provisions such as the power station closure costs, creosote treated wood pole retirement provision and employee liabilities including severance obligations. These liabilities are disclosed in notes 24, 25 and 28.

There is significant estimation and judgement required in the calculation of the provision for generation assets, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, the impact of alternative technologies and the use of appropriate discount rates.

There is significant estimation required in determining the level of provision required for the disposal of creosote treated wood poles. This includes estimating the disposal cost per pole, which will be determined via competitive tender processes, the period over which poles will be disposed of which is dependent on pole condition and the use of an appropriate discount rate. The period over which poles are disposed of is estimated based on current operational plans which could change significantly in the future as a result of environmental legislation or pole condition.

The calculation of provisions in respect of legal claims requires judgement including an assessment of the outcome of relevant claims. Details of estimates and judgements regarding ongoing legal claims are disclosed in notes 28 and 30.



Notes to the Financial Statements (continued)

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

(vi) Valuation of receivables and payables

The measurement of a number of assets, liabilities, income and costs at year end which require a high degree of estimation and judgement are estimated in accordance with the accounting policies of the Group and current EU IFRS. Items which require a high degree of estimation and judgement include the calculation of unbilled electricity income and trade and other receivables (see note 18), amounts due from equity accounted investees (see note 18), the valuation of fuel stocks (see note 17), the cost of fuel consumed (see note 17), the useful lives of property, plant and equipment (see note 12) and also accruals for goods received or work carried out for which supplier invoices have not yet been received (see note 26).

ESB provide services to over 2 million customers and business accounts, mainly on credit terms. It is known that certain debts due to ESB will not be paid through the default of a small number of customers. Forward looking estimates are used in determining the level of debts that is expected to not be collected. These estimates include such factors as the current state of the economic situation in Ireland and Great Britain and particular industry issues (see note 18).

Recoverability of amounts due from subsidiaries by ESB Parent requires judgement in respect of the ability of subsidiary companies to generate sufficient cash flows to repay the amounts as they fall due.

(vii) Lease liabilities

Application of IFRS 16 requires the Group to make judgements that affect the valuation of lease liabilities, the valuation of right-of-use assets, the discount rate used to discount the lease payments and the lease terms.

(viii) Accounting for Networks supply contributions

The accounting for network supply contributions area remains under consideration within the industry and the accounting profession more broadly, and the accounting treatment ultimately adopted by the Group in this area could therefore be impacted by the outcome of these ongoing discussions.

(ix) Partnership with Ørsted

In June 2023, ESB and Ørsted entered into a joint arrangement to develop a portfolio of offshore wind projects around the east, south and west coast of Ireland. To this end, special purpose vehicles have been incorporated and are controlled equally by ESB and Ørsted to develop these projects. These special purpose vehicles were wholly owned subsidiaries of ESB prior to the arrangement and are now joint ventures. A gain of €10.2 million has been recognised on the loss of control of the previously wholly owned subsidiaries with the fair value of ESB's retained investment in the joint ventures being valued at nil. The arrangement also includes additional contingent consideration to be received by ESB from Ørsted related to a number of key milestones being reached on each project. Due to the projects being in the early stages of development, the fair value of this contingent consideration has been estimated as €nil.

(x) Presentation of relevant balances associated with Temporary Emergency Generation contracts

ESB has entered into Temporary Emergency Generation contracts with EirGrid whereby ESB's role in the arrangements is to accommodate the provision of temporary electricity generation capacity providing security of energy supply to the Irish electricity grid. As of 31 December 2023, two such arrangements are in place at North Wall in Dublin and Shannonbridge in Co. Offaly. Under the arrangements, all associated costs (net of revenues generated) of the related assets, including purchasing, construction, operation, maintenance and decommissioning (net of disposal proceeds) are reimbursed in full to ESB by EirGrid. The direction regarding use of the asset is determined by EirGrid and not by ESB.

Judgement is required regarding how these arrangements are presented in the Group financial statements. In making this judgement the requirements of the IFRS Conceptual Framework for Financial Reporting, IAS 1 Presentation of Financial Statements, IAS 32 Financial Instruments: Presentation, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases have been considered.

With ESB not retaining risk and reward associated with ownership of the assets and ESB being fully reimbursed for all related costs (net of revenues generated), no Property, Plant and Equipment nor Right-of-Use assets have been recognised in the Group financial statements. Costs and associated reimbursements are presented on a net basis in the financial statements where transacted with the same party. Where this is not the case, costs and associated reimbursements are presented on a gross basis. Service fees accruing to ESB are recognised in line with the requirements of IFRS 15 Revenue from Contracts with Customers.

3. SEGMENT REPORTING

For management purposes, the Group is organised into four key reportable segments, being the Group's strategic divisions which are managed separately and in respect of which internal management information is supplied to Executive Management and to the Board being collectively the Chief Operating Decision Maker (CODM) of the Group. Three further corporate divisions provide support and other services to the principal operating divisions of the Group and are combined as Other Segments in the information below.

A description of the Group's key reportable segments is as follows:

- **(a) Customer Solutions** develops, markets, sells and services innovative energy supply and service offerings through all of ESB's customer-facing brands (Electric Ireland, Smart Energy Services, ESB e-Cars, ESB Telecoms, ESB Energy and So Energy) in Ireland (Republic of Ireland (ROI)), Northern Ireland (NI) and Great Britain (GB). Electric Ireland is the leading supplier of electricity and gas to domestic customers on the island of Ireland. Customer Solutions operates in the GB domestic market through So Energy. Electric Ireland also has a substantial market share in the non-domestic sector in both the ROI and NI. Revenues are primarily derived from sales to electricity and gas customers.
- **(b) ESB Networks** is principally concerned with the ownership and operation of the electricity distribution network and the ownership of the electricity transmission network in ROI. ESB Networks is a regulated business earning an allowed return on its Regulated Asset Base (RAB) and derives its revenue principally from charges for the use of the distribution system levied on electricity suppliers and from charges for transmission services collected from EirGrid Plc. It is ring-fenced by regulation from the Group's generation and supply business.
- **(c) Generation and Trading** operates, develops, constructs and trades the output of power stations and wind farms in ROI, NI and GB. This includes wholly owned subsidiaries and investments in joint ventures.
- **(d) NIE Networks** is principally concerned with the ownership and operation of the electricity distribution network and the ownership of the electricity transmission network in NI. NIE Networks is a regulated business earning an allowed return on its Regulated Asset Base (RAB) and derives its revenue principally from charges for the use of the distribution system levied on electricity suppliers and from charges for transmission services collected from the System Operator for Northern Ireland (SONI).
- **(e) Other Segments** include the results of internal service providers, which supply the main business units of the Group with support services. These segments are governed by regulation, and service level agreements are designed to ensure that transactions between operating segments are on an arm's length basis similar to transactions with third parties. This segment also includes most finance costs in the Group, as the majority of Treasury activity is conducted centrally. Finance costs incurred centrally are not recharged to other operating segments.

The CODM monitors the operating results of the segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit. Assets and liabilities are not reported by segment to the CODM.

Revenue by product

Reportable segments are split by type of product revenue earned. Customer Solutions revenues consist of sales to electricity and gas customers and other related services as set out at (a) above. Generation and Trading revenue derives mainly from electricity generation. ESB Networks and NIE Networks earn Use of System income in the ROI and NI respectively. Revenue included within Other Segments relates primarily to engineering services.

Notes to the Financial Statements (continued)

3. SEGMENT REPORTING (continued)

(a) Income Statement

(i) Segment revenue - 2023

	Customer Solutions	ESB Networks	Generation and Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
External revenues	5,838.5	973.6	1,618.9	334.5	10.2	-	<b>8,775.7</b>
Inter-segment revenue	217.6	400.4	1,828.7	48.7	427.0	(2,922.4)	-
<b>Revenue</b>	<b>6,056.1</b>	<b>1,374.0</b>	<b>3,447.6</b>	<b>383.2</b>	<b>437.2</b>	<b>(2,922.4)</b>	<b>8,775.7</b>

(ii) Segment operating costs - 2023

Depreciation and amortisation	(22.3)	(553.2)	(144.6)	(191.2)	(31.0)	-	<b>(942.3)</b>
Net other operating costs	(5,976.2)	(461.8)	(2,567.4)	(114.2)	(439.9)	2,922.4	<b>(6,637.1)</b>
Impairment charge	-	-	(5.1)	-	-	-	<b>(5.1)</b>
Net impairment losses on financial assets	(70.0)	-	-	-	(0.4)	-	<b>(70.4)</b>
<b>Costs</b>	<b>(6,068.5)</b>	<b>(1,015.0)</b>	<b>(2,717.1)</b>	<b>(305.4)</b>	<b>(471.3)</b>	<b>2,922.4</b>	<b>(7,654.9)</b>

(iii) Operating result - 2023

Operating profit / (loss) - excluding exceptional items	(12.4)	359.0	730.5	77.8	(34.1)	-	<b>1,120.8</b>
Operating profit / (loss) - including exceptional items	(12.4)	359.0	730.5	77.8	(34.1)	-	<b>1,120.8</b>
Net finance (cost) / income	(24.1)	(11.5)	28.5	(50.2)	(60.8)	-	<b>(118.1)</b>
Impairment of equity accounted investee	-	-	(14.8)	-	-	-	<b>(14.8)</b>
Share of equity accounted investees' profit / (loss)	-	-	25.1	-	(11.4)	-	<b>13.7</b>
<b>Profit / (loss) before taxation</b>	<b>(36.5)</b>	<b>347.5</b>	<b>769.3</b>	<b>27.6</b>	<b>(106.3)</b>	<b>-</b>	<b>1,001.6</b>

3. SEGMENT REPORTING (continued)

(i) Segment revenue - 2022

	Customer Solutions	ESB Networks	Generation and Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
External revenues	5,471.1	789.7	1,016.3	296.8	22.2	-	7,596.1
Inter-segment revenue	65.6	401.5	2,285.3	49.0	352.3	(3,153.7)	-
<b>Revenue</b>	<b>5,536.7</b>	<b>1,191.2</b>	<b>3,301.6</b>	<b>345.8</b>	<b>374.5</b>	<b>(3,153.7)</b>	<b>7,596.1</b>

(ii) Segment operating costs - 2022

Depreciation and amortisation	(29.9)	(531.4)	(145.4)	(183.7)	(24.2)	-	(914.6)
Net other operating costs	(5,577.0)	(452.9)	(2,379.3)	(98.4)	(439.6)	3,153.7	(5,793.5)
Impairment charge	(0.2)	-	(2.6)	-	-	-	(2.8)
Net impairment (losses) / gains on financial assets	(38.5)	-	-	-	-	-	(38.5)
<b>Costs</b>	<b>(5,645.6)</b>	<b>(984.3)</b>	<b>(2,527.3)</b>	<b>(282.1)</b>	<b>(463.8)</b>	<b>3,153.7</b>	<b>(6,749.4)</b>

(iii) Operating result - 2022

Operating profit / (loss) - excluding exceptional items	(108.9)	206.9	774.3	63.7	(89.3)	-	846.7
Operating profit / (loss) - including exceptional items	(108.9)	206.9	774.3	63.7	(89.3)	-	846.7
Net finance (cost) / income	(8.1)	(2.8)	(8.2)	(44.2)	38.9	-	(24.4)
Exceptional impairment of equity accounted investee	-	-	(91.2)	-	-	-	(91.2)
Share of equity accounted investees' loss	-	-	(14.5)	-	(16.4)	-	(30.9)
<b>Profit / (loss) before taxation</b>	<b>(117.0)</b>	<b>204.1</b>	<b>660.4</b>	<b>19.5</b>	<b>(66.8)</b>	<b>-</b>	<b>700.2</b>

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

(b) Other disclosures

	2023 €m	2022 €m
<b>Additions to non-current assets</b>		
Customer Solutions	<b>49.7</b>	31.0
ESB Networks	<b>991.9</b>	869.1
Generation and Trading	<b>418.3</b>	207.0
NIE Networks	<b>248.6</b>	255.5
Other Segments	<b>20.0</b>	32.5
<b>Total</b>	<b>1,728.5</b>	1,395.1

Additions to non-current assets (excluding acquisitions) includes investments in property, plant and equipment, intangible assets (excluding emission allowances), financial assets and equity accounted investees.



Notes to the Financial Statements (continued)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. ESB has determined that the disaggregation using existing segments and the nature of revenues is appropriate for its circumstances.

2023	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
<b>External revenues</b>							
Revenue from Power Generation	-	-	1,589.3	-	-	-	<b>1,589.3</b>
Revenue from Use of System charges to customers	-	879.3	-	309.4	-	-	<b>1,188.7</b>
Revenue from supply contributions	-	67.8	-	24.2	-	-	<b>92.0</b>
Revenue from sales to electricity and gas customers	5,792.0	-	-	-	-	-	<b>5,792.0</b>
Other revenue	46.5	26.5	29.6	0.9	10.2	-	<b>113.7</b>
<b>Revenue from contracts with customers</b>	<b>5,838.5</b>	<b>973.6</b>	<b>1,618.9</b>	<b>334.5</b>	<b>10.2</b>	<b>-</b>	<b>8,775.7</b>
Inter-segment revenue	217.6	400.4	1,828.7	48.7	427.0	(2,922.4)	-
<b>Total ESB Group revenue</b>	<b>6,056.1</b>	<b>1,374.0</b>	<b>3,447.6</b>	<b>383.2</b>	<b>437.2</b>	<b>(2,922.4)</b>	<b>8,775.7</b>

Included in revenue from sales to electricity and gas customers is an amount of €235.1 million (2022: €109.1 million) from the UK Government in respect of the Energy Price Guarantee scheme.

2022	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
<b>External revenues</b>							
Revenue from Power Generation	-	-	995.6	-	-	-	995.6
Revenue from Use of System charges to customers	-	701.2	-	273.2	-	-	974.4
Revenue from supply contributions	-	67.0	-	22.5	-	-	89.5
Revenue from sales to electricity and gas customers	5,431.7	-	-	-	-	-	5,431.7
Other revenue	39.4	21.5	20.7	1.1	22.2	-	104.9
<b>Revenue from contracts with customers</b>	<b>5,471.1</b>	<b>789.7</b>	<b>1,016.3</b>	<b>296.8</b>	<b>22.2</b>	<b>-</b>	<b>7,596.1</b>
Inter-segment revenue	65.6	401.5	2,285.3	49.0	352.3	(3,153.7)	-
<b>Total ESB Group revenue</b>	<b>5,536.7</b>	<b>1,191.2</b>	<b>3,301.6</b>	<b>345.8</b>	<b>374.5</b>	<b>(3,153.7)</b>	<b>7,596.1</b>

5. GEOGRAPHIC INFORMATION

(a) Non-current assets by geographic location

	2023 €m	2022 €m
Ireland	<b>9,956.1</b>	9,207.3
UK including Northern Ireland	<b>3,294.7</b>	3,233.9
<b>Total</b>	<b>13,250.8</b>	12,441.2

Non-current assets for this purpose consist of property, plant and equipment, intangible assets (excluding emission allowances and ROCs), right of use assets, and goodwill. Investments in equity accounted investees, financial asset investments, trade and other receivables, derivative financial instruments, deferred tax assets and NIE networks pension assets are excluded.

(b) External revenue by geographic market

	2023 €m	2022 €m
Ireland	<b>6,796.0</b>	5,865.6
UK including Northern Ireland	<b>1,971.7</b>	1,711.6
Rest of world	<b>8.0</b>	18.9
<b>Total</b>	<b>8,775.7</b>	7,596.1

6. EXCEPTIONAL ITEMS

	2023 €m	2022 €m
Impairment of equity accounted investee	-	(91.2)
	-	(91.2)

The Group has used the term “exceptional” to describe certain items which, in management’s view, warrant separate disclosure by virtue of their size or incidence, or due to the fact that certain gains or losses are determined to be non-recurring in nature.

There have been no items which in management’s view warrant separate disclosure as “exceptional” in 2023.

A further impairment charge has been recognised in 2023 in respect of the Neart na Gaoithe project but which has not been deemed material enough to warrant separate disclosure as an exceptional item. Please refer to note 16 for further details.

2022 Impairment of equity accounted investee

The Neart na Gaoithe (UK) project is being constructed through NNG Windfarm Holdings Limited, a joint arrangement between ESB II UK Limited and EDF Renewables UK Limited. The purpose of this joint arrangement is to develop a 448 MW wind farm off the east coast of Scotland. However, significant challenges were experienced in the delivery of the foundations package during 2021 and early 2022. As a result, commercial operations will be later than originally expected and additional construction costs will be incurred.

An impairment test of the carrying value of the Neart na Gaoithe project, included within investments in equity accounted investees, was performed as at 31 December 2022. The valuation methodology used to value the Group’s equity accounted investment in Neart na Gaoithe was based on a discounted cash flow model (i.e. income approach) to determine a fair value less cost to sell in line with IFRS 13 and in line with IAS 36.

Notes to the Financial Statements (continued)

6. EXCEPTIONAL ITEMS (continued)

The main assumptions used in performing the impairment test were as follows:

- Estimated construction costs to complete
- Project timelines, including the estimated Commercial Operation Date which impact on the overall construction costs and overall revenues
- The level of financial commitments
- The impact of inflation, interest and FX hedges
- Estimate of long term inflation rate for unhedged revenues
- Forecast market prices
- Forecast wind load factors
- A pre-tax discount rate for operational cash flows

The recoverable amount of the investment included within equity accounted investees was assessed as €41.2 million as at 31 December 2022. This was compared to the carrying value of the investment which had increased during 2022 as a result of fair valuation movements on hedges. This resulted in an impairment charge of €91.2 million being recorded as an exceptional item. No expected credit loss provision was recorded in respect of loans to the project. The amount due in respect of loans to the project at 31 December 2022 was €328.4 million. The Group also had further commitments of €233 million at 31 December 2022 (see note 29 (e)).

7. OTHER OPERATING INCOME / (EXPENSES)

	2023	2022
	€m	€m
Loss on disposal of property, plant and equipment and intangible assets	(1.0)	(0.9)
Profit on disposal of subsidiaries	10.2	3.4
Other operating income	-	12.6
Dividends received	-	4.0
<b>Total</b>	<b>9.2</b>	<b>19.1</b>

8. OPERATING COSTS (including net impairment losses on financial assets)

	2023	2022
	€m	€m
Employee costs (note 10)	598.7	532.0
Energy costs <sup>1/4</sup>	5,458.4	4,627.0
Operations and maintenance <sup>2</sup>	589.2	653.6
Net impairment losses on financial assets (note 18)	70.4	38.5
Depreciation and amortisation (notes 12/13/14)	942.3	914.6
Impairment charges (note 12/13) <sup>3</sup>	5.1	2.8
<b>Total</b>	<b>7,664.1</b>	<b>6,768.5</b>

1 Included in energy costs is a gain of €20.5 million (2022: charge of €11.6 million) relating to the fair valuing of fuel commodity contracts and related foreign exchange contracts which have not been designated as accounting hedges.

2 Included in operations and maintenance is a foreign exchange retranslation gain of €4.2 million (2022: loss of €70.5 million) predominantly related to sterling denominated intercompany positions, short term deposits and long term debt and a charge of €0.9 million (2022: gain of €3.0 million) relating to fair valuing of foreign exchange contracts which have not been designated as accounting hedges.

3 Impairment charges of €5.1 million (2022: €2.8 million) in respect of Property, plant and equipment (note 12) and Intangible assets (note 13) have been recognised in 2023.

4 Included in Energy costs is an amount of €59.7 million (2022: €15.8 million) relating to the impact of the Irish Government's scheme to cap the market revenues of certain electricity generators from 1 December 2022 until June 2023. This was paid in January 2024.

9. NET FINANCE COST AND OTHER FINANCING CHARGES

	2023	2022
	€m	€m
Interest payable on borrowings	223.0	159.9
Less capitalised interest	(31.9)	(28.6)
<b>Net interest on borrowings</b>	<b>191.1</b>	<b>131.3</b>
<b>Financing charges:</b>		
▪ on NIE Networks pension scheme (note 24)	(3.7)	(0.1)
▪ on ESB pension scheme (note 25)	4.2	4.5
▪ on provisions (note 28)	16.7	8.7
▪ on lease obligations (note 14)	2.3	2.0
▪ on other provisions (note 28)	-	0.1
<b>Total financing charges</b>	<b>19.5</b>	<b>15.2</b>
<b>Fair value losses / (gains) on financial instruments:</b>		
▪ interest rate swaps and inflation linked swaps not qualifying for hedge accounting	13.3	(86.5)
▪ currency / interest rate swaps: cash flow hedges, transfer from OCI	2.9	2.6
▪ foreign exchange contracts not qualifying for hedge accounting	4.3	(2.0)
▪ gain arising on derivatives as designated hedging instruments in fair value hedges	(40.4)	-
▪ loss arising on adjustment for the hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship	40.4	-
<b>Total fair value losses / (gains) on financial instruments</b>	<b>20.5</b>	<b>(85.9)</b>
<b>Finance cost</b>	<b>231.1</b>	<b>60.6</b>
<b>Finance income</b>	<b>(113.0)</b>	<b>(36.2)</b>
<b>Net finance cost</b>	<b>118.1</b>	<b>24.4</b>

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the accounting policies - see note 1.

Included in interest rate swaps and inflation linked swaps not qualifying for hedge accounting are fair value losses relating to interest rate swaps, fair value losses on inflation linked interest rate swaps and fair value gains on currency swaps. See note 23a for further details of these movements.

Included in finance income is interest on borrowings receivable from Oweninny Power DAC €0.1 million (2022: €0.1 million), Inch Cape Offshore Limited €6.4 million (2022: €3.8 million), Neart na Gaoithe €27.8 million (2022 €16.1 million), Siro Limited €2.1 million (2022: €2.4 million), Oweninny Power 2 Holdings DAC €1.1 million (2022: €0.4 million), Sundew Solar DAC €0.5 million (2022: €nil). See note 16 for balance sheet information on these receivables.



Notes to the Financial Statements (continued)

10. EMPLOYEES

Group

(a) Average number of employees in year by business activity, including temporary employees:

	2023	2022
	Number	Number
Generation and Trading	771	708
Customer Solutions	980	850
ESB Networks	3,626	3,376
NIE Networks	1,436	1,316
Other Segments	2,077	1,946
Total	8,890	8,196

(b) Employee costs in year

	2023	2022
	€m	€m
Current staff costs (excluding pension)		
Salaries	662.7	591.3
Overtime	48.2	45.7
Wages and salaries	710.9	637.0
Social welfare costs (PRSI and national insurance)	59.1	53.0
Other payroll benefits <sup>1</sup>	37.3	31.2
Payroll cost for employees	807.3	721.2

(c) Pension and other employee benefit costs

	2023	2022
	€m	€m
Pensions charge - other schemes <sup>2</sup>	64.3	54.1
NIE Networks pension scheme charge <sup>3</sup>	5.3	9.5
Total employee related costs	876.9	784.8
Capitalised employee costs	(278.2)	(252.8)
Total employee related costs charged to the income statement	598.7	532.0

1 These benefits primarily include travel and subsistence allowances.

2 The pension charge for other schemes include contributions of €26.4 million (2022: €23.5 million (restated)) to the ESB Defined Benefit Pension Scheme, €22.5 million (2022: €18.7 million) to the ESB Defined Contribution Scheme, €14.5 million (2022: €11.2 million (restated)) to the Options section of the NIE Networks Pension Scheme (NIE Networks Scheme) and €0.9 million (2022: €0.7 million) to the stakeholder pension scheme for Great Britain (GB) employees (FMUK Pension Scheme). See note 24 and 25 for further details.

3 The NIE Networks pension scheme charge relates solely to the Focus section of the Northern Ireland Electricity Scheme (the NIE Networks Scheme). See note 24 for further details.

Parent

(a) Average number of employees in year by business activity, including temporary employees:

	2023	2022
	Number	Number
Generation and Trading	514	464
Customer Solutions	411	393
ESB Networks	3,614	3,359
Other Segments	1,982	1,824
Total	6,521	6,040

10. EMPLOYEES (continued)

(b) Employee costs in year

	2023	2022
	€m	€m
Current staff costs (excluding pension)		
Salaries	510.2	462.4
Overtime	37.5	37.0
Wages and salaries	547.7	499.4
Social welfare costs (PRSI and national insurance)	45.9	41.1
Other payroll benefits <sup>1</sup>	31.0	25.5
Payroll cost for employees	624.6	566.0

(c) Pension and other employee benefit costs

	2023	2022
	€m	€m
Pension charge <sup>2</sup>	45.1	38.6
Total employee related costs	669.7	604.6
Capitalised employee costs	(205.7)	(186.9)
Total employee related costs charged to the income statement	464.0	417.7

1 These benefits primarily include travel and subsistence allowances.

2 The pension charge includes contributions to the ESB Defined Contribution Scheme and the ESB Defined Benefit Pension Scheme. See note 24 for further details.

11. PROFIT FOR THE FINANCIAL YEAR

	2023	2022
	€m	€m
Auditor's remuneration:		
▪ Audit of Group financial statements <sup>1</sup>	0.7	0.6
▪ Other assurance services	1.3	0.9
▪ Tax advisory services (Parent and NIE Networks entities only)	0.1	-
▪ Other non-audit services	-	0.1
ESB (Parent) Board members' remuneration:		
▪ Emoluments	0.5	0.5
▪ Pension contributions	0.1	0.1

The details of Board members remuneration do not include amounts paid to four Worker Board members as employees of ESB (as such pay is neither increased nor decreased because of their membership of the Board) but do include amounts paid to them by way of Board fees.

1 Auditors remuneration attributable to the parent company comprises €0.4 million (2022: €0.4 million) related to audit of parent company financial statements, €0.4 million (2022: €0.4 million) related to other assurance services, €nil million (2022: €nil million) related to tax advisory services and €nil million (2022: €0.1 million) related to other non-audit services.

Post-employment benefit charges of €0.1 million (2022: €0.1 million) arise under the ESB Defined Benefit Scheme relating to one Board Member.

## Notes to the Financial Statements (continued)

## 12. PROPERTY, PLANT &amp; EQUIPMENT

Group	Land and buildings €m	Plant and machinery €m	Total Assets in commission €m	Assets under construction €m	Total €m
<b>Cost</b>					
<b>Balance at 1 January 2022</b>	1,251.0	21,528.1	22,779.1	1,508.7	<b>24,287.8</b>
Additions	-	645.9	645.9	613.6	<b>1,259.5</b>
Retirements / disposals	(3.9)	(14.4)	(18.3)	-	<b>(18.3)</b>
Transfers out of assets under construction	112.7	490.6	603.3	(603.3)	<b>-</b>
Reduction in asset retirement provision	-	(20.2)	(20.2)	-	<b>(20.2)</b>
Other transfers	-	(0.2)	(0.2)	-	<b>(0.2)</b>
Translation differences	(0.8)	(287.6)	(288.4)	(0.4)	<b>(288.8)</b>
<b>Balance at 31 December 2022</b>	1,359.0	22,342.2	23,701.2	1,518.6	<b>25,219.8</b>
<b>Balance at 1 January 2023</b>					
Additions	(13.6)	656.3	642.7	875.0	<b>1,517.7</b>
Retirements / disposals	(15.9)	(140.6)	(156.5)	-	<b>(156.5)</b>
Transfers out of assets under construction	11.1	370.5	381.6	(381.6)	<b>-</b>
Translation differences	0.3	95.4	95.7	0.4	<b>96.1</b>
<b>Balance at 31 December 2023</b>	1,340.9	23,323.8	24,664.7	2,012.4	<b>26,677.1</b>
<b>Depreciation</b>					
<b>Balance at 1 January 2022</b>	739.0	12,193.9	12,932.9	1.6	<b>12,934.5</b>
Charge for the year	23.4	791.8	815.2	-	<b>815.2</b>
Retirements / disposals	-	(10.6)	(10.6)	-	<b>(10.6)</b>
Impairment	-	2.8	2.8	-	<b>2.8</b>
Translation differences	(0.1)	(136.1)	(136.2)	-	<b>(136.2)</b>
<b>Balance at 31 December 2022</b>	762.3	12,841.8	13,604.1	1.6	<b>13,605.7</b>
<b>Balance at 1 January 2023</b>	762.3	12,841.8	13,604.1	1.6	<b>13,605.7</b>
Charge for the year	24.5	818.8	843.3	-	<b>843.3</b>
Retirements / disposals	(12.3)	(134.8)	(147.1)	-	<b>(147.1)</b>
Impairment	-	0.3	0.3	4.3	<b>4.6</b>
Translation differences	(0.2)	45.9	45.7	-	<b>45.7</b>
<b>Balance at 31 December 2023</b>	774.3	13,572.0	14,346.3	5.9	<b>14,352.2</b>
<b>Carrying amount at 31 December 2023</b>	<b>566.6</b>	<b>9,751.8</b>	<b>10,318.4</b>	<b>2,006.5</b>	<b>12,324.9</b>
<b>Carrying amount at 31 December 2022</b>	596.7	9,500.4	10,097.1	1,517.0	<b>11,614.1</b>
<b>Carrying amount at 1 January 2022</b>	512.0	9,334.2	9,846.2	1,507.1	<b>11,353.3</b>

During the year the Group capitalised interest of €28.4 million (2022: €25.2 million) in assets under construction, using a capitalisation rate of 2.4% (2022: 2.2%).

The carrying value of non-depreciable assets (land) at 31 December 2023 is €97.0 million (2022: €97.0 million).

Property, plant and equipment with a carrying amount of €nil at 31 December 2023 is included above at a cost of €5,193.9 million (2022: €5,164.2 million).

Included within additions in 2023 is the net decrease in the asset retirement provision capitalised for Generation and Trading, ESB Networks and NIE Networks of (€21.3) million (2022: increase in the asset retirement provision capitalised of €69.7 million). See note 28 for further details.

Retirements / disposals in both 2023 and 2022 primarily relate to the retirement of assets that have been fully depreciated.

## 12. PROPERTY, PLANT &amp; EQUIPMENT (continued)

The impairment charge in 2023 of €4.6 million (2022: €2.8 million) relates to development projects no longer proceeding and individual assets which are no longer operational.

Parent	Land and buildings €m	Plant and machinery €m	Total Assets in commission €m	Assets under construction €m	Total €m
<b>Cost</b>					
<b>Balance at 1 January 2022</b>	1,212.6	15,041.2	16,253.8	1,287.8	<b>17,541.6</b>
Additions	-	396.3	396.3	576.1	<b>972.4</b>
Retirements / disposals	-	(6.8)	(6.8)	-	<b>(6.8)</b>
Transfers out of assets under construction	29.6	391.6	421.2	(421.2)	<b>-</b>
Reduction in asset retirement provision	-	(2.9)	(2.9)	-	<b>(2.9)</b>
<b>Balance at 31 December 2022</b>	1,242.2	15,819.4	17,061.6	1,442.7	<b>18,504.3</b>
<b>Balance at 1 January 2023</b>	1,242.2	15,819.4	17,061.6	1,442.7	<b>18,504.3</b>
Additions	-	410.6	410.6	824.9	<b>1,235.5</b>
Retirements / disposals	(12.3)	(11.9)	(24.2)	-	<b>(24.2)</b>
Transfers out of assets under construction	7.2	338.3	345.5	(345.5)	<b>-</b>
<b>Balance at 31 December 2023</b>	1,237.1	16,556.4	17,793.5	1,922.1	<b>19,715.6</b>
<b>Depreciation</b>					
<b>Balance at 1 January 2022</b>	723.1	9,097.5	9,820.6	-	<b>9,820.6</b>
Charge for the year	22.2	505.3	527.5	-	<b>527.5</b>
Retirements / disposals	-	(6.6)	(6.6)	-	<b>(6.6)</b>
<b>Balance at 31 December 2022</b>	745.3	9,596.2	10,341.5	-	<b>10,341.5</b>
<b>Balance at 1 January 2023</b>	745.3	9,596.2	10,341.5	-	<b>10,341.5</b>
Charge for the year	22.7	526.3	549.0	-	<b>549.0</b>
Retirements / disposals	(12.3)	(10.1)	(22.4)	-	<b>(22.4)</b>
<b>Balance at 31 December 2023</b>	755.7	10,112.4	10,868.1	-	<b>10,868.1</b>
<b>Carrying amount at 31 December 2023</b>	<b>481.4</b>	<b>6,444.0</b>	<b>6,925.4</b>	<b>1,922.1</b>	<b>8,847.5</b>
<b>Carrying amount at 31 December 2022</b>	496.9	6,223.2	6,720.1	1,442.7	<b>8,162.8</b>
<b>Carrying amount at 1 January 2022</b>	489.5	5,943.7	6,433.2	1,287.8	<b>7,721.0</b>

During the year the Parent capitalised interest of €27.8 million (2022: €25.8 million) in assets under construction, using a capitalisation rate of 2.4% (2022: 2.2%).

The carrying value of non-depreciable assets (land) at 31 December 2023 is €79.9 million (2022: €79.9 million).

Included within additions in 2023 is the reduction in the asset retirement provision capitalised for Generation and Trading and ESB Networks of €18.7 million (2022: increase in the asset retirement provision capitalised of €34.3 million). See note 28 for further details.

Property, plant and equipment with a carrying amount of €nil at 31 December 2023 are included above at a cost of €4,098.7 million (2022: €4,068.7 million (restated)).

Retirements / disposals in both 2023 and 2022 primarily relate to the retirement of assets that have been fully depreciated.



## Notes to the Financial Statements (continued)

## 13. INTANGIBLE ASSETS

Group	Software and other intangible assets €m	Emission allowances & ROCs €m	Software under development €m	Total €m
<b>Cost</b>				
<b>Balance at 1 January 2022</b>	1,127.3	304.6	91.7	<b>1,523.6</b>
Software additions	7.9	-	124.4	<b>132.3</b>
Purchase of / internally generated emission allowances	-	753.2	-	<b>753.2</b>
Settlement of emission allowances	-	(378.6)	-	<b>(378.6)</b>
Transfers out of software under development	19.4	-	(19.4)	<b>-</b>
Transfer to income statement	(24.5)	-	-	<b>(24.5)</b>
Translation differences	(8.8)	(1.2)	(0.5)	<b>(10.5)</b>
<b>Balance at 31 December 2022</b>	<b>1,121.3</b>	<b>678.0</b>	<b>196.2</b>	<b>1,995.5</b>
<b>Balance at 1 January 2023</b>	<b>1,121.3</b>	<b>678.0</b>	<b>196.2</b>	<b>1,995.5</b>
Software additions	13.8	-	161.7	<b>175.5</b>
Purchase of / internally generated emission allowances	-	257.7	-	<b>257.7</b>
Settlement of emission allowances	-	(497.8)	-	<b>(497.8)</b>
Software retirements	(91.6)	-	(3.0)	<b>(94.6)</b>
Transfers out of software under development	149.8	-	(149.8)	<b>-</b>
Translation differences	3.8	0.2	0.9	<b>4.9</b>
<b>Balance at 31 December 2023</b>	<b>1,197.1</b>	<b>438.1</b>	<b>206</b>	<b>1,841.2</b>
<b>Amortisation</b>				
<b>Balance at 1 January 2022</b>	727.7	-	-	<b>727.7</b>
Charge for the year	84.6	-	-	<b>84.6</b>
Translation differences	(6.8)	-	-	<b>(6.8)</b>
<b>Balance at 31 December 2022</b>	<b>805.5</b>	<b>-</b>	<b>-</b>	<b>805.5</b>
<b>Balance at 1 January 2023</b>	<b>805.5</b>	<b>-</b>	<b>-</b>	<b>805.5</b>
Charge for the year	84.2	-	-	<b>84.2</b>
Retirements	(91.5)	-	-	<b>(91.5)</b>
Impairment	0.6	-	-	<b>0.6</b>
Translation differences	3.6	-	-	<b>3.6</b>
<b>Balance at 31 December 2023</b>	<b>802.4</b>	<b>-</b>	<b>-</b>	<b>802.4</b>
<b>Carrying amount at 31 December 2023</b>	<b>394.7</b>	<b>438.1</b>	<b>206.0</b>	<b>1,038.8</b>
<b>Carrying amount at 31 December 2022</b>	<b>315.8</b>	<b>678.0</b>	<b>196.2</b>	<b>1,190.0</b>
<b>Carrying amount at 1 January 2022</b>	<b>399.6</b>	<b>304.6</b>	<b>91.7</b>	<b>795.9</b>
<b>Analysed as follows:</b>				
Non-current intangible assets	394.7	-	206.0	<b>600.7</b>
Current intangible assets	-	438.1	-	<b>438.1</b>
<b>Total intangible assets at 31 December 2023</b>	<b>394.7</b>	<b>438.1</b>	<b>206.0</b>	<b>1,038.8</b>
Non-current intangible assets	315.8	-	196.2	512.0
Current intangible assets	-	678.0	-	678.0
<b>Total intangible assets at 31 December 2022</b>	<b>315.8</b>	<b>678.0</b>	<b>196.2</b>	<b>1,190.0</b>

Software assets include both internally developed and externally purchased assets with the majority being represented by internally developed assets.

Other intangibles assets include grid connections with a carrying amount of €3.9 million (2022: €4.2 million).

During the year the Group capitalised interest of €3.5 million (2022: €3.4 million) in software under development, using a capitalisation rate of 2.4% (2022: 2.2%).

## 13. INTANGIBLE ASSETS (continued)

Retirements / disposals in both 2023 and 2022 primarily relate to the retirement of assets that have been fully amortised.

The impairment charge in 2023 of €0.6 million (2022: €nil million) relates to windfarm projects that may no longer proceed.

Parent	Software and other intangible assets €m	Emission allowances €m	Software under development €m	Total €m
<b>Cost</b>				
<b>Balance at 1 January 2022</b>	880.2	284.1	81.9	<b>1,246.2</b>
Software additions	-	-	121.7	<b>121.7</b>
Purchase of / internally generated emission allowances	-	569.5	-	<b>569.5</b>
Settlement of emission allowances	-	(204.4)	-	<b>(204.4)</b>
Transfers out of software under development	19.4	-	(19.4)	<b>-</b>
<b>Balance at 31 December 2022</b>	<b>899.6</b>	<b>649.2</b>	<b>184.2</b>	<b>1,733.0</b>
<b>Balance at 1 January 2023</b>	<b>899.6</b>	<b>649.2</b>	<b>184.2</b>	<b>1,733.0</b>
Software additions	-	-	156.9	<b>156.9</b>
Purchase of / internally generated emission allowances	-	(6.5)	-	<b>(6.5)</b>
Settlement of emission allowances	-	(239.3)	-	<b>(239.3)</b>
Software retirements	(91.6)	-	(3.0)	<b>(94.6)</b>
Transfers out of software under development	149.4	-	(149.4)	<b>-</b>
<b>Balance at 31 December 2023</b>	<b>957.4</b>	<b>403.4</b>	<b>188.7</b>	<b>1,549.5</b>
<b>Amortisation</b>				
<b>Balance at 1 January 2022</b>	550.3	-	-	<b>550.3</b>
Charge for the year	71.0	-	-	<b>71.0</b>
<b>Balance at 31 December 2022</b>	<b>621.3</b>	<b>-</b>	<b>-</b>	<b>621.3</b>
<b>Balance at 1 January 2023</b>	<b>621.3</b>	<b>-</b>	<b>-</b>	<b>621.3</b>
Charge for the year	78.4	-	-	<b>78.4</b>
Retirements / disposals	(91.5)	-	-	<b>(91.5)</b>
<b>Balance at 31 December 2023</b>	<b>608.2</b>	<b>-</b>	<b>-</b>	<b>608.2</b>
<b>Carrying amount at 31 December 2023</b>	<b>349.2</b>	<b>403.4</b>	<b>188.7</b>	<b>941.3</b>
<b>Carrying amount at 31 December 2022</b>	<b>278.3</b>	<b>649.2</b>	<b>184.2</b>	<b>1,111.7</b>
<b>Carrying amount at 1 January 2022</b>	<b>329.9</b>	<b>284.1</b>	<b>81.9</b>	<b>695.9</b>
<b>Analysed as follows:</b>				
Non-current intangible assets	349.2	-	188.7	<b>537.9</b>
Current intangible assets	-	403.4	-	<b>403.4</b>
<b>Total intangible assets at 31 December 2023</b>	<b>349.2</b>	<b>403.4</b>	<b>188.7</b>	<b>941.3</b>
Non-current intangible assets	278.3	-	184.2	<b>462.5</b>
Current intangible assets	-	649.2	-	<b>649.2</b>
<b>Total intangible assets at 31 December 2022</b>	<b>278.3</b>	<b>649.2</b>	<b>184.2</b>	<b>1,111.7</b>

Software assets include both internally developed and externally purchased assets with the majority being represented by internally developed assets.

Other intangible assets include grid connections with a carrying amount of €1.1 million (2022: €1.3 million).

During the year the Parent capitalised interest of €3.5 million (2022: €3.4 million) in software under development, using a capitalisation rate of 2.4% (2022: 2.2%).

Retirements / disposals in both 2023 and 2022 primarily relate to the retirement of assets that have been fully amortised.

## Notes to the Financial Statements (continued)

## 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

## Group

## (a) Amounts recognised in the balance sheet

	Land and buildings €m	Motor vehicles €m	Total €m
<b>Right-of-use assets</b>			
<b>Balance at 1 January 2022</b>	108.5	4.8	<b>113.3</b>
Additions	19.5	3.9	<b>23.4</b>
Depreciation	(12.1)	(2.7)	<b>(14.8)</b>
Remeasurement of right-of-use assets	3.0	-	<b>3.0</b>
Translation differences	(1.4)	(0.3)	<b>(1.7)</b>
<b>Balance at 31 December 2022</b>	117.5	5.7	<b>123.2</b>
<b>Balance at 1 January 2023</b>	117.5	5.7	<b>123.2</b>
Additions	15.7	2.2	<b>17.9</b>
Depreciation	(11.9)	(2.9)	<b>(14.8)</b>
Remeasurement of right-of-use assets	3.2	-	<b>3.2</b>
Translation differences	0.3	0.1	<b>0.4</b>
<b>Balance at 31 December 2023</b>	124.8	5.1	<b>129.9</b>
<b>Lease liabilities</b>			<b>Total €m</b>
<b>Balance at 1 January 2022</b>			<b>(119.5)</b>
Additions			<b>(23.4)</b>
Interest expense			<b>(2.0)</b>
Effect of modification of lease liability			<b>(2.8)</b>
Lease payments <sup>1</sup>			<b>17.6</b>
Translation differences			<b>1.3</b>
<b>Balance at 31 December 2022</b>			<b>(128.8)</b>
<b>Balance at 1 January 2023</b>			<b>(128.8)</b>
Additions			<b>(17.9)</b>
Interest expense			<b>(2.3)</b>
Effect of modification of lease liability			<b>(4.9)</b>
Lease payments <sup>1</sup>			<b>18.5</b>
Translation differences			<b>(0.6)</b>
<b>Balance at 31 December 2023</b>			<b>(136.0)</b>
	<b>2023 €m</b>	<b>2022 €m</b>	
<b>Analysed as follows:</b>			
Non-current liabilities	<b>(120.5)</b>	(112.8)	
Current liabilities	<b>(15.5)</b>	(16.0)	
<b>Total</b>	<b>(136.0)</b>	(128.8)	

1 Lease payments include principal elements shown as financing activities of €16.2 million (2022: €15.6 million).

## 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

## (b) Other amounts recognised in the income statement

	2023 €m	2022 €m
Expenses relating to short-term leases	<b>0.2</b>	0.5
Expenses relating to variable lease payments not included in lease liabilities	<b>6.0</b>	4.5
<b>Total</b>	<b>6.2</b>	5.0

## Parent

## (a) Amounts recognised in the balance sheet

	Land and buildings €m
<b>Right-of-use assets</b>	
<b>Balance at 1 January 2022</b>	59.9
Additions	6.3
Depreciation	(7.4)
Remeasurement of right-of-use assets	2.9
<b>Balance at 31 December 2022</b>	61.7
<b>Balance at 1 January 2023</b>	<b>61.7</b>
Additions	<b>2.8</b>
Depreciation	<b>(7.8)</b>
Remeasurement of right-of-use assets	<b>3.1</b>
<b>Balance at 31 December 2023</b>	<b>59.8</b>
<b>Lease liabilities</b>	<b>Total €m</b>
<b>Balance at 1 January 2022</b>	(62.9)
Additions	(6.3)
Interest expense	(0.8)
Effect of modification of lease liability	(3.9)
Lease payments <sup>1</sup>	9.3
<b>Balance at 31 December 2022</b>	(64.6)
<b>Balance at 1 January 2023</b>	<b>(64.6)</b>
Additions	<b>(2.8)</b>
Interest expense	<b>(0.8)</b>
Effect of modification of lease liability	<b>(4.6)</b>
Lease payments <sup>1</sup>	<b>9.9</b>
<b>Balance at 31 December 2023</b>	<b>(62.9)</b>

	2023 €m	2022 €m
<b>Analysed as follows:</b>		
Non-current liabilities	<b>(55.0)</b>	(56.7)
Current liabilities	<b>(7.9)</b>	(7.9)
<b>Total</b>	<b>(62.9)</b>	(64.6)

1 Lease payments include principal elements shown as financing activities of €9.1 million (2022: €8.5 million).



Notes to the Financial Statements (continued)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(b) Other amounts recognised in the income statement

	2023	2022
	€m	€m
Expenses relating to short-term leases	0.1	0.1
Expenses relating to variable lease payments not included in lease liabilities	0.1	1.0
<b>Total</b>	<b>0.2</b>	<b>1.1</b>

15. GOODWILL

	€m
<b>Balance at 1 January 2022</b>	<b>201.3</b>
Translation differences	(9.4)
<b>Balance at 31 December 2022</b>	<b>191.9</b>
<b>Balance at 1 January 2023</b>	<b>191.9</b>
Translation differences	3.4
<b>Balance at 31 December 2023</b>	<b>195.3</b>

NIE Networks

Goodwill was recognised on the acquisition of Northern Ireland Electricity Networks (NIE Networks) in December 2010.

Goodwill is reviewed annually in December for impairment by assessing the recoverable amount of the investment. The annual impairment test of goodwill was carried out in December 2023 based on its fair value less costs of disposal in line with IAS 36. The Group calculated the fair value of NIE by reference to market valuations of comparable regulated utilities using a Regulated Asset Base (RAB) valuation. This involved a review of comparable regulated utility transactions over several years and applying a conservative RAB multiple (based on the RAB multiples used in those transactions) in determining the valuation of NIE. Based on this assessment, the fair value of NIE significantly exceeded its carrying value and no reduction in the value of goodwill was deemed to be required.

The carrying value of this goodwill at 31 December 2023 is €174.5 million (2022: €171.5 million).

So Energy Ltd (So Energy)

Goodwill was recognised on the acquisition of So Energy in 2021.

Goodwill is reviewed annually in December for impairment, by assessing the recoverable amount of the investment, based on its value in use.

The Group calculated the value in use using a 5-year discounted cash flow model and a terminal value based on an implied value per meter point.

The annual impairment test of goodwill was carried out in December 2023 in accordance with IAS 36. No reduction in the value of goodwill was deemed to be required.

Key drivers of the discounted cash flow included customer numbers, margin per customer, operating costs, valuation per meter point and discount rate. The discount rate was determined with reference to an appropriate Weighted Average Cost of Capital (WACC) for the So Energy business.

The carrying value of this goodwill at 31 December 2023 is €20.8 million (2022: €20.4 million).

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES

(a) Group

	Equity accounted investees	Financial assets at fair value through profit or loss	Total
	€m	€m	€m
<b>Balance at 1 January 2022</b>	282.5	5.3	<b>287.8</b>
Additions	3.3	-	<b>3.3</b>
Fair value uplift on equity accounted investees	17.4	-	<b>17.4</b>
Share of loss	(30.9)	-	<b>(30.9)</b>
Fair value movement on cash flow hedges (net of tax)	201.5	-	<b>201.5</b>
Reduction in contingent consideration provision (note 28)	(8.9)	-	<b>(8.9)</b>
Dividends received <sup>1</sup>	(29.0)	-	<b>(29.0)</b>
Impairments	(91.2)	-	<b>(91.2)</b>
Translation differences	(12.5)	(0.3)	<b>(12.8)</b>
<b>Balance at 31 December 2022</b>	<b>332.2</b>	<b>5.0</b>	<b>337.2</b>

<b>Balance at 1 January 2023</b>	332.2	5.0	<b>337.2</b>
Additions	35.3	-	<b>35.3</b>
Transfer to other receivables	(0.5)	-	<b>(0.5)</b>
Share of profit	13.7	-	<b>13.7</b>
Fair value movement on cash flow hedges (net of tax)	(45.7)	-	<b>(45.7)</b>
Increase in contingent consideration provision (note 28)	3.2	-	<b>3.2</b>
Dividends received <sup>1</sup>	(34.1)	-	<b>(34.1)</b>
Impairments (note 6)	(14.8)	-	<b>(14.8)</b>
Translation differences	2.9	-	<b>2.9</b>
<b>Balance at 31 December 2023</b>	<b>292.2</b>	<b>5.0</b>	<b>297.2</b>

<sup>1</sup> Dividends received during the year from equity accounted investees consists of Aldeburgh Offshore Wind Holdings Limited €20.3 million (2022: €24.4 million), Oweninny Power Holdings DAC €10.0 million (2022: €3.6 million), and Raheenlagh Power DAC €3.8 million (2022: €1.0 million).

Equity accounted investees

The entities listed below are legally separated from the parties and the legal form and the contractual arrangement do not give the parties direct rights to the assets and liabilities of the vehicle. Having assessed each investment, ESB have concluded that they have joint control under IFRS 10 and IFRS 11, with the exception of Five Estuaries Offshore Wind Farm Limited, Western Isles Offshore Wind N2 & Western Isles Offshore Wind N4 which are considered associates. Accordingly, ESB's investment in these entities is equity accounted in line with IAS 28 Investment in Associates and Joint Ventures.

The fair value movement on cash flow hedges for equity accounted investees relates to derivatives held in Aldeburgh Offshore Wind Holdings Limited, NNG Windfarm Holdings Limited, Oweninny Power Holdings DAC, Oweninny Power Holdings 2 DAC, SIRO Limited, and Raheenleagh Power DAC which have been designated as cash flow hedging relationships in these entities.

Translation differences for equity accounted investees relate to Aldeburgh Offshore Wind Holdings Limited, Inch Cape Offshore Holdings Limited, Five Estuaries Offshore Wind Farm Limited, Lewis Wind Power Holdings Limited, Highland Wind Farm Limited, Western Isles Offshore Wind N2, Western Isles Offshore Wind N4 and NNG Windfarm Holdings Limited as these companies' functional currency is sterling.

- The Group have assessed the nature of, and changes in, the risks associated with its interests in equity accounted investees.
- The credit risks associated with the amounts due from equity accounted investees are assessed in note 18 .
  - Equity accounted investees are assessed for impairment when an indicator of impairment exists. Refer to note 6 for details of the impairment charges in respect of NNG Windfarm Holdings Limited.

The Group's share of capital commitments for all equity accounted investees are detailed in note 30.

Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES (continued)

Interests in equity accounted investees

The following companies have been included in the ESB Group accounts as joint ventures using equity accounting:

Name of the company	Country	Holding of share capital owned		Carrying value of Group Equity Interest		Amounts due from Equity Accounted Investees	
		2023 %	2022 %	2023 €m	2022 €m	2023 €m	2022 €m
Offshore Renewables							
Inch Cape Offshore Holdings Limited	Great Britain	50.0	50.0	26.8	24.7	153.8	84.4
NNG Windfarm Holdings Limited	Great Britain	50.0	50.0	-	41.2	369.5	328.4
Aldeburgh Offshore Wind Holdings Limited	Great Britain	50.0	50.0	119.1	124.6	-	-
Five Estuaries Offshore Wind Farm Limited	Great Britain	12.5	12.5	2.7	1.7	-	-
Western Isles Offshore Wind N2 <sup>1</sup>	Great Britain	24.5	-	6.3	-	-	-
Western Isles Offshore Wind N4 <sup>1</sup>	Great Britain	24.5	-	20.4	-	-	-
Clogherhead Offshore Wind Holdings DAC	Republic of Ireland	75.0	75.0	-	-	4.6	-
Celtic 1 OSW Power DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	1.2	-
Celtic 2 OSW Power DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	0.9	-
Helvic Head Offshore Wind DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	2.6	-
Loch Gorman Offshore Wind DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	1.9	-
Moneypoint 1 Offshore Wind DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	1.0	-
Moneypoint 2 Offshore Wind DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	1.6	-
Seastacks Offshore Wind DAC <sup>2</sup>	Republic of Ireland	50.0	-	-	-	1.6	-
Saoirse Wave Energy Limited	Republic of Ireland	50.0	-	-	-	-	-
				175.3	192.2	538.7	412.8
Onshore Renewables							
Raheenleagh Power DAC	Republic of Ireland	50.0	50.0	6.5	6.7	-	-
Oweninny Power Holdings DAC	Republic of Ireland	50.0	50.0	13.8	20.4	3.9	3.7
Oweninny Power Holdings 2 DAC	Republic of Ireland	50.0	50.0	11.4	10.7	18.9	15.8
FuturEnergy Ireland Development Holdings DAC	Republic of Ireland	50.0	50.0	52.5	54.7	32.0	17.2
Sundew Solar DAC	Republic of Ireland	50.0	50.0	-	0.5	31.0	3.0
Lewis Wind Power Holdings Limited	Great Britain	50.0	-	2.8	-	11.6	-
Highland Wind Farm Limited	Great Britain	50.0	-	0.3	-	-	-
				87.3	93.0	97.4	39.7
Other							
Emerald Bridge Fibres DAC	Republic of Ireland	50.0	50.0	-	-	0.2	-
SIRO Limited <sup>3</sup>	Republic of Ireland	50.0	50.0	26.8	43.9	83.4	78.0
Superhomes Ireland DAC	Republic of Ireland	50.0	50.0	2.8	3.1	3.2	1.5
				29.6	47.0	86.8	79.5
Total				292.2	332.2	722.9	532.0

1 These investments are part of the investment in the Western Isles Group.

2 These investments are part of the investment in the ESB & Ørsted Offshore Portfolio Group.

3 This investment is held by parent. Please refer to Note 16 (b) for further details.

Inch Cape Offshore Holdings Limited

In November 2020, the Group acquired a 50% stake in Inch Cape Offshore Holdings Limited (ICOHL), a joint arrangement with Red Rock Power Limited. The amount included in financial assets above includes €22.3 million of contingent consideration (2022: €18.8 million) which is contingent upon achieving project milestones and specified returns included in the financial investment decision.

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES (continued)

ICOHL owns 100% of Inch Cape Offshore Limited (IC). The project, located off the east coast of Scotland, has a grid connection agreement for 1,080 MW. The 50% investment in ICOHL indirectly provides ESB with a 50% stake in IC.

NNG Windfarm Holdings Limited (Near na Gaoithe)

In December 2019, the Group acquired a 50% stake in NNG Windfarm Holdings Limited (NNGWH), a joint arrangement with EDF Renewables UK Limited.

NNGWH owns 100% of Near na Gaoithe Offshore Wind Limited (NNGOW). The purpose of this joint arrangement is to develop a 448 MW wind farm off the east coast of Scotland. The 50% investment in NNGWH indirectly provides ESB with a 50% stake in NNGOW.

Significant delays to the project were experienced in 2021 and 2022 with further delays regarding turbine installation arising in 2023. As a result, commercial operations will be later than expected and it is expected that additional construction costs will be incurred. Owing to these issues, an impairment test of the carrying value of the Near na Gaoithe project, included within investments in equity accounted investees, was performed as at 31 December 2023. The valuation methodology used to value the Group's equity accounted investment in Near na Gaoithe was based on a probability weighted discounted cash flow model (i.e. income approach) to determine a fair value less cost to sell in line with IFRS 13 and in line with IAS 36.

The main assumptions used in performing the impairment test were as follows:

- Estimated construction costs to complete
- Scenarios of project timelines, including the estimated Commercial Operation Date which impact on the overall construction costs and overall revenues
- The level of financial commitments
- The impact of inflation, interest and FX hedges
- Estimate of long term inflation rate for unhedged revenues
- Forecast market prices
- Forecast wind load factors
- A market discount rate for operational cash flows

The recoverable amount of the investment included within equity accounted investees was assessed as €nil as at 31 December 2023. When compared to the carrying value of the investment, this resulted in an impairment charge of €14.8 million which in management's view does not warrant separate disclosure as an exceptional item (2022: €91.2 million being recorded as an exceptional item (see note 6)). An assessment was performed in respect of loans to the project and no expected credit loss provision was recorded. The amount due in respect of loans to the project at 31 December 2023 was €368.9 million (2022: €328.4 million). The Group also had further commitments of €286.3 million at 31 December 2023 (2022: €233.0 million) (see note 29 (e)).

Aldeburgh Offshore Wind Holdings Limited (AOWHL)

In March 2018, the Group acquired 50% of the issued share capital of AOWHL. The Group also acquired 50% of the loan notes issued by Aldeburgh Offshore Wind Investments Limited (AOWIL) a 100% owned subsidiary of AOWHL to become a 50% Joint Venture Partner with Sumitomo Corporation Europe Limited.

AOWHL has a 25% stake in the Galloper Wind Farm project. The Galloper project is a 353 MW development located in the Outer Thames estuary, 30km off the coast of Suffolk, England. The 50% investment in AOWHL indirectly provides ESB with a 12.5% stake in the Galloper project.

Five Estuaries Offshore Wind Farm Limited

The Group has a 12.5% equity shareholding in Five Estuaries Offshore Wind Farm Limited. The purpose of Five Estuaries Offshore Wind Farm Limited is the development of the Five Estuaries Offshore Wind Farm adjacent to the Galloper Offshore Wind Farm off the Suffolk coast. This investment is accounted for using the equity method and is classified as an associate as ESB has power to participate in the financial and operating policy decisions of the investee but do not control or joint control the policies.

Western Isles Group

In May 2023, the Group purchased two 24.5% equity shareholding's in Western Isles Offshore Wind N2 Limited (Havbredey Limited) and Western Isles Offshore Wind N4 limited (Spiorad na Mara Limited) from Northland Power Inc. These investments are accounted for using the equity method and are classified as an associates as ESB has power to participate in the financial and operating policy decisions of the investee but do not control or joint control the policies. The purpose of these associates are to build a 840 MW fixed bottom site and 1,500 MW floating site off the coast of Scotland.



Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES (continued)

Clogherhead Offshore Wind Holdings DAC

The Group is a 75% partner in Clogherhead, a joint arrangement formed with Parkwind NV. The purpose of this joint arrangement is to develop an offshore windfarm off the coast of Co. Louth in Ireland.

In December 2022, the Group entered into agreements, including a joint venture agreement with Parkwind NV which resulted in Parkwind NV acquiring 25% of Clogherhead. The joint venture agreement is structured so that the power to manage activities are held jointly by both the investors and as such the arrangement is considered a joint arrangement.

ESB & Ørsted Offshore Group

In June 2023, ESB and Ørsted entered into a joint arrangement to develop a portfolio of offshore wind projects around the east, south and west coast of Ireland. To this end, special purpose vehicles have been incorporated and are controlled equally by ESB and Ørsted to develop these projects. These special purpose vehicles were wholly owned subsidiaries of ESB prior to the arrangement and are now joint ventures. Please refer to note 2 (ix) for details on partnership with Ørsted.

Saoirse Wave Energy Limited

In October 2023, the group entered into a joint venture agreement with Simply Blue Group. The purpose of this joint arrangement is to deliver a pioneering 5 MW wave farm array, located adjacent to the Co. Clare coast.

Raheenleagh Power DAC (Raheenleagh)

The Group is a 50% partner in Raheenleagh, a joint arrangement with GR Wind Farms 1 Limited. This joint arrangement operates a 35 MW wind farm in Co. Wicklow.

Oweninny Power Holdings DAC (Oweninny)

The Group is a 50% partner in Oweninny Power Holdings DAC (OPH), a joint arrangement formed with Bord na Móna. This joint arrangement operates a 89 MW wind farm located in Bellacorrick, Co. Mayo.

OPH owns 100% of Oweninny Power DAC (OP1). The 50% investment in OPH indirectly provides ESB with a 50% stake in OP1.

Oweninny Power Holdings 2 DAC

The Group is a 50% partner in Oweninny Power Holdings 2 DAC (OPH2), a joint arrangement formed with Bord na Móna. The joint arrangement operates a 83 MW wind farm in Bellacorrick, Co. Mayo.

OPH2 owns 100% of Oweninny Power 2 DAC (OP2). The 50% investment in OPH2 indirectly provides ESB with a 50% stake in OP2.

FuturEnergy Ireland Development Holdings DAC

The Group is a 50% partner in FuturEnergy Ireland Development Holdings DAC (FEIDH), a joint arrangement with Coillte Limited.

FEIDH owns 100% of FuturEnergy Ireland Development DAC (FEID). The purpose of this joint arrangement is to develop relevant renewable energy projects. The 50% investment in FEIDH indirectly provides ESB with a 50% stake in FEID.

Sundew Solar DAC

The Group is a 50% partner in Sundew Solar DAC, a joint arrangement formed with Bord na Móna. The purpose of this joint arrangement is solar farm development.

Lewis Wind Power Holdings Limited

In October 2023, the group entered into a joint venture agreement with EDF Renewables UK Limited. The purpose of this joint arrangement is the development of Stornoway Wind Farm on the Isle of Lewis. Stornoway Wind Farm is a consented 180 MW Remote Island wind project on the Isle of Lewis, off the west coast of Scotland.

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES (continued)

Highland Wind Farm Limited

In December 2023, the group entered into a joint venture agreement with Ampyr Energy UK Limited. The purpose of this joint arrangement is the development of a 168 MW wind farm project "Highland Wind Farm" in the highlands of Scotland.

Emerald Bridge Fibres DAC (EBFD)

The Group is a 50% partner in EBFD, a joint arrangement with ZAYO Group. The purpose of this joint arrangement is the development and provision of telecommunication infrastructure between Ireland and the United Kingdom in the form of a subsea fibre optic cable network.

SIRO Limited (SIRO)

SIRO is a joint arrangement in which the Group has joint control and a 50% ownership interest. SIRO was founded by the Group with Vodafone Ireland Limited acquiring a 50% stake in November 2014. This joint arrangement runs fibre optic cables alongside ESB's existing electricity network to provide broadband straight to homes and businesses in regional towns and cities across Ireland.

During the year ended 31 December 2022, there was an IFRS 9 fair value adjustment of €17.4 million as a result of the existing shareholder loan being restructured. SIRO entered into new debt facilities, the terms of which subordinated SIRO DACs loan to ESB Group. The loan was previously held on demand and now has a repayment date in 2029.

Superhomes Ireland DAC

The Group is a 50% partner in Superhomes Ireland DAC (SIDAC), a joint arrangement with Tipperary Energy Agency. The purpose of this joint arrangement is to develop a national deep-retrofit business of scale focusing exclusively on the Irish domestic market.

The Group's aggregate share of the non-current assets, current assets, non-current liabilities, current liabilities, income and expenses related to its interests in these joint ventures are as follows:

Summarised income statement<sup>1</sup>

	Offshore Renewables		Onshore Renewables		Other		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	€m	€m	€m	€m	€m	€m	€m	€m
Revenue	-	-	63.4	64.2	71.0	55.7	134.4	119.9
Depreciation	-	-	(11.1)	(7.6)	(35.7)	(31.0)	(46.8)	(38.6)
Interest paid	(5.1)	(1.2)	(6.9)	(6.1)	(21.4)	(9.5)	(33.4)	(16.8)
Income tax	(0.7)	0.2	(3.1)	(4.5)	8.0	7.3	4.2	3.0
Total gain / (loss)	33.0	(48.4)	19.5	29.4	(22.9)	(24.2)	29.6	(43.2)
Group share of gain / (loss)	19.1	(24.2)	9.8	14.7	(11.4)	(12.1)	17.5	(21.6)
Other adjustments <sup>1/2</sup>	(2.9)	0.8	(1.0)	(5.8)	0.1	(4.3)	(3.8)	(9.3)
Impairment of investment	(14.8)	(91.2)	-	-	-	-	(14.8)	(91.2)
Group share of fair value movements on cash flow hedges (net of tax)	(36.1)	161.0	(3.5)	22.3	(6.1)	18.2	(45.7)	201.5
Total comprehensive (loss) / gain	(34.7)	46.4	5.3	31.2	(17.4)	1.8	(46.8)	79.4

Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES (continued)

Summarised balance sheet

	2023	2022	2023	2022	2023	2022	2023	2022
	€m	€m	€m	€m	€m	€m	€m	€m
Non-current assets	3,334.4	2,420.9	425.1	380.9	609.7	540.1	4,369.2	3,341.9
Current assets	403.4	485.4	73.9	34.5	54.0	68.3	531.3	588.2
Cash	72.4	20.8	106.6	65.3	16.4	12.3	195.4	98.4
Current liabilities	(749.8)	(623.0)	(90.6)	(69.3)	(196.4)	(187.5)	(1,036.8)	(879.8)
Non-current liabilities	(3,364.5)	(2,582.3)	(442.2)	(378.3)	(444.6)	(359.5)	(4,251.3)	(3,320.1)
Net assets / (liabilities)	(304.1)	(278.2)	72.8	33.1	39.1	73.7	(192.2)	(171.4)

Reconciliation of the above amounts to the investment recognised in the consolidated balance sheet.

Group equity interest <sup>4</sup>								
Net assets / (liabilities)	(304.1)	(278.2)	72.8	33.1	39.1	73.7	(192.2)	(171.4)
Group Share	(175.6)	(139.1)	36.4	16.6	19.6	36.9	(119.6)	(85.6)
Other adjustments <sup>3</sup>	350.9	331.3	50.9	76.4	10.0	10.1	411.8	417.8
Carrying value of Group's equity interest	175.3	192.2	87.3	93.0	29.6	47.0	292.2	332.2

1 The numbers included in the above table are based on unaudited management accounts. When audited financial statements become available, any adjustments are reflected in the following year.

2 Where the Group's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses unless there is legal or constructive obligation to recognise further losses. Unrecognised losses in 2023 include Emerald Bridge Fibres DAC, Clogherhead offshore Wind Holdings Limited and ESB & Ørsted Offshore Group of €9.7 million (cumulative unrecognised losses to date of €10.0 million).

3 Other adjustments represent the difference between the carrying value of the Group's share of the net assets acquired and the investment amount.

4 Please refer to Interest in equity accounted investees table for the breakdown of group equity interest % holding and grouping of equity accounting investees within the above sub-groups Offshore Renewables, Onshore Renewables and Other.

Interest in financial assets held at fair value through profit or loss

The Group owns a venture capital fund, ESB Novusmodus Limited Partnership, in which seed capital is invested into emerging technology entities. These investments are managed purely for an investment return and are consequently carried at fair value through profit or loss. ESB does not control the entity in which these financial assets are held. The investments comprise of a number of clean energy and new technology companies. These investments have been fair valued at the year end and the movement is reflected in the profit or loss.

The Group has a 5% share in Oriel Off/shore Wind Farm Limited and this investment is accounted for under fair value to profit or loss as a financial asset investment in line with IFRS 9.

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES (continued)

(b) Parent

	Equity accounted investees investments	Subsidiary undertakings Total
	€ m	€ m
Balance at 1 January 2022	24.1	61.8
Fair value uplift on equity accounted investees	17.4	-
Share of loss	(15.8)	-
Fair value movement on cash flow hedges (net of tax)	18.2	-
Balance at 31 December 2022	43.9	61.8
Balance at 1 January 2023	43.9	61.8
Share of loss	(10.9)	-
Fair value movement on cash flow hedges (net of tax)	(6.2)	-
Balance at 31 December 2023	26.8	61.8

17. INVENTORIES

	Group		Parent	
	2023	2022	2023	2022
	€m	€m	€m	€m
Materials	48.6	35.9	16.4	12.5
Fuel	113.0	190.0	99.1	181.7
Total	161.6	225.9	115.5	194.2

Included within inventories in Group at 31 December 2023 is €98.1 million carried at net realisable value (2022: €152.4 million). The cost of inventories carried at net realisable value in Group at 31 December 2023 is €107.2 million (2022: €191.8 million).

Included within inventories in Parent at 31 December 2023 is €72.7 million carried at net realisable value (2022: €132.7 million). The cost of inventories carried at net realisable value in Parent at 31 December 2023 is €79.8 million (2022: €170.3 million).

	Group		Parent	
	2023	2022	2023	2022
	€m	€m	€m	€m
Inventories consumed	167.1	316.8	163.7	313.5
Inventory write-off / (writeback)	1.5	-	0.6	(0.5)



Notes to the Financial Statements (continued)

18. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	<sup>1/2</sup> Reclassified		<sup>2/3</sup> Reclassified	
	2023	2022	2023	2022
	€m	€m	€m	€m
<b>Current receivables:</b>				
Retail energy receivables - billed <sup>1</sup>	225.4	321.5	59.7	66.8
Retail energy receivables - unbilled <sup>1</sup>	511.3	690.4	245.9	279.1
Total retail energy receivables	736.7	1,011.9	305.6	345.9
I-SEM pool related receivables	17.9	20.2	-	-
Use of System receivables (including unbilled)	289.4	269.0	65.5	50.8
Other electricity receivables	2.3	1.4	-	-
Total energy receivables	1,046.3	1,302.5	371.1	396.7
Trade receivables - non-energy <sup>1</sup>	34.0	72.8	6.7	42.8
Amounts due from equity accounted investees	22.3	0.2	1.4	-
Amounts due from insurers	23.9	-	23.9	-
Short term deposits	-	194.6	-	-
Cash collateral <sup>2</sup>	590.0	834.9	559.0	735.5
Other receivables <sup>2/3</sup>	456.5	401.2	343.6	43.4
Amounts due from subsidiary undertakings <sup>3</sup>	-	-	2,166.9	3,280.3
Prepayments	44.7	109.1	25.7	91.1
<b>Total current receivables</b>	<b>2,217.7</b>	<b>2,915.3</b>	<b>3,498.3</b>	<b>4,589.8</b>
<b>Non-current receivables:</b>				
Amounts due from equity accounted investees	700.6	536.5	112.1	93.8
Amounts due from subsidiary undertakings	-	-	2,107.6	2,269.8
Amounts due from insurers	24.1	48.4	24.1	48.4
<b>Total non-current receivables</b>	<b>724.7</b>	<b>584.9</b>	<b>2,243.8</b>	<b>2,412.0</b>
<b>Total receivables</b>	<b>2,942.4</b>	<b>3,500.2</b>	<b>5,742.1</b>	<b>7,001.8</b>

1 Retail energy receivables billed have been reclassified to include billed gas customers of €6.4 million for comparative purposes. Retail energy receivables unbilled have been reclassified to include unbilled gas customers of €23.8 million for comparative purposes. Trade receivables - non-energy have also been adjusted by the same amount.

2 Cash collateral of €834.9 million (Parent: €735.5 million) in 2022 has been reclassified to present this balance separately. Other receivables have also been adjusted by the same amount.

3 €990.0 million (2022: €545.0 million) has been reclassified to amounts due from subsidiary undertakings. Other receivables have also been adjusted by the same amount.

Wholesale and retail credit risk

Trade and other receivables can be divided into electricity receivables, other (non-electricity) receivables, insurance receivables, equity accounted investees and amounts due from subsidiary undertakings.

Expected credit loss allowance

Under IFRS 9 an expected credit loss (ECL) impairment model is in place for the calculation of impairment loss allowances. Under this impairment model, it is assumed that all receivables carry a risk of default. This impairment model is used to calculate the probability of default at a range of possible outcomes, weighted by the probability of their occurrence. These ECLs are measured under the general approach or simplified approach.

The simplified approach is applied to ESB's trade and other receivables within the scope of IFRS 15. Under the simplified approach, an entity will recognise a loss based on the lifetime ECLs. It allows an entity to use a provision matrix for calculating the ECLs. This matrix considers the historical default rates over the expected life of the trade receivable and is adjusted for forward-looking estimates.

The general approach is applied to all loans and receivables not eligible for application of the simplified approach, which for the Group are loans to equity accounted investees and for Parent also includes amounts due from subsidiary undertakings. Assessment of the probability of default for loans to equity accounted investees is included below. For further details of these loans see note 16.

18. TRADE AND OTHER RECEIVABLES (continued)

Under the general approach, an entity must determine whether the financial asset is in one of three stages in order to determine the amount of ECL to recognise;

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The expected credit losses of the Group at 31 December 2023 and 31 December 2022 are set out on the following tables. The Parent company balances stated in the following tables exclude amounts due from subsidiary undertakings of €4,274.5 million (2022: €5,550.1 million).

Impact of macro-economic environment

The economic impacts arising from the continued volatility in energy markets in the geographies in which the Group operates have increased the level of uncertainty around the estimates the Group makes in measuring the impairment loss allowances of financial assets. Where customers experience difficulties in settling balances, the increased aging of these amounts results in an increase in allowances held in respect of them under the simplified approach employed. In measuring the allowance for expected losses, the Group has also considered macroeconomic forecasts and the potential economic impacts of rising energy prices on the sectors in which they operate.

The assumptions made in estimating the impairment charge for the period and allowances held at the reporting date are deemed to be appropriate, however the current high level of economic uncertainty means that impairment charges and allowances in respect of financial assets are a matter of significant judgement.

Simplified approach - Expected Credit Losses

	Group			Parent		
	Gross amount receivable	Loss allowance	Net amount receivable	Gross amount receivable	Loss allowance	Net amount receivable
	€m	€m	€m	€m	€m	€m
<b>2023</b>						
Not past due receivables	1,743.2	(8.2)	1,735.0	1,179.7	(5.9)	1,173.8
Past due < 30 days	209.4	(5.4)	204.0	13.6	(3.1)	10.5
Past due 30 - 120 days	78.8	(18.2)	60.6	29.6	(10.5)	19.1
Past due > 120 days	131.6	(82.0)	49.6	56.0	(30.7)	25.3
Past due by more than one year	111.6	(34.0)	77.6	78.7	(27.0)	51.7
<b>Total</b>	<b>2,274.6</b>	<b>(147.8)</b>	<b>2,126.8</b>	<b>1,357.6</b>	<b>(77.2)</b>	<b>1,280.4</b>

	Group			Parent		
	Gross amount receivable	Loss allowance	Net amount receivable	Gross amount receivable	Loss allowance	Net amount receivable
	€m	€m	€m	€m	€m	€m
<b>2022</b>						
Not past due receivables	2,068.9	(7.5)	2,061.4	1,113.1	(6.6)	1,106.5
Past due < 30 days	328.8	(6.8)	322.0	71.3	(3.5)	67.8
Past due 30 - 120 days	95.9	(12.3)	83.6	29.8	(7.3)	22.5
Past due > 120 days	127.0	(40.3)	86.7	28.6	(16.2)	12.4
Past due by more than one year	89.7	(32.0)	57.7	30.6	(21.4)	9.2
<b>Total</b>	<b>2,710.3</b>	<b>(98.9)</b>	<b>2,611.4</b>	<b>1,273.4</b>	<b>(55.0)</b>	<b>1,218.4</b>

Notes to the Financial Statements (continued)

18. TRADE AND OTHER RECEIVABLES (continued)

General approach - Expected Credit Losses

	Group			Parent		
	Gross amount receivable	Loss allowance	Net amount receivable	Gross amount receivable	Loss allowance	Net amount receivable
	€m	€m	€m	€m	€m	€m
2023						
Stage 1 - 12 Month ECL (not credit impaired)	273.9	-	273.9	33.4	-	33.4
Stage 2 - Lifetime ECL (not credit impaired)	449.0	-	449.0	80.1	-	80.1
Stage 3 - Lifetime ECL (credit impaired)	-	-	-	-	-	-
Total	722.9	-	722.9	113.5	-	113.5

	Group			Parent		
	Gross amount receivable	Loss allowance	Net amount receivable	Gross amount receivable	Loss allowance	Net amount receivable
	€m	€m	€m	€m	€m	€m
2022						
Stage 1 - 12 Month ECL (not credit impaired)	130.3	-	130.3	15.8	-	15.8
Stage 2 - Lifetime ECL (not credit impaired)	406.9	(0.5)	406.4	78.5	(0.5)	78.0
Stage 3 - Lifetime ECL (credit impaired)	-	-	-	-	-	-
Total	537.2	(0.5)	536.7	94.3	(0.5)	93.8

Expected Credit Losses Reconciliation

	Group		Parent	
	2023	2022	2023	2022
	€m	€m	€m	€m
Simplified approach	2,126.8	2,611.4	1,280.4	1,218.4
General approach	722.9	536.7	113.5	93.8
Prepayments <sup>1</sup>	44.7	109.1	25.7	91.1
Amounts due from subsidiary undertakings	-	-	4,274.5	5,550.1
Amounts due from insurers <sup>1</sup>	48.0	48.4	48.0	48.4
Short term deposits <sup>1</sup>	-	194.6	-	-
Total	2,942.4	3,500.2	5,742.1	7,001.8

1 Prepayments, amounts due from insurers and short term deposits are excluded from the analysis as no credit exposure is perceived in relation to these balances.

Parent

Amounts due from subsidiary undertakings

At 31 December 2023, the Parent company had balances receivable of €4,274.5 million (2022: €5,550.1 million) from its subsidiaries. These receivables mainly relate to management services and loans to subsidiaries as well as electricity charges including Use of System charges. Total allowance in respect of amounts due from subsidiary undertakings at 31 December 2023 is €143.1 million (2022: €30.3 million).

The impairment loss recognised in the Parent company in respect of amounts due from subsidiary undertakings has been calculated using the expected credit loss model as required by IFRS 9. In determining the impairment loss, amounts due from subsidiaries were classified as either amounts repayable on demand, low credit risk receivables or amounts for which there has been a substantial increase in credit risk since initial recognition. In determining the expected credit loss (including probability of default and loss given default), regard was given to the historic performance of the relevant loan as well as forward looking information for the relevant subsidiary including detailed discounted cash flow forecasts. For repayable on demand loans where the loan could not be repaid at the reporting date, expected credit losses were calculated by considering the likely recovery strategies of the Parent company, including consideration of 'repay over time' strategies. For loans with a substantial increase in credit risk, consideration was given to the future activities and cash flows of the subsidiary and lifetime expected credit losses were recognised accordingly where appropriate.

18. TRADE AND OTHER RECEIVABLES (continued)

Movement in the expected credit loss of trade and other receivables

The loss allowances for financial assets are based on assumptions about credit risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The movement in the expected credit loss in respect of trade receivables and other receivables during the year was as follows:

	Group		Parent	
	2023	2022	2023	2022
	€m	€m	€m	€m
Balance at 1 January	98.9	74.3	55.0	49.1
Impairment loss recognised (net)	70.4	38.5	37.8	15.2
Allowance utilised	(21.7)	(13.9)	(12.9)	(9.3)
Translation differences	0.2	-	(2.7)	-
Balance at 31 December	147.8	98.9	77.2	55.0

Amounts due from equity accounted investees

Amounts due from equity accounted investees include shareholder loans, interest on these loans and trade receivable balances. Trade receivable balances from equity accounted investees are assessed for probability of default using the simplified approach under IFRS 9. All other balances due from equity accounted investees are assessed for probability of default using the general approach. In applying the general approach, the Group has used judgement in making assumptions and selecting the inputs to the expected credit loss calculation based on market conditions as well as forward looking estimates at the end of the reporting period.

Following an assessment of all ESB's shareholder loans advanced to equity accounted investees it was determined that there was an increase in the credit risk of loans to two of ESB's equity accounted investees since initial recognition, NNG Windfarm Holdings Limited and SIRO Limited, as a result the loans are accounted for as a stage 2 lifetime ECL (not credit impaired) loans. Expected credit losses of €nil (31 December 2022: €nil) were recognised in the income statement during the year.

The remaining shareholder loans to equity accounted investees are assessed as stage 1 (not credit impaired) financial assets. The 12-month expected credit loss approach has been applied to the stage 1 loans consisting of analysis on both historical and forward looking qualitative and quantitative information to determine the credit risk. These loans are deemed to be of low credit risk given no indications of an increase in credit risk since initial recognition. As a result, the expected credit loss for these loans is immaterial.

Retail energy receivables

Retail energy receivables which includes electricity and gas customers relate to both residential and business customers. The credit risk on energy accounts is managed through the ongoing monitoring of debtor days, putting in place appropriate collateral and a collection policy based on the credit worthiness, size and duration of debt. The concentration of risk in Customer Solutions is in relation to retail energy accounts that have closed in arrears. Receivables from residential and business customers are generally considered to be credit impaired where the payment is past the contractual due date. In addition, given the continuing increase in competition, certain customers may switch suppliers before they have settled their outstanding balances. These accounts are managed within the Group's debt collection policy by a combination of internal debt follow-up, the use of debt collection agencies and legal action where necessary including the obtaining of publication of judgements.

Providing for future expected losses in relation to retail electricity receivables, including both billed and unbilled, is based on analysis of recent debt performance and an evaluation of the impact of economic conditions and industry issues. An additional loss allowance may be made on a portfolio basis to cover additional anticipated losses. Collateral is held in the form of security deposits on new customer accounts not on direct debit arrangements.

Controls around energy receivables are focused on the full recovery of amounts invoiced. The closing balance of the expected credit loss in respect of energy receivables as at 31 December 2023 is €149.9 million (31 December 2022: €96.8 million). Retail energy receivables are written off where there is no reasonable expectation of recovery and only once a period of time has elapsed since the final bill. The single largest customer amount written off during the year was €56,000 (2022: €26,000) relating to a company dissolution/liquidation. Retail energy receivables arise largely in the Republic of Ireland (ROI), with 14% (2022: 12%) relating to Northern Ireland (NI) revenue and 15% (2022: 22%) relating to Great Britain (GB) revenue.



Notes to the Financial Statements (continued)

18. TRADE AND OTHER RECEIVABLES (continued)

Unbilled electricity receivables represent estimates of consumption not yet invoiced. A 5% sensitivity on the unbilled retail energy receivables accrual would equate to an increase or decrease in the receivables balance of €25.6 million (2022: €34.5 million). Credit risk in relation to unbilled electricity is managed in line with billed electricity receivables as discussed above.

Integrated Single Electricity Market (I-SEM) receivables

Credit risk in relation to the I-SEM related receivables is managed by the Energy Trading and Risk functions within those business units engaged in electricity trading through the I-SEM. Each of these functions is ring-fenced from each other and segregation of responsibilities between the back office, middle office and front office functions is maintained in each case. The Trading back office function is responsible for invoicing customers and maintaining all accounts receivable. Payment terms for all trading balances relating to each of the I-SEM revenue streams are governed by the I-SEM settlement calendar.

Use of System receivables

Use of System income in ROI comprises of Distribution Use of System (DUoS) income, Transmission Use of System (TUoS) income and Operation and Maintenance (O&M) charges for generators connected to the Distribution System. The credit terms for DUoS are 10 business days and there are currently 51 suppliers (2022: 51 suppliers). TUoS is collected by EirGrid, and the Transmission Asset Owner (TAO) allowed revenue is invoiced to EirGrid over 12 monthly instalments with each invoice due 36 days after month end. Invoices were issued in respect of 256 generators during 2023 for O&M charges (2022: 246 generators), credit terms for O&M charges are 30 days. Generators are invoiced for connection charges on a staged basis, as approved by CRU, with 65% of the capital contribution recouped in advance of construction, 90% in advance of energisation and the balance post energisation. Included in amounts due from subsidiary undertakings in Parent are amounts billed and collected through ESB Networks DAC, a subsidiary of the Parent in respect of Use of System receivables €78.0 million (2022: €358.6 million).

The credit risk in relation to DUoS is managed by the invocation of section 7 of the DUoS Framework Agreement approved by CRU on 1 August 2002. This section provides for the provision of security by each supplier. Before a supplier can register as a customer they must sign up to the DUoS agreement. All suppliers must provide security in accordance with section 7.2 of the DUoS Framework Agreement. The DUoS credit risk is also managed through the timely collection procedures in place which are in line with what is outlined in section 6 of the DUoS Framework Agreement and the monitoring of debtor days to keep these to a minimum. In the event of a supplier defaulting in line with section 7 of the DUoS Framework Agreement there is security cover in place for all suppliers.

TUoS credit risk is managed through the timely collection procedures in place and the monitoring of debtor days to keep these to a minimum. Procedures for the payment by EirGrid of TUoS income due to ESB Networks DAC as TAO are governed by the Infrastructure Agreement between EirGrid and ESB. This is not a normal bilateral contract freely entered into by the will of the parties, but an arrangement required by legislation and many of whose terms are specified in that legislation. Accordingly, the credit risk in relation to TUoS receivables is considered to be low. The amount due in respect of TUoS income at 31 December 2023 was €65.5 million (2022: €50.8 million), which is the largest Use of System receivable balance in ROI.

In respect of the networks business in NI, revenue is derived principally from charges for use of the distribution system, PSO charges levied on electricity suppliers and charges for transmission services levied on SONI (System Operator for Northern Ireland). Credit risk in respect of Use of System receivables from electricity suppliers is mitigated by security received in the form of cash deposits, letters of credit or Parent company guarantees. With the exception of public bodies, payments in relation to new connections or alterations are paid for in advance of the work being carried out. Normal credit terms and debtor days in respect of trade receivables from electricity suppliers are less than 30 days. The largest Use of System electricity receivable in NI at 31 December 2023 is €12.4 million (2022: €9.7 million).

Other electricity receivables

Other electricity receivables include amounts in relation to ancillary services and amounts in relation to electricity trading in the UK market which is not included in the I-SEM.

18. TRADE AND OTHER RECEIVABLES (continued)

Cash collateral

The cash collateral balance includes amounts pledged by the Group to clearing banks for exchange trading of gas, carbon and power contracts of €567.5 million (2022: €748.8 million). The amounts pledged cover initial margin and daily mark to market movements.

Included within this category are also collateral amounts pledged by the Group to bilateral parties of €22.5 million (2022: €86.1 million).

Trade - non-electricity and other receivables

Trade receivables (non-electricity) and other receivables relate to balances due in respect of the Group's non-electricity trading (including commodity trading) and other operations. It includes amounts due in respect of the Group's telecommunications, consultancy, facility management and other ancillary operations. Credit risk with regard to these balances is not considered to be significant. The largest unsecured single balance included within this category at 31 December 2023 is an amount of €30.8 million (2022: €22.4 million) due from an external company.

19. CASH AND CASH EQUIVALENTS

	Group		Parent	
	2023	2022	2023	2022
	€m	€m	€m	€m
Cash at bank and in hand	1,428.3	236.0	1,201.8	149.0
Bank overdraft	-	-	-	(319.5)
Restricted cash	549.5	754.0	80.0	107.4
	1,977.8	990.0	1,281.8	(63.1)

As at 31 December 2023, €567.5 million (2022: €748.8 million) was paid in respect of exchange traded gas, carbon and power contracts. €22.5 million (2022: €79.8 million) was also paid in respect of collateral amounts pledged by the Group to bilateral parties. These amounts are included in trade and other receivables and trade and other payables.

Included in the cash and cash equivalents at 31 December 2023 is €549.5 million (€80.0 million Parent related) (2022: €754.0 million (€107.4 million Parent related)) of restricted cash relating to the Irish Government's Electricity Costs Emergency Benefit Scheme and the UK Government's Energy Bills Support Scheme. Such cash is not freely available to ESB and is paid to customers of ESB Networks or credited to relevant customer accounts for electricity customers of ESB Group.

Notes to the Financial Statements (continued)

20. CHANGES IN EQUITY

(i) Capital stock

There are 1,939,081,855 units of capital stock in issue at a par value of €1.00 each (2022: 1,941,381,855 units).

	2023	2022
	€m	€m
<b>Comprised as:</b>		
Stock issued from converted reserves	1,880.9	1,880.9
Stock issued for subscription by ESOT	58.2	60.5
	1,939.1	1,941.4

In accordance with the Electricity (Supply) (Amendment) Act 2001, on 30 December 2001, the equity of ESB was converted to capital stock which was issued to the Department of Finance. At the same time, ESB ESOP Trustee Limited, established to act as Trustee for an ESB employee shareholding scheme, subscribed for 5% of the stock. The principal rights attaching to each unit of capital stock include the rights to exercise a vote at annual meetings, entitlements to dividends from profits when declared and the rights to proportionate participation in a surplus on winding up.

The Energy (Miscellaneous Provisions) Act 2006 amended Section 2 of the 2001 Act and as a result 10.2% of issued capital stock in ESB now stands vested in the Minister for Environment Climate and Communications, with the Minister for Public Expenditure and Reform (currently known as the Minster for Public Expenditure, National Development Plan Delivery and Reform) retaining 86.8% of ESB's capital stock and the ESOP retaining 3.0% of the stock at 31 December 2023.

The Ministers and Secretaries Amendment Act 2011, which came into force on 6 July 2011, established the office of the Minister for Public Expenditure and Reform (currently known as the Minster for Public Expenditure, National Development Plan Delivery and Reform). The 2011 Act has the effect of transferring ownership of the stock previously held by the Minister for Finance in ESB to the Minister for Public Expenditure, National Development Plan Delivery and Reform as and from 6 July 2011.

(ii) Capital Redemption Reserve

During 2023, ESB continued the repurchase of the ESOP capital stock. A capital redemption reserve movement of €2.3 million (2022: €8.0 million) was recognised from the purchase and cancellation of 2.3 million ESOP share capital (2022: 8.0 million) for a consideration of €4.5 million (2022: €12.4 million) and represents the nominal amount of the share capital cancelled. The repurchase reduced the ESOP repurchase provision by €4.5 million (2022: €12.4 million) and at 31 December 2023, the ESOP repurchase provision (note 28) recognised in other provisions amounts to €10.1 million (2022: €14.6 million). See note 32 for further details.

(iii) Cash flow hedging

The hedging reserve primarily represents the fair value of derivatives which are part of effective cash flow hedging relationships at year end. As the derivatives are held for hedging purposes as defined by IFRS 9 and designated as hedges, their fair value movements are retained in OCI instead of being charged to the income statement during the year and will be charged to income in the same period as the corresponding transaction.

20. CHANGES IN EQUITY (continued)

(iv) Other reserves

Group other reserves include the following:

- Non-distributable reserves of (€5.0) million which was created on the sale of the Group's share in Ocean Communications Limited in 2001;
- Actuarial movements on the NIE Networks defined benefit scheme, net of the related deferred tax adjustments, totalling (€119.7) million (2022: (€105.1) million);
- ESOP repurchase provision of (€10.1 million) (2022: (€14.6 million)) which relates to the amount that ESB has committed to date to repurchase from the ESOP internal market.

Parent other reserves include the following:

ESOP repurchase provision of (€10.1 million) (2022: €14.6 million) which relates to the amount that ESB has committed to date to repurchase from the ESOP internal market.

(v) Non-controlling interest - Group

Non-controlling interests at 31 December 2023 relate to the minority shareholdings in So Energy, Crockahenny Wind Farm DAC, Mountain Lodge Power DAC and other companies associated with wind projects.

Dividends

	2023	2022
Group	€m	€m
<b>Dividends on capital stock:</b>		
Total dividend paid 16.84 (2022: 6.47) cent per capital stock unit	327.0	126.1
Dividend to non-controlling interest	0.2	-
<b>Total</b>	<b>327.2</b>	126.1

	2023	2022
Parent	€m	€m
<b>Dividends on capital stock:</b>		
Total dividend paid 16.84 (2022: 6.47) cent per capital stock unit	327.0	126.1
<b>Total</b>	<b>327.0</b>	126.1

Total dividends paid during 2023 amounted to €327.0 million related to the final dividend (16.84 cents per unit of stock) in respect of 2022.

The Board is now recommending a dividend for 2023 of 11.35 cent per unit of capital stock, or €220.1 million.



## Notes to the Financial Statements (continued)

## 21. TAXATION

## (a) Income tax expense

	2023 €m	2022 €m
<b>Current tax expense</b>		
Current tax	131.3	84.5
Prior year over provision	(3.3)	(3.8)
Value of tax losses surrendered to equity accounted investees	4.0	3.8
	132.0	84.5
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	4.7	38.9
Increase in tax rate <sup>1</sup>	(1.0)	10.8
Prior year (over) / under provision	(1.9)	7.9
	1.8	57.6
<b>Total</b>	<b>133.8</b>	<b>142.1</b>

## Reconciliation of effective tax rate

	2023 €m	2022 €m
<b>Profit before tax</b>	<b>1,001.6</b>	<b>700.2</b>
<b>Profit before tax</b>		
Plus: impairment of equity accounted investees	14.8	91.2
Plus: after tax share of equity accounted investees results (or loss)	(13.7)	30.9
<b>Profit before tax (excluding equity accounted investees loss)</b>	<b>1,002.7</b>	<b>822.3</b>
Taxed at 12.5%	125.3	102.8
Expenses not deductible	8.0	16.4
Transfer pricing adjustments	(3.5)	(2.0)
Tax effect of losses not recognised	(0.2)	0.3
Income not taxable	-	(4.2)
Income taxed at higher rate of corporation tax	3.1	2.2
Deferred tax impact of increase in UK tax rate <sup>1</sup>	(1.0)	10.8
Higher tax rates on overseas profits	7.3	11.7
Prior year (over) / under provisions	(5.2)	4.1
<b>Income tax expense</b>	<b>133.8</b>	<b>142.1</b>

<sup>1</sup> The 2021 Budget for the UK provided for an increase to the Corporation Tax rate from 19% to 25% with effect from 1 April 2023. A blended rate of 23.5% was applied to taxable profits for the year to 31 December 2023. The UK deferred tax liability as at 31 December 2023 has been calculated based on the rate of 25%.

## Pillar II Tax Note

Taxation is calculated at the rates prevailing in the respective jurisdictions in which ESB carries out its activities.

The Group has applied the temporary exemption issued by the IAS on May 2023 from the accounting requirements for deferred taxes relating to Pillar Two under IAS12. Accordingly, the Group neither recognises nor discloses information about deferred taxes assets and liabilities related to Pillar Two income taxes.

## 21. TAXATION (continued)

On 18 December 2023 the Government of Ireland, where the ultimate Parent entity of the Group resides, enacted the Pillar Two income taxes legislation into Finance (No.2) Act 2023. The legislation becomes effective for the ESB Group for the accounting year end 31 December 2024. Under the legislation, the Parent company, Electricity Supply Board, will be required to pay, in Ireland, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15% (the Minimum Tax Rate "MTR"). The main jurisdictions in which exposures to this tax may exist for the Group are Ireland and the UK. However, substance based carveouts will apply for eligible fixed assets and payroll costs which will reduce the profits in any one jurisdiction subject to the top-up tax. As ESB's business activities are largely in the Republic of Ireland and the UK, where substantial investment is made in public infrastructure and electricity generation assets, it is expected that the Group's profits subject to the MTR will be substantially reduced in Ireland and eliminated for the foreseeable future in the UK.

As at 31 December 2023, approximately 25% of the Group's annual profits may be subject to the tax which are currently taxed at the average effective tax rate applicable to those profits of 13.1%. Based on the 2023 financial results the top up tax is estimated at €5m that would all be payable to the Irish Government. It is estimated that no taxes would be payable outside of Ireland. This information is based on the profits and tax expense determined as part of the preparation of the Group's 2023 consolidated financial statements, considering only certain adjustments that would have been required applying the legislation, namely the substance based carveout for eligible payroll and tangible fixed assets costs. Because not all of the adjustments that would have been required by the legislation were made, the actual impact that the Pillar Two income taxes legislation would have had on the Group's results if it had been in effect for the year ending 31 December 2023 may have been significantly different. For jurisdictions outside of Ireland and the UK, it is expected that de minimis exemptions will apply given the very low level of revenues and profits in those jurisdictions.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

## (b) Deferred tax assets and liabilities

Group	2023 €m	2022 €m
<b>Deferred tax assets</b>		
Leased liabilities	15.2	-
ESB pension scheme	17.7	25.8
Provisions	6.0	3.7
Tax losses forward	14.2	11.4
Derivative financial instruments	50.8	46.6
<b>Total deferred tax assets</b>	<b>103.9</b>	<b>87.5</b>
Less deferred tax asset recognised separately on the balance sheet	(1.4)	(1.5)
<b>Net deferred tax asset being netted against deferred tax liability</b>	<b>102.5</b>	<b>86.0</b>
<b>Deferred tax liabilities</b>		
Property, plant and equipment and intangible assets	595.5	601.0
Right-of-use assets	14.9	-
NIE Networks pension scheme	18.4	16.4
Provisions	8.8	8.6
Derivative financial instruments	24.0	12.7
Capital gains tax	1.2	2.9
<b>Total deferred tax liabilities</b>	<b>662.8</b>	<b>641.6</b>
<b>Netted deferred tax liabilities</b>	<b>(560.3)</b>	<b>(555.6)</b>
<b>Net deferred tax liability</b>	<b>(558.9)</b>	<b>(554.1)</b>

## Notes to the Financial Statements (continued)

## 21. TAXATION (continued)

The movement in temporary differences for the Group were as follows:

	Balance at 1 January	IAS 12 amendment	Recognised in income	Recognised in OCI	Translation differences	Balance at 31 December
2023	€m	€m	€m	€m	€m	€m
<b>Assets</b>						
Lease liabilities	-	10.3	4.9	-	-	<b>15.2</b>
ESB pension scheme	25.8	-	(8.1)	-	-	<b>17.7</b>
Provisions	3.7	-	2.3	-	-	<b>6.0</b>
Tax losses forward	11.4	-	2.7	-	0.1	<b>14.2</b>
Derivative financial instruments	46.6	-	(2.2)	5.8	0.6	<b>50.8</b>
<b>Total deferred tax assets</b>	<b>87.5</b>	<b>10.3</b>	<b>(0.4)</b>	<b>5.8</b>	<b>0.7</b>	<b>103.9</b>
<b>Liabilities</b>						
Property, plant and equipment and intangible assets	601.0	0.2	(8.1)	-	2.4	<b>595.5</b>
Right-of-use assets	-	10.1	4.8	-	-	<b>14.9</b>
NIE Networks pension scheme	16.4	-	6.4	(4.7)	0.3	<b>18.4</b>
Provisions	8.6	-	-	-	0.2	<b>8.8</b>
Derivative financial instruments	12.7	-	-	11.3	-	<b>24.0</b>
Capital gains tax	2.9	-	(1.7)	-	-	<b>1.2</b>
<b>Total deferred tax liabilities</b>	<b>641.6</b>	<b>10.3</b>	<b>1.4</b>	<b>6.6</b>	<b>2.9</b>	<b>662.8</b>
<b>Net deferred tax liability</b>	<b>(554.1)</b>	<b>-</b>	<b>(1.8)</b>	<b>(0.8)</b>	<b>(2.2)</b>	<b>(558.9)</b>

	Balance at 1 January	Recognised in income	Recognised in OCI	Translation differences	Balance at 31 December
2022	€m	€m	€m	€m	€m
<b>Assets</b>					
Property, plant and equipment and intangible assets	5.3	(5.4)	-	0.1	-
NIE Networks pension scheme	1.3	(1.3)	-	-	-
ESB pension scheme	33.6	(7.8)	-	-	25.8
Borrowings	1.8	(1.8)	-	-	-
Provisions	3.8	-	-	(0.1)	3.7
Tax losses forward	9.3	2.5	-	(0.4)	11.4
Derivative financial instruments	87.1	(46.4)	9.1	(3.2)	46.6
<b>Total deferred tax assets</b>	<b>142.2</b>	<b>(60.2)</b>	<b>9.1</b>	<b>(3.6)</b>	<b>87.5</b>
<b>Liabilities</b>					
Property, plant and equipment and intangible assets	615.2	(5.7)	0.6	(9.1)	601.0
NIE Networks pension scheme	-	10.3	6.1	-	16.4
Provisions	12.4	(3.2)	-	(0.6)	8.6
Derivative financial instruments	8.4	(3.9)	8.2	-	12.7
Capital gains tax	3.0	(0.1)	-	-	2.9
<b>Total deferred tax liabilities</b>	<b>639.0</b>	<b>(2.6)</b>	<b>14.9</b>	<b>(9.7)</b>	<b>641.6</b>
<b>Net deferred tax (liability) / asset</b>	<b>(496.8)</b>	<b>(57.6)</b>	<b>(5.8)</b>	<b>6.1</b>	<b>(554.1)</b>

There is no expiry date to when tax losses in the Group can be utilised.

## 21. TAXATION (continued)

**Deferred tax asset on tax losses not recognised in the accounts:**

Deferred tax assets not recognised amounted to €16.1 million in 2023 (2022: €15.8 million). This amount relates to deferred tax assets not recognised against pre-acquisition tax losses arising in So Energy Trading Ltd in the amount of €6.1 million (2022: €6.1 million) and €10.0 million (2022: €9.7 million) of deferred tax assets not recognised against tax losses arising post acquisition.

**Deferred tax in relation to unremitted reserves of overseas subsidiaries:**

Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas subsidiaries for two reasons: either there is no commitment for these reserves to be distributed in the foreseeable future or it has been established that no tax would arise on the remittance. Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas joint ventures as the Group has the ability to control the repatriation of these reserves to the Republic of Ireland. Cumulative unremitted reserves of overseas subsidiaries and joint ventures totalled €1,050.8 million as at 31 December 2023 (31 December 2022: €848.4 million).

	2023	2022
Parent	€m	€m
<b>Deferred tax assets</b>		
Lease liabilities	<b>7.6</b>	-
ESB pension scheme	<b>17.7</b>	25.8
Provisions	<b>1.7</b>	1.7
Derivative financial instruments	<b>21.1</b>	12.7
<b>Total deferred tax assets</b>	<b>48.1</b>	40.2
<b>Deferred tax liabilities</b>		
Property, plant and equipment	<b>425.1</b>	422.0
Right-of-use assets	<b>7.5</b>	-
Derivative financial instruments	<b>20.3</b>	12.1
Capital gains tax	<b>1.2</b>	1.2
<b>Total deferred tax liabilities</b>	<b>454.1</b>	435.3
<b>Net deferred tax liability</b>	<b>(406.0)</b>	(395.1)



## Notes to the Financial Statements (continued)

## 21. TAXATION (continued)

The movement in temporary differences for the Parent were as follows:

	Balance at 1 January €m	IAS 12 amendment €m	Recognised in income €m	Recognised in OCI €m	Balance at 31 December €m
<b>2023</b>					
<b>Assets</b>					
Lease liabilities	-	7.6	-	-	<b>7.6</b>
ESB pension scheme	25.8	-	(8.1)	-	<b>17.7</b>
Provisions	1.7	-	-	-	<b>1.7</b>
Derivative financial instruments	12.6	-	-	8.5	<b>21.1</b>
<b>Total deferred tax assets</b>	<b>40.1</b>	<b>7.6</b>	<b>(8.1)</b>	<b>8.5</b>	<b>48.1</b>
<b>Liabilities</b>					
Property, plant and equipment	422.0	(0.1)	3.2	-	<b>425.1</b>
Right-of-use assets	-	7.7	(0.2)	-	<b>7.5</b>
Derivative financial instruments	12.1	-	-	8.2	<b>20.3</b>
Capital gains tax	1.2	-	-	-	<b>1.2</b>
<b>Total deferred tax liabilities</b>	<b>435.3</b>	<b>7.6</b>	<b>3.0</b>	<b>8.2</b>	<b>454.1</b>
<b>Net deferred tax (liability) / asset</b>	<b>(395.2)</b>	<b>-</b>	<b>(11.1)</b>	<b>0.3</b>	<b>(406.0)</b>
	Balance at 1 January €m	Recognised in income €m	Recognised in OCI €m	Balance at 31 December €m	
<b>2022</b>					
<b>Assets</b>					
ESB pension scheme	33.6	(7.8)	-	-	25.8
Borrowings	1.7	-	-	-	1.7
Provisions	1.8	(1.8)	-	-	-
Derivative financial instruments	4.6	-	8.1	-	12.7
<b>Total deferred tax assets</b>	<b>41.7</b>	<b>(9.6)</b>	<b>8.1</b>		<b>40.2</b>
<b>Liabilities</b>					
Property, plant and equipment	418.9	3.1	-	-	422.0
Derivative financial instruments	3.9	-	8.2	-	12.1
Capital gains tax	1.2	-	-	-	1.2
<b>Total deferred tax liabilities</b>	<b>424.0</b>	<b>3.1</b>	<b>8.2</b>		<b>435.3</b>
<b>Net deferred tax (liability) / asset</b>	<b>(382.3)</b>	<b>(12.7)</b>	<b>(0.1)</b>		<b>(395.1)</b>

## 22. BORROWINGS AND OTHER DEBT

Group	Recourse borrowings €m	Non-recourse borrowings €m	2023 Total €m	Recourse borrowings €m	Non-recourse borrowings €m	2022 Total €m
<b>Current borrowings</b>						
▪ Repayable by instalments	63.7	-	<b>63.7</b>	70.1	-	70.1
▪ Repayable other than by instalments	300.0	-	<b>300.0</b>	493.3	-	493.3
<b>Total current borrowings</b>	<b>363.7</b>	<b>-</b>	<b>363.7</b>	<b>563.4</b>	<b>-</b>	<b>563.4</b>
<b>Non-current borrowings</b>						
▪ Repayable by instalments						
- Between one and two years	58.0	-	<b>58.0</b>	63.3	-	63.3
- Between two and five years	97.1	-	<b>97.1</b>	134.4	-	134.4
- After five years	132.8	-	<b>132.8</b>	304.5	-	304.5
	<b>287.9</b>	<b>-</b>	<b>287.9</b>	<b>502.2</b>	<b>-</b>	<b>502.2</b>
▪ Repayable other than by instalments						
- Between one and two years	-	401.0	<b>401.0</b>	299.9	-	299.9
- Between two and five years	995.4	458.2	<b>1,453.6</b>	497.8	843.6	1,341.4
- After five years	4,792.4	400.1	<b>5,192.5</b>	3,793.1	392.8	4,185.9
▪ Fair value hedge adjustment	40.4	-	<b>40.4</b>	-	-	-
	<b>5,828.2</b>	<b>1,259.3</b>	<b>7,087.5</b>	<b>4,590.8</b>	<b>1,236.4</b>	<b>5,827.2</b>
<b>Total non-current borrowings</b>	<b>6,116.1</b>	<b>1,259.3</b>	<b>7,375.4</b>	<b>5,093.0</b>	<b>1,236.4</b>	<b>6,329.4</b>
<b>Total borrowings outstanding</b>	<b>6,479.8</b>	<b>1,259.3</b>	<b>7,739.1</b>	<b>5,656.4</b>	<b>1,236.4</b>	<b>6,892.8</b>

See section (b) for details of applicable interest rates.

## Current borrowings by facility

	Ref	2023 €m	2022 €m
ESB Eurobonds	1	<b>300.0</b>	-
Bank borrowings	3	<b>63.7</b>	296.1
Private placement borrowings	4	-	267.3
		<b>363.7</b>	563.4

## Non-current borrowings by facility

	Ref	2023 €m	2022 €m
ESB Eurobonds	1	<b>5,634.8</b>	4,590.8
Non-recourse NIE Networks Sterling bonds	2	<b>1,259.3</b>	1,236.4
Bank borrowings	3	<b>440.9</b>	502.2
Fair value hedge adjustment	5	<b>40.4</b>	-
		<b>7,375.4</b>	6,329.4

None of the borrowings are secured against the Group assets.

ESB was rated A- from Standard & Poor's (outlook stable) and A3 (equivalent to A-) from Moody's (outlook stable) at 31 December 2022 and 31 December 2023.

Notes to the Financial Statements (continued)

22. BORROWINGS AND OTHER DEBT (continued)

1. ESB Eurobonds

The table below provides details of ESB Eurobonds (all listed) included in borrowings at 31 December 2023:

Issuer	Value	Issue Date	Tenor	Coupon
ESB Finance DAC	Euro €300.0 million	November 2013	10 years	3.494%
ESB Finance DAC	Euro €500.0 million	June 2015	12 years	2.125%
ESB Finance DAC	Euro €600.0 million	June 2016	15 years	1.875%
ESB Finance DAC	Euro €500.0 million	January 2017	12 years	1.750%
ESB Finance DAC	Euro €500.0 million	November 2018	15 years	2.125%
ESB Finance DAC	Euro €100.0 million	April 2019	25 years	2.000%
ESB Finance DAC	Euro €700.0 million (Green bond)	June 2019 / July 2020	11 years	1.125%
ESB Finance DAC	Stg £325.0 million	January 2020	15 years	1.875%
ESB Finance DAC	Euro €500.0 million (Green bond)	January 2022	12 years	1.000%
ESB Finance DAC	Euro €550.0 million	November 2022	10 years	4.000%
ESB Finance DAC	Euro €350.0 million	January 2023	20 years	3.750%
ESB Finance DAC	Euro €500.0 million (Green bond)	October 2023	12.4 years	4.250%
ESB Finance DAC	Euro €500.0 million	October 2023	5 years	4.000%

€350.0 million was issued in January 2023, and €1.0 billion was issued in October 2023.

2. Non-recourse NIE Networks Sterling Bonds

The table below provides details of non-recourse NIE Networks sterling bonds included in borrowings at 31 December 2023:

Issuer	Value	Issue Date	Tenor	Coupon
NIE Networks Limited	Stg £400.0 million	June 2011	15 years	6.375%
NIE Networks Limited	Stg £350.0 million	September 2018	7 years	2.500%
NIE Networks Limited	Stg £350.0 million	November 2022	10.1 years	5.875%

3. Bank borrowings

The table below provides details of bank borrowings included in borrowings (excluding adjustments for amortised fees) at 31 December 2023:

	Balance at 31 December 2023	Balance at 31 December 2022
€200.0 million European Investment Bank (EIB) to support renewable connections to the electricity network in the southwest of Ireland	Euro €57.2 million	Euro €75.1 million
Other long term bank borrowings of floating rate debt borrowed on a bilateral basis (apart from the above €200 million)	Euro €115.3 million	Euro €155.6 million
€450.0 million European Investment Bank (EIB) to support the roll out of Smart Meters in Ireland	Euro €150.0 million	Euro €150.0 million
€1.4 billion Sustainability linked Revolving Credit (with a syndicate of 13 banks)	0	GBP £200.0 million
£750.0 million revolving credit facility	0	0
Other EIB fixed rate debt	Euro €183.6 million	Euro €194.7 million

A €200.0 million facility with the European Investment Bank (EIB) was agreed in 2013 and 2014 to support renewable connections to the electricity network in the southwest of Ireland. The balance due to be repaid is €57.2 million as at 31 December 2023 (2022: €75.1 million).

22. BORROWINGS AND OTHER DEBT (continued)

A €450.0 million facility with the European Investment Bank (EIB) to support the roll out of Smart Meters in Ireland has been agreed. €150.0 million of this facility is drawdown at 31 December 2023 (2022: €150.0 million).

In 2020, ESB entered into a €1.4 billion Sustainability linked Revolving Credit Facility up to February 2027 with a group of thirteen international banks. There has been no drawdown of this facility as at 31 December 2023 (2022: £200.0 million).

In December 2022, ESB entered into a new £750.0 million Revolving Credit Facility up to June 2024 with a group of six international banks. There has been no drawdown of this facility as at 31 December 2023 (2022: £nil).

4. Private placement borrowings

	Balance at 31 December 2023	Balance at 31 December 2022	Issue Date	Maturity Date	Coupon
Private Placement Senior unsecured notes	USD \$0 million	USD \$273.5 million	December 2003	December 2023	6.050%
	Stg £0 million	Stg £10 million	December 2003	December 2023	6.000%

The private placement debt and certain other facilities had conditions which required ESB to maintain certain interest cover and asset covenants. ESB was fully in compliance with all the covenant requirements associated with the private placement debt and the private placement debt was repaid during 2023.

5. Fair value hedge adjustment

In September 2023, ESB entered into an interest rate swap maturing in March 2036. ESB designated the interest rate swap in a fair value hedge of the benchmark interest risk of a fixed rate debt. Adjustment to borrowings for Fair Value hedge accounting as at 31 December 2023 is €40.4 million.

Parent	Recourse Borrowings	
	2023 Total €m	2022 Total €m
<b>Current borrowings</b>		
▪ Repayable by instalments	<b>63.7</b>	70.1
▪ Repayable other than by instalments	-	493.3
<b>Total current borrowings</b>	<b>63.7</b>	563.4
<b>Non-current borrowings</b>		
▪ Repayable by instalments		
- Between one and two years	<b>58.0</b>	63.3
- Between two and five years	<b>97.1</b>	134.3
- After five years	<b>132.8</b>	304.5
	<b>287.9</b>	502.1
▪ Repayable other than by instalments		
- After five years	<b>150.0</b>	-
- Fair value hedge adjustment	<b>40.4</b>	-
	<b>190.4</b>	-
<b>Total non-current borrowings</b>	<b>478.3</b>	502.1
<b>Total borrowings outstanding</b>	<b>542.0</b>	1,065.5



Notes to the Financial Statements (continued)

22. BORROWINGS AND OTHER DEBT (continued)

(a) Funding and liquidity management

The principal liquidity risks faced by the Group relate to cash flow requirements arising from day-to-day operations, maturing debt obligations and the funding of capital investment programmes. The Group's treasury function manages this risk through a combination of liquid investments, cash and cash equivalents and undrawn committed bank facilities. The Group negotiates facilities with relationship banks and debt capital markets to pre-fund, or pre-hedge, any funding requirements arising from maturing debt, capital expenditure and general business requirements.

At 31 December 2023 the Group had over €3.7 billion available in cash or cash equivalents (excluding restricted cash) and committed bank facilities, ensuring liquidity demands can be met as required. The committed bank facilities include a syndicated loan facility with a large number of well-rated financial institutions. In addition to this, a €450.0 million facility is available from the European Investment Bank to support the roll out of Smart Meters in the Republic of Ireland of which €150.0 million has been drawn down at 31 December 2023.

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account both funding costs and risk mitigation.

The maturity profile of the carrying amount of the Group's borrowings, and the expiry of material undrawn committed bank borrowing facilities are as follows:

	Drawn Debt - Group		Drawn Debt - Parent		Undrawn Facility - Group and Parent	
	2023 €m	2022 €m	2023 €m	2022 €m	2023 €m	2022 €m
Maturing						
In one year or less	363.7	563.4	63.7	563.4	862.6	847.5
Between one and two years	459.0	363.2	58.0	63.3	-	-
Between two and five years	1,550.7	1,475.8	97.1	134.3	1,400.0	1,174.4
In more than five years	5,365.7	4,490.4	323.2	304.5	300.0	-
	7,739.1	6,892.8	542.0	1,065.5	2,562.6	2,021.9

The following table sets out the contractual maturities of Group borrowings, including the associated interest payments. Borrowings with a carrying value of €7,197.0 million (31 December 2022: €5,827.3 million) relate to borrowings of subsidiaries in the Group.

	Carrying amount	Contractual cash outflows / (inflows) - net	Within 1 year	1-2 years	2-5 years	More than 5 years
	€m	€m				
31 December 2023						
Recourse borrowings	6,479.8	7,899.1	516.4	207.6	1,525.1	5,650.0
Non-recourse borrowings	1,259.3	1,586.2	63.1	465.6	560.4	497.1
Total borrowings	7,739.1	9,485.3	579.5	673.2	2,085.5	6,147.1
31 December 2022						
Recourse borrowings	5,656.4	6,571.2	672.6	470.1	909.0	4,519.5
Non-recourse borrowings	1,236.4	1,622.4	63.9	62.0	984.8	511.7
Total borrowings	6,892.8	8,193.6	736.5	532.1	1,893.8	5,031.2

(b) Interest rate risk management

The Group's interest rate policy was updated in 2021 and the target is to have a significant majority of its debt at fixed interest rate to maturity, with a minimum of 60% fixed at all times. This is achieved either by borrowing directly at fixed interest rates or via interest rate swaps. At 31 December 2023, 92% of the Group's debt was fixed and 8.0% floating (31 December 2022: 94.4% and 5.6% respectively). The fair value of interest rate swaps is disclosed in note 23.

In respect of interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date taking into account the effect of interest rate swaps:

22. BORROWINGS AND OTHER DEBT (continued)

	Effective interest rate %	Total €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
2023						
Non-recourse borrowings (fixed interest rate)	4.98%	1,259.3	-	401.0	458.2	400.1
Other long-term borrowings (fixed and variable interest rate)	2.53%	6,479.8	363.7	58.0	1,092.5	4,965.6
		7,739.1	363.7	459.0	1,550.7	5,365.7
2022						
Private placement borrowings (fixed interest rate)	6.15%	267.3	267.3	-	-	-
Non-recourse borrowings (fixed interest rate)	4.98%	1,236.4	-	-	843.6	392.8
Other long-term borrowings (fixed and variable interest rate)	2.97%	5,389.1	296.1	363.2	632.2	4,097.6
		6,892.8	563.4	363.2	1,475.8	4,490.4

Included within other long-term borrowings in this analysis are floating rate liabilities of €618.5 million (31 December 2022: €386.0 million).

The effective interest rate on the private placement borrowings has been fixed through the use of cross currency swaps and interest rate swaps.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, changes in interest rates will have an impact on consolidated earnings. It is estimated that a general increase of 50 basis points in interest rates (and corresponding real interest rates) for the year would have increased profit before taxation and reduced equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, including the assumption that there is no change in inflation rates.

	31 December 2023		31 December 2022	
	50 bp increase gain / (loss) € m	50 bp decrease gain / (loss) € m	50 bp increase gain / (loss) € m	50 bp decrease gain / (loss) € m
Profit before taxation				
Interest payable	(3.1)	3.1	(0.5)	0.5
Fair value movements on financial instruments	(26.8)	28.5	25.7	(27.0)
Other comprehensive income				
Fair value (losses) / gains	-	-	(1.8)	1.9

The following assumptions were made in respect of the sensitivity analysis above:

- the balance sheet sensitivity to interest rates analysis relates only to derivative financial instruments;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on the income statement;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12-month period for the accrued interest portion of the sensitivity calculations.

Notes to the Financial Statements (continued)

22. BORROWINGS AND OTHER DEBT (continued)

(c) Reconciliation of external borrowings  
Group

	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
2023						
Debt Facilities						
ESB Eurobonds	4,590.8	1,337.3	-	6.3	0.4	5,934.8
Non-recourse NIE Networks Eurobonds	1,236.4	-	-	22.0	0.9	1,259.3
Bank borrowings	798.3	734.5	(1,030.8)	1.0	42.0	545.0
Private placement borrowings	267.3	-	(258.6)	(8.7)	-	-
Total	6,892.8	2,071.8	(1,289.4)	20.6	43.3	7,739.1

	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
2022						
Debt Facilities						
ESB Eurobonds	3,568.2	1,039.1	-	(19.0)	2.5	4,590.8
Non-recourse NIE Networks Eurobonds	890.9	402.5	-	(56.6)	(0.4)	1,236.4
Bank borrowings	651.0	226.0	(69.0)	(9.5)	(0.2)	798.3
Private placement borrowings	253.1	-	-	14.2	-	267.3
Total	5,363.2	1,667.6	(69.0)	(70.9)	1.9	6,892.8

Parent

	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
2023						
Debt Facilities						
Bank borrowings	798.2	734.5	(1,030.8)	1.0	39.1	542.0
Private placement borrowings	267.3	-	(258.6)	(8.7)	-	-
Total	1,065.5	734.5	(1,289.4)	(7.7)	39.1	542.0

	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
2022						
Debt Facilities						
Bank borrowings	651.1	226.0	(69.0)	(9.5)	(0.4)	798.2
Private placement borrowings	253.1	-	-	14.2	-	267.3
Total	904.2	226.0	(69.0)	4.7	(0.4)	1,065.5

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value by class of derivative financial instrument

Derivative financial instruments are carried at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis, using a zero-coupon discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair values of financial instruments, grouped by class of instrument, are as follows:

Group

	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
2023					
Interest rate swaps	63.5	-	(13.5)	-	50.0
Inflation linked interest rate swaps	-	-	(337.9)	(4.0)	(341.9)
Currency swaps	-	-	(9.1)	-	(9.1)
Foreign exchange contracts	1.1	16.4	(1.8)	(6.3)	9.4
Forward fuel price contracts	99.0	328.3	(44.5)	(385.5)	(2.7)
Total	163.6	344.7	(406.8)	(395.8)	(294.3)

	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
2022					
Interest rate swaps	-	-	(21.8)	(2.9)	(24.7)
Inflation linked interest rate swaps	-	-	(323.3)	(239.9)	(563.2)
Currency swaps	-	21.9	(5.4)	-	16.5
Foreign exchange contracts	2.6	12.7	(6.9)	(34.9)	(26.5)
Forward fuel price contracts	122.7	809.1	(148.2)	(812.1)	(28.5)
Total	125.3	843.7	(505.6)	(1,089.8)	(626.4)

Parent

	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
2023					
Interest rate swaps	76.8	-	(13.4)	(0.1)	63.3
Currency swaps	-	-	(9.2)	-	(9.2)
Foreign exchange contracts	1.1	21.1	(1.9)	(6.4)	13.9
Forward fuel price contracts	78.9	310.1	(42.2)	(359.8)	(13.0)
Total	156.8	331.2	(66.7)	(366.3)	55.0

	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
2022					
Interest rate swaps	5.0	1.8	(21.7)	(3.0)	(17.9)
Currency swaps	-	21.9	(5.4)	-	16.5
Foreign exchange contracts	5.8	13.4	(6.8)	(34.4)	(22.0)
Forward fuel price contracts	120.6	787.5	(128.1)	(776.1)	3.9
Total	131.4	824.6	(162.0)	(813.5)	(19.5)

The Group decides at inception whether to designate financial instruments into hedge relationships for certain arrangements that meet the specific hedging accounting criteria of IFRS 9.



Notes to the Financial Statements (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(i) Interest rate swaps (‘IRS’)

The Group has executed interest rate swaps of Stg £488.0 million (2022: Stg £295.0 million) in connection with a certain portion of its borrowings held by the Parent and ESB Finance DAC.

For interest rate swaps, the fair value takes into account the fixed, floating and market rates prevailing at the balance sheet date. As interest rate swaps are marked to market at 31 December 2023, their carrying value is equal to their fair value.

The fair value of the interest rate swaps has increased by €74.7 million (31 December 2022: decrease of €16.1 million). ESB receives a fixed rate and pays variable under the instruments. The fair value movement reflects positive mark to market movements in the underlying swaps during the year, resulting from a falling interest rate environment as well as entering into a new swap during the year.

(ii) Inflation linked interest rate swaps

Inflation linked interest rate swaps with a fair value on acquisition of €272.5 million were acquired in December 2010 as part of the purchase of the NIE Networks business. The inflation linked interest rate swaps did not qualify for hedge accounting under IFRS 9 on acquisition of the NIE Networks business. The fair value of the inflation linked interest rate swaps is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the UK.

On 12 April 2021 the Group, and its counterparty banks, together agreed a restructuring of the swaps, including amendments to certain terms. These changes included an extension of the date of the mandatory early termination clause (as defined in executed term sheet) from 22 June 2022 to 22 December 2025 for the swaps maturing 22 December 2036. The restructuring also included amendments to the fixed interest rate element of the swaps, and a change to the number of swap counterparties.

Arising from movements in forward interest rates, UK RPI forward prices, foreign currency exchange rates and payments during the year, the fair value of the liability has decreased by €220.6 million on these swaps in the year ended 31 December 2023 (2022: fair value of the liability decreased by €157.6 million). The movement reflects negative mark to market movements in the underlying swaps of (€37.7) million (2022: positive movement €101.1 million), reflected in finance costs in the income statement (note 9) and total payments of €269.1 million (which includes €265.5 million accretion payment) (2022: €22.3 million) arising under the swaps during the year. In addition, negative translation movements of (€10.8) million (2022: positive translation movements of €34.2 million) during the year on translation of the swaps from sterling to euro are reflected in the OCI.

(iii) Currency swaps

The fair value of the currency swaps is affected by movements in foreign exchange and interest rates. ESB’s currency swaps are primarily classified as cash flow hedges and relate to funding performed in one currency with full or partial underlying requirements in another currency. ESB has a portfolio of EUR USD cross-currency swaps entered into in connection with the private placement debt, which is described in note 22. These cross-currency swaps were entered into in order to swap US dollar and sterling interest and principal repayments on the underlying debt to euro, thereby hedging the risk on these payments over the years to maturity from 2010 to 2023. The private placement debt amount of EUR equivalent €242 million has matured in 2023. The cross-currency swaps entered into in connection with the private placement debt have also matured simultaneously.

Similarly, ESB has a portfolio of EUR GBP cross-currency swaps entered into in connection with euro monies raised in public capital markets. These cross-currency swaps were entered into in order to swap Euro and Sterling interest and principal repayments on the underlying debt to sterling, thereby hedging the risk on these payments over the years to maturity from 2018 to 2032.

The fair value of the cross currency interest rate swaps has decreased by €25.6 million (2022: fair value increased by €31.0 million), the movement reflects negative mark to market movements during the year.

No ineffectiveness under the meaning of IFRS 9 arose on the currency swaps during the year (2022: €nil). Separately included in the income statement for the year 31 December 2023 is a loss of €25.8 million (2022: gain of €28.3 million) arising on cross currency swaps which is substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

(iv) Foreign exchange contracts

In addition to foreign exchange contracts entered into in relation to the Group's borrowings, the Group has entered into foreign exchange contracts in relation to energy costs, Long Term Service Agreements (LTSA's) and fuel purchase requirements (which are in US dollar and sterling). These contracts have maturities extending until 2027. Total postive fair value movements of €35.9 million (2022: negative movements of €38.3 million) were recognised during the year in relation to such foreign exchange contracts, of which a postive fair value movement of €nil (2022: €nil) was recognised through OCI and a positive fair value movement of €35.9 million (2022: negative movement of €38.3 million) was recognised in the income statement.

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(v) Forward fuel price contracts

The Group enters into forward fuel price contracts for gas, coal and carbon. Commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value.

Total positive fair value movements of €25.8 million (31 December 2022: positive movement of €9.3 million) were recognised during the year consisting of a negative fair value movement of €20.0 million (31 December 2022: negative movement of €31.7 million) recognised in the income statement offset by a positive fair value movement of €40.1 million (31 December 2022: positive movement of €26.1 million) and settlements of €5.7 million (31 December 2022: €3.7 million).

Fair value hierarchy

Further information on the methods of valuing financial instruments is included in note 29.

(b) Funding and liquidity management - maturity of derivative financial instruments

The following table sets out the contractual maturities of derivative financial instruments, including the associated undiscounted net cash flows attributable to them. These derivative financial instruments are expected to impact profit or loss over a time period similar to the cash outflows. Net derivative financial instrument liabilities of €349.3 million (2022: €606.9 million) are included in the Group balances below, but do not comprise part of the Parent's assets and liabilities as they are not held directly by the Parent. See note 29 (b) for further analysis of Group and Parent financial assets and liabilities.

	Carrying amount	Contractual cash inflows / (outflows) - net	Within 1 year	1-2 years	2-5 years	More than 5 years
	€m	€m	€m	€m	€m	€m
<b>31 December 2023</b>						
Interest rate swaps	63.5	136.7	10.2	18.7	40.8	67.0
Currency swaps	-	6.0	-	-	-	6.0
Foreign exchange contracts	17.5	18.6	18.6	-	-	-
Forward fuel price contracts	427.3	427.6	327.6	88.0	12.0	-
<b>Total assets</b>	<b>508.3</b>	<b>588.9</b>	<b>356.4</b>	<b>106.7</b>	<b>52.8</b>	<b>73.0</b>
Interest rate swaps	(13.5)	(27.4)	(21.6)	(5.8)	-	-
Inflation linked interest rate swaps	(341.9)	(357.5)	(4.2)	(13.3)	(50.0)	(290.0)
Currency swaps	(9.1)	(12.4)	(4.8)	(3.9)	(3.7)	-
Foreign exchange contracts	(8.1)	(9.5)	(7.3)	(1.4)	(0.8)	-
Forward fuel price contracts	(430.0)	(430.1)	(385.6)	(42.0)	(2.5)	-
<b>Total liabilities</b>	<b>(802.6)</b>	<b>(836.9)</b>	<b>(423.5)</b>	<b>(66.4)</b>	<b>(57.0)</b>	<b>(290.0)</b>
<b>Net derivative assets / (liabilities)</b>	<b>(294.3)</b>	<b>(248.0)</b>	<b>(67.1)</b>	<b>40.3</b>	<b>(4.2)</b>	<b>(217.0)</b>
<b>31 December 2022</b>						
Currency swaps	21.9	25.6	0.7	22.4	-	2.5
Foreign exchange contracts	15.3	19.4	16.5	2.4	0.5	-
Forward fuel price contracts	931.8	928.5	807.8	109.8	10.9	-
<b>Total assets</b>	<b>969.0</b>	<b>973.5</b>	<b>825.0</b>	<b>134.6</b>	<b>11.4</b>	<b>2.5</b>
Interest rate swaps	(24.7)	(25.8)	(6.4)	(8.3)	(11.1)	-
Inflation linked interest rate swaps	(563.2)	(647.0)	(237.9)	(5.5)	(248.9)	(154.7)
Currency swaps	(5.4)	(73.0)	(9.4)	(18.1)	(45.5)	-
Foreign exchange contracts	(41.8)	(53.7)	(46.5)	(7.2)	-	-
Forward fuel price contracts	(960.3)	(961.3)	(812.0)	(127.2)	(22.1)	-
<b>Total liabilities</b>	<b>(1,595.4)</b>	<b>(1,760.8)</b>	<b>(1,112.2)</b>	<b>(166.3)</b>	<b>(327.6)</b>	<b>(154.7)</b>
<b>Net derivative liabilities</b>	<b>(626.4)</b>	<b>(787.3)</b>	<b>(287.2)</b>	<b>(31.7)</b>	<b>(316.2)</b>	<b>(152.2)</b>

Notes to the Financial Statements (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(c) Hedging Reserves

The Group's hedging reserves movements relate to the following hedging instruments:

2023

	Cash flow hedging reserve <sup>1</sup>				Total €m
	Cross-currency interest rate swaps €m	Interest rate swaps €m	Foreign exchange contracts €m	Forward fuel price contracts <sup>2</sup> €m	
Hedging reserve (gains) / losses	€m	€m	€m	€m	€m
Net fair value movements	30.7	-	-	(40.1)	(9.4)
Net fair value movements for equity accounted investees	-	52.8	6.2	-	59.0
Transfers to the income statement	(34.6)	-	-	-	(34.6)
Deferred tax movements	0.5	(13.3)	-	5.0	(7.8)
Total (gains) / losses	(3.4)	39.5	6.2	(35.1)	7.2

2022

	Cash flow hedging reserve <sup>1</sup>				Total €m
	Cross-currency interest rate swaps €m	Interest rate swaps €m	Foreign exchange contracts €m	Forward fuel price contracts <sup>2</sup> €m	
Hedging reserve (gains) / losses	€m	€m	€m	€m	€m
Net fair value movements	(27.5)	-	-	26.1	(1.4)
Net fair value movements for equity accounted investees	-	(241.1)	(19.1)	-	(260.2)
Transfers to the income statement	25.7	-	-	(3.7)	22.0
Deferred tax movements	0.2	54.0	4.7	(1.2)	57.7
Total (gains) / losses	(1.6)	(187.1)	(14.4)	21.2	(181.9)

1 The cash flow hedge reserve includes an amount of €1.2 million (2022: €4.5 million) relating to the cost of hedging.  
2 Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel price contracts at 31 December 2023.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through twice annual prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Foreign exchange contracts

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to determine ineffectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in credit risk.

Forward fuel and electricity contracts

For hedges of forward fuel and electricity contracts, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. Ineffectiveness may arise if the timing or quantity of the forecast transaction changes from what was originally estimated, or if there are changes in credit risk. Hedge ineffectiveness for forward fuel and electricity contracts is measured using the hypothetical derivative method.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments.

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross-currency interest rate swaps

The Group enters into cross-currency interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The hedged item is identified as a proportion of the outstanding amount up to the notional amount of the swaps. Hedge ineffectiveness for interest rate swaps is measured using the same principles as for hedges of foreign exchange contracts. It may occur primarily due to differences in critical terms between the cross-currency interest rate swaps and the loans.

(d) Effects of hedge accounting on the financial position and performance

The effects of the hedging instruments for which hedge accounting has been used (before taxation) on the Group's financial position and performance are as follows:

2023

	USD - Cross- currency interest rate swaps (Level 2) <sup>1</sup> €m	GBP Cross- currency interest rate swaps (Level 2) €m	EUR – Interest rate swap (Level 2) <sup>2</sup> €m	Forward fuel price contracts - Gas (Level 3) <sup>3</sup> €m	Forward electricity price contracts (Level 3) <sup>3</sup> €m
Carrying amount unit	€m	€m	€m	€m	€m
Carrying amount - asset / (liability) as at 31 December 2023	-	(9.2)	40.4	(661.3)	685.1
Notional unit	\$m	£m	€m	Gwh	Gwh
Notional amount	-	335.5	500.0	6.0	6.8
Maturity date – earliest	Dec-23	Nov-28	Mar-36	Jan-24	Jan-24
Maturity date – latest	Dec-23	May-32	Mar-36	Dec-26	Dec-26
Hedge ratio <sup>4</sup>	1:1	1:1	1:1	1:1	1:1
Change in fair value unit	€m	€m	€m	€m	€m
Change in fair value of outstanding hedging instruments since 1 January	(14.4)	(3.7)	40.4	(442.1)	486.5
Change in value of hedged item used to determine hedge effectiveness	14.4	3.7	(40.4)	(442.1)	484.4
Unit of rate / price	Interest rate % / FX rate	Interest rate % / FX rate	Interest rate %	€/Mwh	€/Mwh
Weighted average hedged rate / price	0.00	4.07%/0.8726	4.25%	198.7	206.2

2022

	USD - Cross- currency interest rate swaps (Level 2) <sup>1</sup> €m	GBP Cross- currency interest rate swaps (Level 2) €m	Forward fuel price contracts - Gas (Level 3) <sup>3</sup> €m	Forward electricity price contracts (Level 3) <sup>3</sup> €m
Carrying amount unit	€m	€m	€m	€m
Carrying amount - asset / (liability) as at 31 December 2022	14.4	(5.4)	(144.8)	122.8
Notional unit	\$m	£m	Gwh	Gwh
Notional amount	173.5	367.5	5.1	5.1
Maturity date – earliest	Dec-23	Nov-28	Jan-23	Jan-23
Maturity date – latest	Dec-23	May-32	Dec-25	Dec-25
Hedge ratio <sup>4</sup>	1:1	1:1	1:1	1:1
Change in fair value unit	€m	€m	€m	€m
Change in fair value of outstanding hedging instruments since 1 January	9.4	15.3	86.5	(114.7)
Change in value of hedged item used to determine hedge effectiveness	(9.4)	(15.3)	86.5	(118.2)
Unit of rate / price	Interest rate % / FX rate	Interest rate % / FX rate	€/Mwh	€/Mwh
Weighted average hedged rate / price	5.69%/ 1.19	4.00%/0.8718	127.1	127.1

1 The private placement USD cross-currency interest rate swap matured on 15 December 2023.  
2 ESB Group entered into a new swap in 2023.  
3 Weighted average hedged rate / price is not applicable to the Level 3 contracts above. Level 3 hedge instruments link electricity more closely to fuel inputs  
4 The hedge ratio is the quantity of hedging instrument per quantity of hedged item. The appropriate hedge ratio is determined based on specific factors such as volumes of commodities required, contracted foreign exchange and interest rate exposures.



Notes to the Financial Statements (continued)

24. PENSION LIABILITIES

The Group operates a number of pension schemes for staff in both the Republic of Ireland, Northern Ireland and Great Britain (GB). Pension arrangements in respect of staff in the Republic of Ireland including ESB employees seconded overseas are set out in section (a) below. Pension arrangements in respect of staff in GB and Northern Ireland are described in section (b) and (c).

(a) Parent and Group - Republic of Ireland  
(i) ESB Defined Benefit Pension Scheme (The Scheme)

The ESB Defined Benefit Pension Scheme is a contributory pension Scheme with just under 12,000 members. The Scheme was closed to new members in 2011. The fund is vested in Trustees nominated by ESB and its members for the sole benefit of the Scheme's members and their dependants. The Scheme is a defined benefit Scheme and is registered as such with the Pensions Authority.

The regulations governing the Scheme stipulate the benefits that are to be provided and the contributions to be paid by both ESB and the contributing members. Notwithstanding the defined benefit nature of the benefits, ESB has no legal obligation to increase contributions to maintain those benefits in the event of a deficit. ESB's rate of contribution cannot be altered without the agreement of ESB and approval of the Minister for Environment, Climate and Communications and the Minister for Public Expenditure, National Development Plan Delivery and Reform. Should a deficit arise in the future, ESB is obliged under the regulations to consult with the Superannuation Committee, the Trustees and the Scheme Actuary to consider the necessity of submitting an amending Scheme for Ministerial approval. This is different to the normal 'balance of cost' defined benefit approach, where the employer is liable to pay the balance of contributions required to fund benefits.

History

Historically the contributions of both ESB and members have been fixed by the Scheme regulations for long periods. On a number of occasions since the early 1980s, a deficit in the Scheme has been reported by the Scheme Actuary. On each occasion ESB has, in accordance with its obligations under the Scheme rules, consulted with the Committee, the Trustees and the Actuary. Following discussions with the unions, deficits were resolved by increasing contributions by both ESB and pension Scheme members. The membership of the Scheme is closed to new joiners.

Under an agreement with the ESB Group of Unions in 2010, ESB agreed to a once off cash injection into the Scheme payable over a number of years which had an agreed valuation for actuarial purposes at 1 January 2010 of €591.0 million. In 2020, the remaining balance of this amount was paid to the Trustees of the Scheme by ESB. ESB does not intend that any further contributions, other than the normal ongoing contributions currently provided for under the Scheme regulations will be made.

Ongoing Actuarial Valuations

There are three different methods of assessing the financial status of the Scheme:

- Ongoing Actuarial Valuation.
- Minimum Funding Standard, under the Pensions Act.
- Accounting, as set out in International Accounting Standard 19, Employee Benefits.

Each of these methods assesses the Scheme from specific perspectives using assumptions and projections which may differ.

Ongoing Actuarial Valuation

This valuation method assumes that both the Scheme and ESB continue in existence for the foreseeable future - it is not a wind-up valuation. As part of the interim valuations carried out at the end of 2022 and at the end of September 2023, the Scheme Actuary confirmed that the Scheme remained broadly in balance on an ongoing actuarial basis, i.e. that based on the assumptions made, the Scheme is projected to be able to meet its obligations as they fall due.

Wind Up / Minimum Funding Standard Valuation

The Pensions Act requires the Trustees of the Scheme to also assess whether it could meet a certain prescribed standard, known as the Minimum Funding Standard (MFS). This assesses whether, if the Scheme were wound up on a specified theoretical valuation date, it could secure the benefits on that date. It should be noted that ESB does not envisage the winding up of the Scheme.

The MFS and MFS Risk Reserve are monitored by both the Scheme Actuary and Trustees and the Scheme Actuary confirmed that at the end of 2022 and at the end of September of 2023, the Scheme met both the MFS and MFS Risk Reserve requirements.

Accounting

IAS 19 (revised) Employee Benefits is the relevant accounting standard to determine the way post-employment benefits should be reflected in ESB's financial statements.

24. PENSION LIABILITIES (continued)

The financial statements reflect the following obligations to the Scheme:

- Ongoing contributions - these are recognised in the income statement as incurred. Any unpaid amounts at year end are recognised as liabilities on the balance sheet.
- Obligations of €83.1 million (2022: €88.7 million) to the Scheme are also included on the balance sheet, made up of:
  - Past service contributions – the on-going rate of contribution by ESB includes a contribution towards past service accrued in 2010. The present value of future contributions in respect of that past service are recognised on the balance sheet. Amounts yet to be paid are subject to an annual financing charge and this is expensed in the income statement.
  - Past Voluntary Severance (VS) Programmes – in 2010 ESB recognised a future fixed commitment in respect of staff who had left ESB under previous VS programmes. ESB will make pension contributions in respect of those staff and the fair value of those future contributions are also recognised on the balance sheet. Amounts yet to be paid are subject to an annual financing charge and this is expensed in the income statement.

(ii) ESB Defined Contribution Pension Scheme

ESB also operates an approved defined contribution Scheme (called the ESB Defined Contribution Pension Scheme) for employees of ESB subsidiary companies in the Republic of Ireland and, from 1 November 2010, new staff of ESB (the parent company).

Contributions are paid by the members and the employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a Group basis and may be paid in the form of a lump sum and / or survivor's pension. The pension charge for the year represents the defined employer contribution and amounted to €22.5 million (2022: €18.7 million).

(b) FM United Kingdom Worksave Scheme

In addition, ESB operates a contract based defined contribution pension scheme in the UK for all of its GB employees. Contributions are paid by the members and the employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a Group basis and may be paid in the form of a lump sum. The assets of this Scheme are held in individual accounts managed by Legal & General Assurance Society Limited. The pension charge for the year represents the defined employer contribution and amounted to €0.9 million (2022: €0.7 million).

(c) Northern Ireland Electricity Pension Scheme

The majority of the employees in NIE Networks are members of the Northern Ireland Electricity Pension Scheme (the NIE Networks Scheme). This has two sections: "Options", which is a money purchase arrangement whereby the employer generally matches the members' contributions up to a maximum of 8% of salary, and "Focus" which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the NIE Networks Scheme are held under trust and invested by the Trustees on the advice of professional investment managers. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the day-to-day administration of the benefits of the scheme. Focus has been closed to new members since 1998 and therefore under the projected unit credit method, the current service cost for members of this section as a percentage of salary will increase as they approach retirement age.

As the benefits paid to members of the Options section of the scheme are directly related to the value of assets for Options, there are no funding issues with this section of the scheme. The remainder of this note is therefore in respect of the Focus section of the scheme. Under the Focus section of the scheme, employees are entitled to annual pensions on retirement at age 63 (for members who joined after 1 April 1988) of one-sixtieth of final pensionable salary for each year of service. Benefits are also payable on death and following events such as withdrawing from active service.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Focus section of the scheme was carried out by a qualified actuary as at 31 March 2022 and showed a deficit of €33.4 (£29.0) million. The Company paid deficit contributions of €23.0 (£20.0) million per annum (increasing in line with inflation) from 1 April 2022. These deficit contribution payments ceased on 30 September 2023 in line with the recovery plan agreed with the Trustees. Since 1 April 2023, NIE Networks also pays contributions of 52.1% of pensionable salaries (2022: 43.0%) in respect of current accrual plus €115,000 (£100,000 monthly expenses (2022: €98,900 (£87,500))), with active members paying a further 6% of pensionable salaries.

Profile of the Scheme

The defined benefit pension scheme surplus includes benefits for current employees, former employees and current pensioners. Broadly, about 17% of the liabilities are attributable to current employees, 3% to former employees and 80% to current pensioners. The Scheme duration is an indication of the weighted average time until benefit payments are made. For the NIE Networks Scheme, the duration is around 11 years (2022: 11 years) based on the last funding valuation.

Notes to the Financial Statements (continued)

24. PENSION LIABILITIES (continued)

The Company has recognised an accounting surplus on the 'Focus' defined benefit pension scheme in line with the most recent IAS 19 valuation on the basis of the Company's assessment that it has the right to any remaining surplus on the eventual winding up of the pension scheme following gradual settlement of the scheme's liabilities. In making this judgement, the Company is of the view that no other party has the unilateral right to wind-up the scheme or amend the liabilities of the scheme.

Financial assumptions

The valuation of the Focus section of the NIE Networks Scheme by independent actuaries for the purpose of IAS 19 disclosures is based on the following assumptions:

	% at 31 December 2023	% at 31 December 2022
Rate of interest applied to discount liabilities <sup>1</sup>	4.80	5.00
Price inflation (CPI in the United Kingdom)	2.70	2.70
Rate of increase of pensionable salaries	3.10	3.20
Rate of increase of pensions in payment	2.70	2.70

1 The discount rate used in the calculation of the pension liability at 31 December 2023 was 4.8% (2022: 5.0%). This was determined by reference to market yields as at that date on high quality corporate bonds. The currency and term of the corporate bonds was consistent with the currency and estimated term of the post-employment benefit obligations.

Mortality assumptions

The assumptions relating to life expectancy at retirement for members are set out below. These assumptions are based on standard actuarial mortality tables and include an allowance for future improvements in life expectancy.

	At 31 December 2023		At 31 December 2022	
	Males Years	Females Years	Males Years	Females Years
Current pensioners at aged 60	26.5	29.0	26.4	28.9
Future pensioners currently aged 40 (life expectancy age 60)	28.4	30.1	28.3	30.1

Pension assets and liabilities

The assets and liabilities in the Focus section of the NIE Networks Scheme are:

	At 31 December 2023	At 31 December 2022
	€m	€m
Equities - quoted	49.8	87.6
Bonds - quoted	314.5	293.9
Multi-asset credit investments	582.9	479.7
Diversified growth - quoted	89.2	130.5
Other	21.6	24.3
Fair value of plan assets	1,058.0	1,016.0
Present value of funded obligations	(984.5)	(950.2)
Net surplus	73.5	65.8

24. PENSION LIABILITIES (continued)

	At 31 December 2023	At 31 December 2022
	€m	€m
<b>Changes in the actuarial value of liabilities</b>		
Benefit obligation at the beginning of the year	950.2	1,513.8
<i>Movement during the year:</i>		
Current service cost	3.5	7.4
Interest cost	47.3	26.2
Plan members' contributions	0.3	0.3
Actuarial loss / (gain) impact of financial assumption changes	29.1	(476.5)
Actuarial loss - experience loss	12.7	40.1
Benefits paid	(70.7)	(76.0)
Curtailment cost	0.2	0.3
Translation difference on benefit obligation in the year	11.9	(85.4)
<b>Benefit obligation at the end of the year</b>	<b>984.5</b>	<b>950.2</b>
<b>Changes in the market value of assets</b>		
Fair value of plan assets at the beginning of the year	1,016.0	1,507.1
<i>Movement during the year:</i>		
Interest income on plan assets	51.0	26.3
Return on plan assets	23.0	(384.9)
Employer contributions	27.2	31.0
Plan members' contributions	0.3	0.3
Administration expenses	(1.5)	(1.8)
Benefits paid	(70.7)	(76.0)
Translation difference on assets in the year	12.7	(86.0)
<b>Fair value of plan assets at the end of the year</b>	<b>1,058.0</b>	<b>1,016.0</b>
<b>Actual return on plan assets for the year</b>	<b>74.0</b>	<b>(358.6)</b>

The Group expects to make contributions of approximately €7.8 million to Focus in 2024.

Analysis of the amounts recognised in the employee costs as part of the employee benefit charge were as follows:

	2023	2022
	€m	€m
Current service cost	(3.5)	(7.4)
Curtailment cost	(0.2)	(0.3)
Administration expenses	(1.5)	(1.8)
<b>Total defined benefit charge in year</b>	<b>(5.2)</b>	<b>(9.5)</b>

Analysis of the amounts recognised in the finance costs, as net pension scheme interest:

	2023	2022
	€m	€m
Interest on pension scheme assets	51.0	26.3
Interest on pension scheme liabilities	(47.3)	(26.2)
<b>Net pension scheme charge interest income</b>	<b>3.7</b>	<b>0.1</b>



Notes to the Financial Statements (continued)

24. PENSION LIABILITIES (continued)

Analysis of the amounts recognised in the statement of comprehensive income (excluding translation)

	2023	2022
	€m	€m
Actual returns on assets less interest	23.0	(384.9)
Actuarial (loss) / gain on liabilities	(41.8)	436.4
Net actuarial (loss) / gain	(18.8)	51.5

Sensitivity analysis

The table below shows how the possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Impact on defined benefit obligation (increase) / decrease	
	2023	2022
	€ m	€ m
Discount rate (0.25% increase)	26.0	25.0
Inflation rate (0.25% increase)	(25.2)	(21.0)
Future mortality (1 year increase)	(28.5)	(16.8)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

25. LIABILITY- ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES

Group	Liability - ESB pension scheme €m	Employee related liabilities		
		Restructuring liabilities €m	Other €m	Total €m
Balance at 1 January 2022	94.7	50.8	69.0	119.8
Movements during the year:				
Charged to the income statement	-	-	59.4	59.4
Utilised during the year	(10.5)	(11.1)	(62.1)	(73.2)
Financing charge	4.5	-	-	-
Translation differences	-	-	(0.1)	(0.1)
Balance at 31 December 2022	88.7	39.7	66.2	105.9
Balance at 1 January 2023	88.7	39.7	66.2	105.9
Movements during the year:				
(Credited) / Charged to the income statement	-	(0.4)	113.8	113.4
Utilised during the year	(9.8)	(9.5)	(93.9)	(103.4)
Financing charge	4.2	-	-	-
Balance at 31 December 2023	83.1	29.8	86.1	115.9
Analysed as follows:				
Non-current liabilities	73.5	15.4	-	15.4
Current liabilities	9.6	14.4	86.1	100.5
Total at 31 December 2023	83.1	29.8	86.1	115.9
Non-current liabilities	78.2	23.7	-	23.7
Current liabilities	10.5	16.0	66.2	82.2
Total at 31 December 2022	88.7	39.7	66.2	105.9

25. LIABILITY- ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES (continued)

Parent	Liability - ESB pension scheme €m	Employee related liabilities		
		Restructuring liabilities €m	Other €m	Total €m
Balance at 1 January 2022	94.7	50.7	60.7	111.4
Movements during the year:				
Charged to the income statement	-	-	53.5	53.5
Utilised during the year	(10.5)	(11.1)	(55.5)	(66.6)
Financing charge	4.5	-	-	-
Balance at 31 December 2022	88.7	39.6	58.7	98.3
Balance at 1 January 2023	88.7	39.6	58.7	98.3
Movements during the year:				
(Credited) / Charged to the income statement	-	(0.4)	105.8	105.4
Utilised during the year	(9.8)	(9.4)	(87.4)	(96.8)
Financing charge	4.2	-	-	-
Balance at 31 December 2023	83.1	29.8	77.1	106.9
Analysed as follows:				
Non-current liabilities	73.5	15.4	-	15.4
Current liabilities	9.6	14.4	77.1	91.5
Total at 31 December 2023	83.1	29.8	77.1	106.9
Non-current liabilities	78.2	23.7	-	23.7
Current liabilities	10.5	15.9	58.7	74.6
Total at 31 December 2022	88.7	39.6	58.7	98.3

Liability - ESB pension scheme

See note 24 (a) part (i).

Restructuring liabilities

This provision represents the estimated cost of providing post-employment payments to former employees, before the pension scheme payment commences at age 65. It includes liabilities for continuing payments to employees who left under past voluntary severance initiatives, which are expected to be materially discharged by 2035. Expected future cash flows are discounted to the present value using long-term interest rates based on zero discount curve at the reporting date plus an appropriate credit spread.

Other

In accordance with the requirements of IAS 19 Employee Benefits, provision has been made for employee remuneration liabilities, including accrued holiday leave and performance related payments.

## Notes to the Financial Statements (continued)

## 26. TRADE AND OTHER PAYABLES

	Group		Parent	
	2023	2022	2023	2022
	€m	€m	€m	€m
<b>Current payables:</b>				
Progress payments	144.8	127.1	80.3	81.6
Trade payables	434.4	594.4	332.7	430.4
Capital creditors	111.8	114.6	90.5	95.1
Other payables	915.1	1,010.4	300.6	137.7
Payroll taxes	17.1	16.0	21.5	20.2
Pay related social insurance	7.9	7.2	-	-
Value added tax	33.7	39.3	-	(5.9)
Accruals	474.8	377.4	55.8	446.4
Amounts owed to subsidiary undertakings	-	-	8,736.0	7,383.4
Accrued interest on borrowings	106.0	75.6	79.8	49.8
<b>Total current payables</b>	<b>2,245.6</b>	<b>2,362.0</b>	<b>9,697.2</b>	<b>8,638.7</b>
<b>Total payables</b>	<b>2,245.6</b>	<b>2,362.0</b>	<b>9,697.2</b>	<b>8,638.7</b>

Included within other payables are collateral amounts pledged by the Group to bilateral parties of €nil million (31 December 2022: €6.3 million) and €549.5 million (€80.0 million Parent related) (2022: €754.0 million (€107.4 million Parent related)) of restricted cash relating to the Irish Government's Electricity Costs Emergency Benefit Scheme and the UK Government's Energy Bills Support Scheme. Refer to note 19 for further details.

Other payables include amounts received in advance from customers.

## 27. DEFERRED INCOME

## Group

	Supply contributions	Other deferred income	Total
	€m	€m	€m
<b>Balance at 1 January 2022</b>	1,409.1	39.3	1,448.4
Transfer from progress payments on work in progress	186.9	-	186.9
Deferred income received	-	23.4	23.4
Released to the income statement	(89.7)	(22.1)	(111.8)
Translation differences	(28.2)	(0.3)	(28.5)
<b>Balance at 31 December 2022</b>	<b>1,478.1</b>	<b>40.3</b>	<b>1,518.4</b>
<b>Balance at 1 January 2023</b>	<b>1,478.1</b>	<b>40.3</b>	<b>1,518.4</b>
Transfer from progress payments on work in progress	167.4	-	167.4
Deferred income received	-	29.7	29.7
Released to the income statement	(90.4)	(25.8)	(116.2)
Translation differences	14.9	-	14.9
<b>Balance at 31 December 2023</b>	<b>1,570.0</b>	<b>44.2</b>	<b>1,614.2</b>
<b>Analysed as follows:</b>			
Non-current liabilities	1,475.8	32.4	1,508.2
Current liabilities	94.2	11.8	106.0
<b>Total at 31 December 2023</b>	<b>1,570.0</b>	<b>44.2</b>	<b>1,614.2</b>
Non-current liabilities	1,386.2	32.9	1,419.1
Current liabilities	91.9	7.4	99.3
<b>Total at 31 December 2022</b>	<b>1,478.1</b>	<b>40.3</b>	<b>1,518.4</b>

## Parent

	Supply contributions	Other deferred income	Total
	€m	€m	€m
<b>Balance at 1 January 2022</b>	952.7	-	952.7
Transfer from progress payments on work in progress	147.9	-	147.9
Released to the income statement	(67.0)	-	(67.0)
<b>Balance at 31 December 2022</b>	<b>1,033.6</b>	<b>-</b>	<b>1,033.6</b>
<b>Balance at 1 January 2023</b>	<b>1,033.6</b>	<b>-</b>	<b>1,033.6</b>
Transfer from progress payments on work in progress	128.3	-	128.3
Released to the income statement	(67.8)	-	(67.8)
<b>Balance at 31 December 2023</b>	<b>1,094.1</b>	<b>-</b>	<b>1,094.1</b>
<b>Analysed as follows:</b>			
Non-current liabilities	1,026.3	-	1,026.3
Current liabilities	67.8	-	67.8
<b>Total at 31 December 2023</b>	<b>1,094.1</b>	<b>-</b>	<b>1,094.1</b>
Non-current liabilities	964.9	-	964.9
Current liabilities	68.7	-	68.7
<b>Total at 31 December 2022</b>	<b>1,033.6</b>	<b>-</b>	<b>1,033.6</b>



## Notes to the Financial Statements (continued)

## 28. PROVISIONS

Group	Asset retirement provision €m	Emissions provision €m	Other €m	Total €m
<b>Balance at 1 January 2022</b>	453.6	301.2	249.6	<b>1,004.4</b>
Charged to the income statement				
▪ Emission allowances	-	486.4	-	<b>486.4</b>
▪ Legal and other	-	-	69.3	<b>69.3</b>
▪ Asset retirement	38.4	-	-	<b>38.4</b>
Reduction in asset retirement provision capitalised	(20.2)	-	-	<b>(20.2)</b>
Provision capitalised in the year (net)	69.7	-	(8.9)	<b>60.8</b>
Utilised in the year	(5.7)	(302.9)	(110.7)	<b>(419.3)</b>
Financing charge	8.7	-	0.1	<b>8.8</b>
Translation differences	(1.6)	(14.4)	(1.7)	<b>(17.7)</b>
<b>Balance at 31 December 2022</b>	542.9	470.3	197.7	<b>1,210.9</b>
<b>Balance at 1 January 2023</b>	542.9	470.3	197.7	<b>1,210.9</b>
Charged to the income statement				
▪ Emission allowances	-	378.0	-	<b>378.0</b>
▪ Legal and other	-	-	7.7	<b>7.7</b>
▪ Asset retirement	(0.5)	-	-	<b>(0.5)</b>
Reduction in asset retirement provision capitalised	(21.3)	-	-	<b>(21.3)</b>
Provision capitalised in the year (net)	-	-	4.3	<b>4.3</b>
Utilised in the year	(3.9)	(451.6)	(67.3)	<b>(522.8)</b>
Financing charge	16.7	-	-	<b>16.7</b>
Translation differences	1.3	1.5	0.5	<b>3.3</b>
<b>Balance at 31 December 2023</b>	535.2	398.2	142.9	<b>1,076.3</b>
<b>Analysed as follows:</b>				
Non-current liabilities	521.5	-	63.6	<b>585.1</b>
Current liabilities	13.7	398.2	79.3	<b>491.2</b>
<b>Total at 31 December 2023</b>	<b>535.2</b>	<b>398.2</b>	<b>142.9</b>	<b>1,076.3</b>
Non-current liabilities	523.6	-	92.6	<b>616.2</b>
Current liabilities	19.3	470.3	105.1	<b>594.7</b>
<b>Total at 31 December 2022</b>	<b>542.9</b>	<b>470.3</b>	<b>197.7</b>	<b>1,210.9</b>

## 28. PROVISIONS (continued)

Parent	Asset retirement provision €m	Emissions provision €m	Other €m	Total €m
<b>Balance at 1 January 2022</b>	377.9	177.1	153.5	<b>708.5</b>
Charged / (credited) to the income statement				
▪ Emission allowances	-	237.0	-	<b>237.0</b>
▪ Legal and other	-	-	58.4	<b>58.4</b>
▪ Asset retirement	32.1	-	-	<b>32.1</b>
Reduction in asset retirement provision capitalised	(2.9)	-	-	<b>(2.9)</b>
Provision capitalised in the year (net)	34.3	-	-	<b>34.3</b>
Utilised in the year	(5.6)	(182.6)	(50.6)	<b>(238.8)</b>
Financing charge	6.3	-	-	<b>6.3</b>
<b>Balance at 31 December 2022</b>	442.1	231.5	161.3	<b>834.9</b>
<b>Balance at 1 January 2023</b>	442.1	231.5	161.3	<b>834.9</b>
Charged / (credited) to the income statement				
▪ Emission allowances	-	180.2	-	<b>180.2</b>
▪ Legal and other	-	-	5.2	<b>5.2</b>
▪ Asset retirement	0.2	-	-	<b>0.2</b>
Reduction in asset retirement provision capitalised	(18.7)	-	-	<b>(18.7)</b>
Provision capitalised in the year (net)	-	-	0.8	<b>0.8</b>
Utilised in the year	(3.2)	(221.9)	(64.3)	<b>(289.4)</b>
Financing charge	13.0	-	-	<b>13.0</b>
<b>Balance at 31 December 2023</b>	433.4	189.8	103.0	<b>726.2</b>
<b>Analysed as follows:</b>				
Non-current liabilities	419.8	-	55.9	<b>475.7</b>
Current liabilities	13.6	189.8	47.1	<b>250.5</b>
<b>Total at 31 December 2023</b>	<b>433.4</b>	<b>189.8</b>	<b>103.0</b>	<b>726.2</b>
Non-current liabilities	422.9	-	84.2	<b>507.1</b>
Current liabilities	19.2	231.5	77.1	<b>327.8</b>
<b>Total at 31 December 2022</b>	<b>442.1</b>	<b>231.5</b>	<b>161.3</b>	<b>834.9</b>

**Asset retirement provision**

The Group provision at 31 December 2023 of €535.2 million (2022: €542.9 million) for asset retirement represents the present value of the current estimate of the costs arising from certain obligations in relation to the retirement and decommission of generation assets, windfarms, ESB Networks and NIE Networks creosote treated wood poles at the end of their useful economic lives.

The impact of climate transition and moving away from the use of thermal plants over time has an impact on the timing of plant closure. The expected closure dates of generation assets and windfarms are up to 2045. Due to changes in estimates during the year ended 31 December 2023 the asset retirement provision in relation to the retirement and decommission of generating assets and windfarms increased by €26.7 million (2022: decreased by €8.2 million). The estimated value of future retirement costs at the balance sheet date includes physical dismantling, site remediation and associated costs offset by scrap value of materials. There is significant estimation and judgement required in the calculation of the provision for generation assets, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, the impact of alternative technologies and use of appropriate changes in the discount rates.

Creosote treated wood poles on the network for ESB Networks and NIE Networks are expected to be disposed over a period of up to 60 years. After updates for changes in discount rates, the asset retirement provision in respect to these poles decreased by €34.4 million (2022: increased by €99.0 million). There is significant judgement in estimating the level of provision as operational plans and the cost of disposal may change significantly in the future as a result of environmental legislation or pole condition given the length of time over which they are held. Such changes could materially impact the level of provision required.

The Group has made its best estimate of the financial effect of these uncertainties in determining the level of provisions required, but future material changes in any of the assumptions could materially impact on the calculation of the provisions.

Notes to the Financial Statements (continued)

28. PROVISIONS (continued)

As the costs are provided on a discounted basis, a financing charge is included in the income statement and credited to the provision each year. The asset retirement provision is re-examined annually and the liability re-calculated in accordance with the most recent expected estimate. Expected future cash flows are discounted to present values using an appropriate pre-tax discount rate.

A sensitivity analysis reflecting possible fluctuations to the main assumptions used in the recognition of the asset retirement provision is set out below.

	2023	2022
	€m	€m
Decrease of asset retirement provision due to a 1% increase in the discount rate	(87.8)	(92.3)
Increase of asset retirement provision due to a 1% increase in the inflation rate	96.7	97.8

Emissions provision

In accordance with the provisions of the European CO<sub>2</sub> emissions trading scheme and the UK emissions trading scheme, a provision is recognised to cover the liability for actual emissions during the year. Allowances purchased during the year are returned to the relevant Authority in charge of the scheme within four and three months respectively from the end of that calendar year, in line with the actual emissions of CO<sub>2</sub> during the year. The provision represents the obligation to return emission allowances equal to the actual emissions. This obligation is measured at the cost of the CO<sub>2</sub> emission allowances purchased and held as intangible assets together with the market value of any additional allowances required to settle the year end liability.

Other provisions

Legal case - Cork flooding

Following on from flooding in Cork in November 2009, Aviva as University College Cork's (UCC) insurer pursued a legal action against ESB in the High Court seeking recovery of €19 million for property damage. The Supreme Court decided that ESB is liable to UCC for negligence. The Court concluded that ESB had a duty of care to consider the effects of a natural flood on downstream landowners in operating its dams and that ESB had a duty to carry out a risk assessment of the effect of a flood downstream. The case was remitted to the High Court for a partial retrial to establish the extent of ESB's liability for the damage caused to UCC's buildings because of ESB's failure to discharge these duties.

On the issue of contributory negligence, the Supreme Court found that UCC had been negligent in not carrying out its own risk assessments and taking steps to mitigate the risk posed to its buildings by the River Lee. The level of UCC's negligence was also remitted to the High Court. At a mediation held in December 2021, agreement was reached with UCC's insurers, Aviva, regarding settlement of the UCC claim and other claims made by plaintiffs insured by Aviva arising from the flooding in Cork in November 2009. On 18 January 2022 the High Court struck out the proceedings at the request of both parties and their insurers.

In addition to the UCC claim and associated Aviva claims, ESB has been served with 360 sets of proceedings relating to the flooding in Cork in November 2009. These claims are now being managed directly by ESB's insurers. On 31 December 2023 282 claims remain outstanding. The financial statements for 2023 include a provision of €49.2 million in respect of estimated damages and related costs in respect of all claims. A corresponding amount of €48.0 million is included in the financial statements in respect of the expected reimbursement under the related insurance contracts. ESB does not anticipate that the total amount of damages awarded and related costs for all of the actions will exceed its insurance cover.

Onerous Contracts

Onerous contract provisions include €3.1 million (2022: €5.2 million) in relation to obligations relating to maintenance and other contracts which are expected to exceed the benefits to be received.

Other provisions

Other provisions also include:

- ESOP repurchase provision €10.1 million (2022: €14.6 million). See note 32 for further details.
- Deferred consideration in respect of acquisition of a 50% stake in Inch Cape Offshore Holdings Limited (ICOHL) of €22.3 million (2022: €18.8 million). This consideration is contingent on ICOHL achieving project milestones and specified returns.
- Deferred consideration in respect of Superhomes Ireland DAC of €3.0 million (2022: €2.8 million).

Other legal

Other provisions also include estimates of liabilities to third parties, in respect of claims notified or provided for at year end. The year end provision includes an estimate for liabilities incurred but not yet reported.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) Overview of financial risk management

Risk environment

The main financial risks faced by the Group relate to foreign exchange (particularly movements in the value of the euro relative to sterling and the US dollar) and commodity (electricity and fuel) price movements. Liquidity risk, and exposure to interest rate volatility, are key long-term financial risks also, but have been substantially addressed in the short run. Policies to protect the Group from these risks and other risk areas, such as credit risk, are regularly reviewed, revised and approved by the Board as appropriate. Group Treasury is responsible for the day-to-day treasury activities of the Group. The Finance and Investment Committee is regularly updated on key treasury matters, risk and associated mitigants.

Commodity price risk is managed by the front and middle office functions of the relevant business units: ESB Trading (within Generation and Trading) and Customer Solutions. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit. It is the responsibility of the Trading Risk Management Committees within these two business units to ensure that internal audit findings and recommendations are adequately addressed. This is overseen by the Executive Director level Group Trading Committee (GTC). The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way designed to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. Financial instruments are derecognised on settlement or sale.

Risk reporting structure

Through the Chief Executive, the Board has delegated to the GTC, the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerances and business strategies. The GTC has established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities. Furthermore the Group Trading Risk Management Policy is applicable to each of these businesses.

In both Generation and Trading and Customer Solutions, separate Trading Risk Management Committees meet on a monthly basis (or more frequently as required) and serve as the primary overseer of trading risk at individual ring-fenced business unit level. These committees include the head of the Front Office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the business unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management, and for ensuring that an effective control framework is in place.

The Middle Office function in each business unit maintains a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is adequately managed in accordance with Group Trading Risk Management Policy.

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds. ESB also uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise in the normal course of operations from sterling denominated borrowings, from its foreign currency subsidiaries and from the use of foreign currency suppliers. Hedge accounting pursuant to IFRS 9 is used both for hedges of foreign currency liabilities and interest rate risks from current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. The Group decides at inception whether to designate financial instruments into hedge relationships. Certain arrangements meet the specific hedge accounting criteria of IFRS 9.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas, coal and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments.



## Notes to the Financial Statements (continued)

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

## (b) Overview of financial assets and liabilities

Financial assets and liabilities, excluding employee related liabilities, at 31 December 2023 and at 31 December 2022 can be analysed as follows:

Group	Financial assets at fair value through profit or loss		Assets / liabilities held at amortised cost		Derivative financial instruments with hedging relationships		Derivative financial instruments with no hedging relationships		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Assets</b>										
<b>Non-current assets</b>										
Amounts due from insurer	-	-	24.1	48.4	-	-	-	-	24.1	48.4
Amounts due from equity accounted investees	-	-	700.6	536.5	-	-	-	-	700.6	536.5
Financial asset investments	5.0	5.0	-	-	-	-	-	-	5.0	5.0
Derivative financial instruments	-	-	-	-	60.5	-	103.1	125.3	163.6	125.3
<b>Total non-current financial assets</b>	<b>5.0</b>	<b>5.0</b>	<b>724.7</b>	<b>584.9</b>	<b>60.5</b>	<b>-</b>	<b>103.1</b>	<b>125.3</b>	<b>893.3</b>	<b>715.2</b>
<b>Current assets</b>										
Amounts due from insurer	-	-	23.9	-	-	-	-	-	23.9	-
Amounts due from equity accounted investees	-	-	22.3	-	-	-	-	-	22.3	-
Trade and other receivables*	-	-	2,126.8	2,806.2	-	-	-	-	2,126.8	2,806.2
Cash and cash equivalents	-	-	1,977.8	990.0	-	-	-	-	1,977.8	990.0
Derivative financial instruments	-	-	-	-	3.6	21.9	341.1	821.8	344.7	843.7
<b>Total current financial assets</b>	<b>-</b>	<b>-</b>	<b>4,150.8</b>	<b>3,796.2</b>	<b>3.6</b>	<b>21.9</b>	<b>341.1</b>	<b>821.8</b>	<b>4,495.5</b>	<b>4,639.9</b>
<b>Total financial assets</b>	<b>5.0</b>	<b>5.0</b>	<b>4,875.5</b>	<b>4,381.1</b>	<b>64.1</b>	<b>21.9</b>	<b>444.2</b>	<b>947.1</b>	<b>5,388.8</b>	<b>5,355.1</b>
<b>Liabilities</b>										
<b>Non-current liabilities</b>										
Borrowings and other debt	-	-	7,375.4	6,329.4	-	-	-	-	7,375.4	6,329.4
Lease liabilities	-	-	120.5	112.8	-	-	-	-	120.5	112.8
Derivative financial instruments	-	-	-	-	9.2	25.3	397.6	480.3	406.8	505.6
<b>Total non-current financial liabilities</b>	<b>-</b>	<b>-</b>	<b>7,495.9</b>	<b>6,442.2</b>	<b>9.2</b>	<b>25.3</b>	<b>397.6</b>	<b>480.3</b>	<b>7,902.7</b>	<b>6,947.8</b>
<b>Current liabilities</b>										
Borrowings and other debt	-	-	363.7	563.4	-	-	-	-	363.7	563.4
Lease liabilities	-	-	15.5	16.0	-	-	-	-	15.5	16.0
Trade and other payables**	-	-	2,186.9	2,299.5	-	-	-	-	2,186.9	2,299.5
Derivative financial instruments	-	-	-	-	-	2.5	395.8	1,087.3	395.8	1,089.8
<b>Total current financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,566.1</b>	<b>2,878.9</b>	<b>-</b>	<b>2.5</b>	<b>395.8</b>	<b>1,087.3</b>	<b>2,961.9</b>	<b>3,968.7</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>10,062.0</b>	<b>9,321.1</b>	<b>9.2</b>	<b>27.8</b>	<b>793.4</b>	<b>1,567.6</b>	<b>10,864.6</b>	<b>10,916.5</b>

\* Prepayments have been excluded as they are not classified as a financial asset.

\*\* VAT and employment taxes have been excluded as these are statutory liabilities.

The Group's provisions and employee related liabilities are not analysed in the table above, or in the further analysis on the following page. This includes the liability for pension obligation of €83.1 million at 31 December 2023 (2022: €88.7million). See notes 24 and 25 in relation to this and employee related liabilities.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Parent	Financial assets at fair value through profit or loss		Assets / liabilities held at amortised cost		Derivative financial instruments with hedging relationships		Derivative financial instruments with no hedging relationships		Total	
			'Restated						'Restated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Assets</b>										
<b>Non-current assets</b>										
Amounts due from insurer	-	-	24.1	48.4	-	-	-	-	24.1	48.4
Amounts due from equity accounted investees	-	-	112.1	93.8	-	-	-	-	112.1	93.8
Amounts due from subsidiary undertakings	-	-	2,107.6	2,269.8	-	-	-	-	2,107.6	2,269.8
Investments in subsidiary undertakings <sup>1</sup>	-	-	61.8	61.8	-	-	-	-	61.8	61.8
Derivative financial instruments	-	-	-	-	40.3	-	116.5	131.4	156.8	131.4
<b>Total non-current financial assets</b>	<b>-</b>	<b>-</b>	<b>2,305.6</b>	<b>2,473.8</b>	<b>40.3</b>	<b>-</b>	<b>116.5</b>	<b>131.4</b>	<b>2,462.4</b>	<b>2,605.2</b>
<b>Current assets</b>										
Amounts due from insurer	-	-	23.9	-	-	-	-	-	23.9	-
Amounts due from equity accounted investees	-	-	1.4	-	-	-	-	-	1.4	-
Trade and other receivables*	-	-	3,447.3	4,498.7	-	-	-	-	3,447.3	4,498.7
Cash and cash equivalents	-	-	1,281.8	107.4	-	-	-	-	1,281.8	107.4
Derivative financial instruments	-	-	-	-	-	21.9	331.2	802.7	331.2	824.6
<b>Total current financial assets</b>	<b>-</b>	<b>-</b>	<b>4,754.4</b>	<b>4,606.1</b>	<b>-</b>	<b>21.9</b>	<b>331.2</b>	<b>802.7</b>	<b>5,085.6</b>	<b>5,430.7</b>
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>7,060.0</b>	<b>7,079.9</b>	<b>40.3</b>	<b>21.9</b>	<b>447.7</b>	<b>934.1</b>	<b>7,548.0</b>	<b>8,035.9</b>
<b>Liabilities</b>										
<b>Non-current liabilities</b>										
Borrowings and other debt	-	-	478.3	502.1	-	-	-	-	478.3	502.1
Lease liabilities	-	-	55.0	56.7	-	-	-	-	55.0	56.7
Derivative financial instruments	-	-	-	-	9.2	5.4	57.5	156.6	66.7	162.0
<b>Total non-current financial liabilities</b>	<b>-</b>	<b>-</b>	<b>533.3</b>	<b>558.8</b>	<b>9.2</b>	<b>5.4</b>	<b>57.5</b>	<b>156.6</b>	<b>600.0</b>	<b>720.8</b>
<b>Current liabilities</b>										
Borrowings and other debt	-	-	63.7	563.4	-	-	-	-	63.7	563.4
Lease liabilities	-	-	7.9	7.9	-	-	-	-	7.9	7.9
Trade and other payables**	-	-	9,675.7	8,624.4	-	-	-	-	9,675.7	8,624.4
Cash and cash equivalents	-	-	-	170.5	-	-	-	-	-	170.5
Derivative financial instruments	-	-	-	-	-	-	366.3	813.5	366.3	813.5
<b>Total current financial liabilities</b>	<b>-</b>	<b>-</b>	<b>9,747.3</b>	<b>9,366.2</b>	<b>-</b>	<b>-</b>	<b>366.3</b>	<b>813.5</b>	<b>10,113.6</b>	<b>10,179.7</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>10,280.6</b>	<b>9,925.0</b>	<b>9.2</b>	<b>5.4</b>	<b>423.8</b>	<b>970.1</b>	<b>10,713.6</b>	<b>10,900.5</b>

<sup>1</sup> Financial assets held at amortised cost have been restated to include investments in subsidiary undertakings.

\* Prepayments have been excluded as they are not classified as a financial asset.

\*\* VAT and employment taxes have been excluded as these are statutory liabilities.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

The Parent's employee related liabilities are not analysed in the table above, or in the further analysis on the following page. This includes the liability for pension obligation of €83.1 million at 31 December 2023 (2022: €88.7 million). See notes 24 and 25 in relation to this and employee related liabilities.

(c) Funding and liquidity management

The following table sets out the contractual maturities of financial liabilities (and assets of a similar nature), including the interest payments associated with borrowings and the undiscounted net cash flows attributable to derivative financial instruments. Borrowings with a carrying value of €7,197.0 million (2022: €5,827.3 million) and net derivative financial instrument liabilities of €349.3 million (2022: €607.1 million) are included in the Group balances below, but do not comprise part of the Parent's assets and liabilities as they are not held directly by the Parent. See notes 14, 22, 23 and 26 for further analysis of Group and Parent financial assets and liabilities associated with the note below.

Group	Carrying amount €m	Contractual cash outflows / inflows - net €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
<b>31 December 2023</b>						
Borrowings	7,739.1	9,485.3	579.5	673.2	2,085.5	6,147.1
Lease liabilities	136.0	158.1	16.5	14.7	34.9	92.0
Trade and other payables (excluding tax balances and accrued interest on borrowings)	2,080.9	2,080.9	2,080.9	-	-	-
Derivative financial instruments	802.6	836.9	423.5	66.4	57.0	290.0
<b>Total liabilities</b>	<b>10,758.6</b>	<b>12,561.2</b>	<b>3,100.4</b>	<b>754.3</b>	<b>2,177.4</b>	<b>6,529.1</b>
Derivative financial instruments	508.3	588.9	356.4	106.7	52.8	73.0
<b>Total assets</b>	<b>508.3</b>	<b>588.9</b>	<b>356.4</b>	<b>106.7</b>	<b>52.8</b>	<b>73.0</b>
<b>Net liabilities</b>	<b>10,250.3</b>	<b>11,972.3</b>	<b>2,744.0</b>	<b>647.6</b>	<b>2,124.6</b>	<b>6,456.1</b>
<b>31 December 2022</b>						
Borrowings	6,892.8	8,193.6	736.5	532.1	1,893.8	5,031.2
Lease liabilities	128.8	155.4	16.4	13.4	35.0	90.6
Trade and other payables (excluding tax balances and accrued interest on borrowings)	2,223.9	2,223.9	2,223.9	-	-	-
Derivative financial instruments	1,595.4	1,760.8	1,112.2	166.3	327.6	154.7
<b>Total liabilities</b>	<b>10,840.9</b>	<b>12,333.7</b>	<b>4,089.0</b>	<b>711.8</b>	<b>2,256.4</b>	<b>5,276.5</b>
Derivative financial instruments	969.0	973.5	825.0	134.6	11.4	2.5
<b>Total assets</b>	<b>969.0</b>	<b>973.5</b>	<b>825.0</b>	<b>134.6</b>	<b>11.4</b>	<b>2.5</b>
<b>Net liabilities</b>	<b>9,871.9</b>	<b>11,360.2</b>	<b>3,264.0</b>	<b>577.2</b>	<b>2,245.0</b>	<b>5,274.0</b>

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Parent	Carrying amount €m	Contractual cash outflows / inflows - net €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
<b>31 December 2023</b>						
Borrowings	542.0	563.0	78.7	68.3	117.1	298.9
Lease liabilities	62.9	65.8	8.2	7.3	18.3	32.0
Trade and other payables (excluding tax balances and accrued interest on borrowings)	9,595.9	9,595.9	9,595.9	-	-	-
Derivative financial instruments	433.0	796.8	390.7	60.4	55.7	290.0
<b>Total liabilities</b>	<b>10,633.8</b>	<b>11,021.5</b>	<b>10,073.5</b>	<b>136.0</b>	<b>191.1</b>	<b>620.9</b>
Derivative financial instruments	488.0	502.9	329.9	78.3	32.4	62.3
<b>Total assets</b>	<b>488.0</b>	<b>502.9</b>	<b>329.9</b>	<b>78.3</b>	<b>32.4</b>	<b>62.3</b>
<b>Net liabilities</b>	<b>10,145.8</b>	<b>10,518.6</b>	<b>9,743.6</b>	<b>57.7</b>	<b>158.7</b>	<b>558.6</b>
<b>31 December 2022</b>						
Borrowings	1,065.5	1,135.0	588.2	74.6	154.0	318.2
Lease liabilities	64.6	71.8	8.3	7.0	19.2	37.3
Trade and other payables (excluding tax balances and accrued interest on borrowings)	8,574.6	8,574.6	8,574.6	-	-	-
Derivative financial instruments	975.5	1,677.9	1,070.0	152.6	300.6	154.7
<b>Total liabilities</b>	<b>10,680.2</b>	<b>11,459.3</b>	<b>10,241.1</b>	<b>234.2</b>	<b>473.8</b>	<b>510.2</b>
Derivative financial instruments	956.0	953.2	804.7	134.6	11.4	2.5
<b>Total assets</b>	<b>956.0</b>	<b>953.2</b>	<b>804.7</b>	<b>134.6</b>	<b>11.4</b>	<b>2.5</b>
<b>Net liabilities</b>	<b>9,724.2</b>	<b>10,506.1</b>	<b>9,436.4</b>	<b>99.6</b>	<b>462.4</b>	<b>507.7</b>



## Notes to the Financial Statements (continued)

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

**(d) Master netting or similar agreements**

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the consolidated balance sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Group	Gross amount of financial instruments in the statement of financial position €m	Amounts that are offset on the balance sheet €m	Net amount €m
<b>31 December 2023</b>			
<b>Financial assets</b>			
Interest rate swaps	63.5	(16.3)	47.2
Foreign exchange contracts	17.5	(3.1)	14.4
Forward fuel price contracts	427.3	(335.8)	91.5
	<b>508.3</b>	<b>(355.2)</b>	<b>153.1</b>
<b>Financial liabilities</b>			
Interest rate swaps	(13.5)	12.7	(0.8)
Inflation linked interest rate swaps	(341.9)	-	(341.9)
Currency swaps	(9.1)	4.3	(4.8)
Foreign exchange contracts	(8.1)	2.3	(5.8)
Forward fuel price contracts	(430.0)	335.9	(94.1)
	<b>(802.6)</b>	<b>355.2</b>	<b>(447.4)</b>
<b>31 December 2022</b>			
<b>Financial assets</b>			
Currency swaps	21.9	(10.7)	11.2
Foreign exchange contracts	15.3	(15.2)	0.1
Forward fuel price contracts	931.8	(787.9)	143.9
	<b>969.0</b>	<b>(813.8)</b>	<b>155.2</b>
<b>Financial liabilities</b>			
Interest rate swaps	(24.7)	5.1	(19.6)
Inflation linked interest rate swaps	(563.2)	-	(563.2)
Currency swaps	(5.4)	1.2	(4.2)
Foreign exchange contracts	(41.8)	17.9	(23.9)
Forward fuel price contracts	(960.3)	789.6	(170.7)
	<b>(1,595.4)</b>	<b>813.8</b>	<b>(781.6)</b>

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Parent	Gross amount of financial instruments in the statement of financial position €m	Amounts that are offset on the balance sheet €m	Net amount €m
<b>31 December 2023</b>			
<b>Financial assets</b>			
Interest rate swaps	76.8	(32.5)	44.3
Foreign exchange contracts	22.2	(9.6)	12.6
Forward fuel price contracts	389.0	(349.6)	39.4
	<b>488.0</b>	<b>(391.7)</b>	<b>96.3</b>
<b>Financial liabilities</b>			
Interest rate swaps	(13.5)	13.4	(0.1)
Currency swaps	(9.2)	6.3	(2.9)
Foreign exchange contracts	(8.3)	7.6	(0.7)
Forward fuel price contracts	(402.0)	364.4	(37.6)
	<b>(433.0)</b>	<b>391.7</b>	<b>(41.3)</b>

**31 December 2022**

<b>Financial assets</b>			
Interest rate swaps	6.8	-	6.8
Currency swaps	21.9	(8.9)	13.0
Foreign exchange contracts	19.2	(15.1)	4.1
Forward fuel price contracts	908.1	(784.6)	123.5
	<b>956.0</b>	<b>(808.6)</b>	<b>147.4</b>
<b>Financial liabilities</b>			
Interest rate swaps	(24.7)	4.2	(20.5)
Currency swaps	(5.4)	1.2	(4.2)
Foreign exchange contracts	(41.2)	16.8	(24.4)
Forward fuel price contracts	(904.2)	786.4	(117.8)
	<b>(975.5)</b>	<b>808.6</b>	<b>(166.9)</b>

**(e) Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including amounts due from equity accounted investees, outstanding receivables and committed transactions. In Parent credit risk also arises in respect of amounts due from subsidiary undertakings.

**Financial assets**

	2023		2022	
	Group €m	Parent €m	Group €m	Parent €m
Amounts due from insurer	<b>48.0</b>	<b>48.0</b>	48.4	48.4
Trade and other receivables <sup>1</sup>	<b>2,849.7</b>	<b>5,668.4</b>	3,342.7	6,862.3
Cash and cash equivalents <sup>2</sup>	<b>1,977.8</b>	<b>1,281.8</b>	990.0	256.4
Derivative financial instruments	<b>508.3</b>	<b>488.0</b>	969.0	956.0
	<b>5,383.8</b>	<b>7,486.2</b>	5,350.1	8,123.1

<sup>1</sup> Prepayments have been excluded as they are not classified as a financial asset.

<sup>2</sup> Including restricted cash balances.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Trade and other receivables

The Group is exposed to credit risk from the counterparties with whom it transacts with in its day-to-day operations. See note 18 for details of the expected credit loss recognised.

Treasury related credit risk (relating to cash and derivative instruments)

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts with in the financial markets. The Group's policy is to limit its exposure to each financial institution based on accepted credit ratings of not less than BBB- or equivalent.

Trading in derivatives is performed to mitigate financial risks and is executed in compliance with the Specification and Requirements of the Minister for Finance issued under the aegis of the Financial Transactions of Certain Companies and Other Bodies Act 1992, most recently in December 2017. The Specification and Requirements outline the type of derivatives which ESB can transact and the associated requirements which ESB must satisfy regarding each derivative counterparty. Dealing activities are controlled by putting in place robust dealing mandates with counterparties. The Group does not hold or trade derivative instruments for speculative purposes. Exposures, related limits and compliance with the Minister's Specification and Requirements are subject to ongoing review and monitoring. The Group has not experienced any losses due to failure of such counterparties to deliver on their obligations.

Commodity credit risk (relating to derivatives)

The Group also has credit risk associated with commodity positions. These arise from derivative financial instruments that are entered into to hedge energy and fuel price risks and are managed in accordance with the Minister's Specification and Requirements (Financial Transactions of Certain Companies and Other Bodies Act 1992). The Group establishes counterparty credit risk limits to restrict uncollateralised exposure. Net exposures, collateral requirements and compliance are monitored on an ongoing basis. So Energy was acquired during the year ending 31 December 2021 and was fully incorporated in the governance structure in February 2022.

Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties, specifically in the form of Letters of Credit from certain power Contract for Differences (CfD) counterparties. Total such collateral received by ESB in respect of power CfD positions at 31 December 2023 was €84.4 million (2022: €81.2 million collateral received by ESB). In addition an increasing proportion of fuel commodity purchases are executed on regulated exchanges. The Group's positions on trades executed on such exchanges are collateralised through the posting of initial margin and collateral in respect of the mark to market position on open forward trades. Total net exchange traded collateral at 31 December 2023 received by ESB was €567.5 million (2022: €748.8 million collateral received by ESB). The Group is cognisant of any changes in the creditworthiness of counterparties, and all appropriate steps are taken to further secure the Group's position, both by negotiating adequate protections in advance in the underpinning contractual master agreements and active management of any exposures, particularly where indications exist of a deterioration in the financial standing of counterparties.

Financial Guarantees

The Group enters into various commitments. These consist of financial guarantees, letters of credit and other commitments.

Even though these commitments may not be recognised on the Group balance sheet, credit risk exists in relation to these instruments as they commit the Group to make payments on behalf of subsidiary companies and equity accounted investees in the event of a specific act and therefore they form part of the overall risk of the Group.

The nominal values of such commitments are listed below:

	2023	2022
	€m	€m
Financial guarantees	915.0	449.4
Letters of credit	544.2	502.0
<b>Total</b>	<b>1,459.2</b>	951.4

The fair value of financial guarantees entered into by the group on behalf of entities which are not included in the consolidated results of the group (such as associates and joint ventures) have not be recognised in the group financial statements as they are immaterial.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(f) Foreign currency risk management

Foreign currency exposures arise mainly through the purchase of fuel and power, station overhaul costs, other purchases denominated in foreign currencies, borrowings in foreign currencies (including the private placement as described in note 22) and investments outside the Eurozone.

Foreign currency forward purchase contracts and cross currency swaps are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 31 December 2023 relate to forecast cash flows expected to occur up to 2025, with cross currency swaps relating to debt obligations extending to 2028.

At year end, ESB's total debt portfolio amounted to €7.7 billion (2022: €6.9 billion), of which the Parent held €0.5 billion (2022: €1.0 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before swaps		After swaps	
	2023 (%)	2022 (%)	2023 (%)	2022 (%)
<b>Group</b>				
<b>Currency</b>				
Euro	78	69	73	66
US Dollar	-	3	-	-
Sterling	22	28	27	34
<b>Total</b>	<b>100</b>	100	<b>100</b>	100

	Before swaps		After swaps	
	2023 (%)	2022 (%)	2023 (%)	2022 (%)
<b>Parent</b>				
<b>Currency</b>				
Euro	90	49	90	71
US Dollar	-	22	-	-
Sterling	10	29	10	29
<b>Total</b>	<b>100</b>	100	<b>100</b>	100

As shown above, the majority of the debt portfolio is either denominated in or swapped into euro for both principal and interest, thereby reducing the foreign currency risk exposure in the Group. In managing its foreign operations, the Group is cognisant of borrowing in currencies that match the functional currency of the foreign operation. Therefore a proportion of debt is sterling-denominated primarily as a result of the NIE Networks acquisition and the operations of Carrington Power Limited.

Movements in the Euro / Sterling exchange rate impact on the carrying value of Sterling Debt, in Euro terms. Overall sensitivity to exchange rate volatility is driven by the level of Sterling denominated debt. This sensitivity exists whether or not the debt is held in a Group company whose functional currency is Sterling. Whether the movement is recognised in the OCI or the income statement however depends on the functional currency of the company. Translation movements arising on Sterling denominated debt and intra Group balances in Group companies whose functional currency is Euro are recognised in the income statement. Translation movements on Sterling denominated debt in Group companies whose functional currency is Sterling are recognised in the translation reserve on consolidation.



## Notes to the Financial Statements (continued)

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

A change of 10% in foreign currency exchange rates at 31 December 2023 would increase equity and profit before taxation by the amount set out below. This analysis assumes that all other variables remain constant.

Group	31 December 2023		31 December 2022	
	Other comprehensive income gain / (loss)	Profit before taxation gain / (loss)	Other comprehensive income gain / (loss)	Profit before taxation gain / (loss)
	€m	€m	€m	€m
<b>10% strengthening</b>				
US Dollar	-	1.1	-	20.8
Sterling	264.5	38.6	249.3	41.3
<b>10% weakening</b>				
US Dollar	-	(1.6)	-	(28.4)
Sterling	(323.2)	16.4	(304.7)	(68.8)

The following assumptions were made in respect of the sensitivity analysis above:

- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only;
- changes in the carrying value of derivative financial instruments that are cash flow hedges impact other comprehensive income only;

**(g) Commodity price risk management**

The volatility of the fuel prices required for the Group's electricity generation activities has been significant in recent years and the resulting exposures to fuel price movements are managed by the Group on a selective hedging basis. The Group has entered into forward commodity price contracts in relation to the purchase of gas and coal required for electricity generation activities, refer to note 23 for further details. Forward fuel price contracts are valued based on physical volumes contracted and outstanding, and on the forward prices of products of a similar nature, at the balance sheet date, discounted where necessary based on an appropriate forward interest curve.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts.

A general increase of 10% in the price of gas and coal at 31 December 2023 would impact equity and profit before taxation by the amount set out below. This analysis refers exclusively to the impact on related derivatives at year end only and assumes that all other variables, in particular foreign exchange rates remain constant and includes the impact of the value of commodity contracts in place. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remain constant.

Group	31 December 2023		31 December 2022	
	Other comprehensive income gain	Profit before taxation gain	Other comprehensive income gain	Profit before taxation gain
	€m	€m	€m	€m
Gain due to 10% increase in gas and coal prices	44.5	4.6	74.9	6.1

Parent	31 December 2023		31 December 2022	
	Other comprehensive income gain	Profit before taxation gain	Other comprehensive income gain	Profit before taxation gain
	€m	€m	€m	€m
Gain due to 10% increase in gas and coal prices	-	1.5	-	4.4

A general increase of 10% in the wholesale electricity price of the I-SEM at 31 December 2023 would impact other comprehensive income and profit before taxation by the amounts set out below. This analysis assumes that all other variables, in particular foreign exchange rates remain constant. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remained constant.

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Group	31 December 2023		31 December 2022	
	Other comprehensive income (loss)	Profit before taxation (loss)	Other comprehensive income (loss)	Profit before taxation (loss)
	€m	€m	€m	€m
Loss due to 10% increase in the Wholesale Electricity Price	(74.5)	-	(103.8)	-

Parent	31 December 2023		31 December 2022	
	Other comprehensive income gain / (loss)	Profit before taxation gain / (loss)	Other comprehensive income gain / (loss)	Profit before taxation gain / (loss)
	€m	€m	€m	€m
Gain / (loss) due to 10% increase in the Wholesale Electricity Price	-	-	-	-

The sensitivity analysis provided above for the Group and Parent has been calculated as at 31 December 2023 using the following base commodity prices and foreign currency rates:

	2023	2022
Gas (Stg. p/therm)	93.43	188.69
Wholesale Electricity Price (€/MWh)	112.16	231.78
Coal (US\$/tonne)	108.25	190.24
Foreign currency rate (US\$ = €1)	1.11	1.07
Foreign currency rate (Stg£ = €1)	0.8694	0.8849

**(h) Fair value**

The fair values of financial assets and liabilities carried at amortised cost together with the carrying amounts shown in the balance sheet are as follows:

	Group		Parent	
	Carrying value	Fair value	Carrying value	Fair value
	€m	€m	€m	€m
<b>31 December 2023</b>				
Long-term debt	7,375.4	7,048.1	478.3	444.3
Short-term borrowings	363.7	359.4	63.7	60.1
Lease liabilities	136.0	136.0	62.9	62.9
<b>Total borrowings</b>	<b>7,875.1</b>	<b>7,543.5</b>	<b>604.9</b>	<b>567.3</b>
Current trade and other payables	2,186.9	2,186.9	9,675.7	9,675.7
Amounts due from insurers	(48.0)	(48.0)	(48.0)	(48.0)
Non-current trade and other receivables	(700.6)	(700.6)	(2,219.7)	(2,219.7)
Current trade and other receivables	(2,149.1)	(2,149.1)	(3,448.7)	(3,448.7)
Cash and cash equivalents	(1,977.8)	(1,977.8)	(1,281.8)	(1,281.8)
<b>Net liabilities</b>	<b>5,186.5</b>	<b>4,854.9</b>	<b>3,282.4</b>	<b>3,244.8</b>

## Notes to the Financial Statements (continued)

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

	Group		Parent	
	Carrying value	Fair value	Carrying value	Fair value
31 December 2022	€m	€m	€m	€m
Long-term debt	6,329.4	6,263.7	502.1	479.9
Short-term borrowings	563.4	560.4	563.4	560.4
Lease liabilities	128.8	128.8	64.6	64.6
<b>Total borrowings</b>	<b>7,021.6</b>	<b>6,952.9</b>	<b>1,130.1</b>	<b>1,104.9</b>
Current trade and other payables	2,299.5	2,299.5	8,624.4	8,624.4
Amounts due from insurers	(48.4)	(48.4)	(48.4)	(48.4)
Non-current trade and other receivables	(536.5)	(536.5)	(2,363.6)	(2,363.6)
Current trade and other receivables	(2,806.2)	(2,806.2)	(4,498.7)	(4,498.7)
Cash and cash equivalents	(990.0)	(990.0)	63.1	63.1
<b>Net liabilities</b>	<b>4,940.0</b>	<b>4,871.3</b>	<b>2,906.9</b>	<b>2,881.7</b>

Cross currency swaps that swap fixed US dollar debt to euro fixed are included in fair value of long-term debt above, and the fair value of the related derivative is €nil million (31 December 2022: an asset of €21.9 million).

Current trade and other receivables and trade and other payables are all due within one year, and have been provided for where impaired. The carrying value of this is considered to be materially in line with their fair value.

ESB Eurobonds and NIE Networks Sterling bonds are regarded as Level 1 fair values. The fair value of these bonds are derived from observation of the most recent traded values for these bonds in liquid markets at the balance sheet date. Other borrowings and debt are Level 2 fair values. The primary valuation technique used for borrowings and other debt classified as Level 2 fair values is discounting of the future associated cash flows using the zero coupon discount curve of the relevant currency.

**Fair value - discount rates**

The interest rates used to discount future estimated cash flows, where applicable, are based on the applicable EURIBOR, or SONIA yield curve at the reporting date plus an appropriate constant credit spread.

**(i) Fair value hierarchy**

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels relevant to financial assets and liabilities held by the Group have been defined as follows:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

**Group**

	Level 1	Level 2	Level 3	Total
31 December 2023	€m	€m	€m	€m
<b>Assets</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	63.5	-	<b>63.5</b>
▪ Foreign exchange contracts	-	17.5	-	<b>17.5</b>
▪ Forward fuel price contracts <sup>1</sup>	-	403.5	23.8	<b>427.3</b>
Financial assets at fair value through profit or loss	-	-	5.0	<b>5.0</b>
	-	484.5	28.8	<b>513.3</b>
<b>Liabilities</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	(13.5)	-	<b>(13.5)</b>
▪ Currency swaps	-	(9.1)	-	<b>(9.1)</b>
▪ Foreign exchange contracts	-	(8.1)	-	<b>(8.1)</b>
▪ Forward fuel price contracts <sup>1</sup>	-	(430.0)	-	<b>(430.0)</b>
▪ Inflation-linked interest rate swaps	-	(341.9)	-	<b>(341.9)</b>
	-	<b>(802.6)</b>	-	<b>(802.6)</b>
<b>Net (liability) / asset</b>	<b>-</b>	<b>(318.1)</b>	<b>28.8</b>	<b>(289.3)</b>

	Level 1	Level 2	Level 3	Total
31 December 2022	€m	€m	€m	€m
<b>Assets</b>				
Derivative financial instruments				
▪ Currency swaps	-	21.9	-	21.9
▪ Foreign exchange contracts	-	15.3	-	15.3
▪ Forward fuel price contracts <sup>1</sup>	-	931.8	-	931.8
Financial assets at fair value through profit or loss	-	-	5.0	5.0
	-	969.0	5.0	974.0
<b>Liabilities</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	(24.7)	-	(24.7)
▪ Currency swaps	-	(5.4)	-	(5.4)
▪ Foreign exchange contracts	-	(41.8)	-	(41.8)
▪ Forward fuel price contracts <sup>1</sup>	-	(938.4)	(21.9)	(960.3)
▪ Inflation-linked interest rate swaps	-	(563.2)	-	(563.2)
	-	(1,573.5)	(21.9)	(1,595.4)
<b>Net liability</b>	<b>-</b>	<b>(604.5)</b>	<b>(16.9)</b>	<b>(621.4)</b>

<sup>1</sup> Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel at 31 December.

There have been no transfers between fair value levels during the year ended 31 December 2023 and 31 December 2022.



Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Parent

	Level 1	Level 2	Level 3	Total
31 December 2023	€m	€m	€m	€m
<b>Assets</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	76.8	-	<b>76.8</b>
▪ Foreign exchange contracts	-	22.2	-	<b>22.2</b>
▪ Forward fuel price contracts	-	389.0	-	<b>389.0</b>
	-	<b>488.0</b>	-	<b>488.0</b>
<b>Liabilities</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	(13.5)	-	<b>(13.5)</b>
▪ Currency swaps	-	(9.2)	-	<b>(9.2)</b>
▪ Foreign exchange contracts	-	(8.3)	-	<b>(8.3)</b>
▪ Forward fuel price contracts	-	(402.0)	-	<b>(402.0)</b>
	-	(433.0)	-	<b>(433.0)</b>
<b>Net assets</b>	-	<b>55.0</b>	-	<b>55.0</b>
	Level 1	Level 2	Level 3	Total
31 December 2022	€m	€m	€m	€m
<b>Assets</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	6.8	-	6.8
▪ Currency swaps	-	21.9	-	21.9
▪ Foreign exchange contracts	-	19.2	-	19.2
▪ Forward fuel price contracts	-	908.1	-	908.1
	-	956.0	-	956.0
<b>Liabilities</b>				
Derivative financial instruments				
▪ Interest rate swaps	-	(24.7)	-	(24.7)
▪ Currency swaps	-	(5.4)	-	(5.4)
▪ Foreign exchange contracts	-	(41.2)	-	(41.2)
▪ Forward fuel price contracts	-	(904.2)	-	(904.2)
	-	(975.5)	-	(975.5)
<b>Net liability</b>	-	(19.5)	-	(19.5)

There have been no transfers between fair value levels during the year ended 31 December 2023 and 31 December 2022.

Measurement of fair values - valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Type	Valuation techniques	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Currency swaps, foreign exchange contracts and interest rate swaps	<b>Level 2</b> - Present valuation of future cashflows are estimated based on forward FX and interest rates (from observable yield curves at the end of the reporting year) and contract rates, discounted at a rate that reflects own or counterparty credit risk.		
Forward fuel and electricity price contracts	<b>Level 2</b> - The fair value of forward fuel contracts is determined by reference to gas, coal and carbon prices with the resulting value discounted to present values.  <b>Level 3</b> - The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable.	Forward electricity prices	The estimated fair value would increase / (decrease) if Wholesale Electricity Price was higher / (lower). Generally a change in gas prices is accompanied by a directionally similar change in Wholesale Electricity Price.
Inflation-linked interest rate swaps	<b>Level 2</b> - Independent valuations are used and validated using the present valuation of expected cash flows using the interest rate yield curve of the relevant currency.  The zero-coupon curve is based on using the interest rate yield curve of the relevant currency.		
Financial assets at fair value through profit or loss	<b>Level 3</b> - Where applicable, unquoted investments are valued by deriving an enterprise value using one of the following methodologies: <ul style="list-style-type: none"><li>▪ the price of a recent investment;</li><li>▪ revenue multiple;</li></ul>	Forecast annual revenue growth rate. Forecast gross margin	Novusmodus typically assess the value of investments based on its expectations of the proceeds which could be realised in a disposal. See note 7 and 16.  This value will usually be driven by a number of inputs including the ability of the investee to grow its revenue and associated margins leading to higher EBITDA thus higher values.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

The following table shows a reconciliation from opening balances at 1 January 2022 to the year ended 31 December 2023 for fair value measurements in Level 3 of the fair value hierarchy:

Group	Financial assets at fair value through profit or loss	Forward fuel price contracts	Total
	€m	€m	€m
Balance at 1 January 2022	5.3	0.5	5.8
Additions	-	(28.6)	(28.6)
Total gains / (losses):			
▪ in the OCI	-	2.5	2.5
Settlements	-	3.7	3.7
Translation movements	(0.3)	-	(0.3)
Balance at 31 December 2022 - net	5.0	(21.9)	(16.9)
Balance at 1 January 2023	5.0	(21.9)	(16.9)
Additions	-	13.9	13.9
Total gains / (losses):			
▪ in the OCI	-	26.1	26.1
Settlements	-	5.7	5.7
Balance at 31 December 2023 - net	5.0	23.8	28.8

Financial assets at fair value through profit or loss are carried at fair value.

Where applicable, unquoted investments are valued by deriving an enterprise value using one of the following methodologies:

- the price of a recent investment;
- revenue multiple;
- cost, less any required provision.

Forward fuel price contracts and forward electricity price contracts included at Level 3 in the fair value hierarchy relate to long-term contracts whose valuations are based on a number of forward price assumptions, with some unobservable inputs, including assumed forward electricity, carbon and gas inputs for longer term periods.

Sensitivity analysis - Level 3 fair values

For the fair values of forward fuel and electricity price contracts reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Group	31 December 2023		31 December 2022	
	Other comprehensive income gain / (loss)	Profit before taxation gain / (loss)	Other comprehensive income gain / (loss)	Profit before taxation gain / (loss)
	€m	€m	€m	€m
Gain due to 10% increase in gas prices	44.5	-	74.9	-
Loss due to 10% increase in Wholesale Electricity Prices	(74.5)	-	(103.8)	-

30. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	2023 €m	2022 €m
Tangible assets contracted for	730.0	773.2
Intangible assets contracted for	13.5	11.9
Total contracted for	743.5	785.1

	2023 €m	2022 €m
Share of equity accounted investees commitments		
NNG Windfarm Holdings Limited	286.3	233.0
Inch Cape Offshore Holdings Limited	34.5	84.3
SIRO Limited	28.1	39.1
Oweninny Power DAC	-	8.8
FuturEnergy Ireland Development Holdings DAC	-	6.1
Sundew Solar DAC	22.6	-
Total contracted for	371.5	371.3

(b) Fuel contract commitments

There are a number of long-term gas supply arrangements in place for different periods up to 2026. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives included in these arrangements have been separated and valued in accordance with IFRS 9.

(c) Other disclosures

In 2022, following the imposition of EU sanctions, ESB terminated a number of contracts with a supplier. The supplier has subsequently written to ESB challenging ESB's termination of the contracts in question and has initiated a claim seeking damages for wrongful termination of those contracts. The claim is proceeding to arbitration, expected to be heard in mid or late 2024. On the basis of the legal advice received, no provision has been made in respect of this matter in the financial statements on the basis that ESB believes that the claim can be successfully defended.

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties have arisen in the normal course of business. While any litigation or dispute has an element of uncertainty, the Board members believe that there were no contingent liabilities which would have a materially adverse effect on the Group's financial position.



Notes to the Financial Statements (continued)

31. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Group is a state-owned company. 86.8% of the issued share capital is held by the Minister for Public Expenditure, National Development Plan Delivery and Reform, a further 10.2% of the issued share capital is held by the Minister for Environment, Climate and Communications and the ESOP retaining 3.0% of the stock (see note 20 for further details).

Related Party Disclosures

In accordance with Paragraph 25 of IAS 24, ESB Group is exempt from disclosing related party transactions with another entity that is a related party solely because the Irish Government has control, joint control or significant influence over both the Group and that entity.

Semi-State bodies

In the ordinary course of business, the Group purchased/sold goods and services from entities controlled by the Irish Government such as Ervia, Bord na Móna, EirGrid and Coillte Teoranta.

An infrastructure agreement is in place between the Group and EirGrid plc under the auspices of the Commission for Regulation of Utilities (CRU), in relation to the role of owner of the transmission system.

ESB has entered into temporary emergency generation agreements with EirGrid to facilitate the security of supply to the grid. This includes two sites located at Northwall and Shannonbridge, see note 2 (xi) for more detail.

The Group has entered into a number of joint venture arrangements with Bord na Móna and Coillte Teoranta to develop and operate wind farms. See note 16 for further details.

Banks owned by the Irish State

In the normal course of business ESB transacts with certain Irish banks which have become wholly or partially controlled by the Irish Government. All of ESB's transactions with such banks are on normal commercial terms. ESB had no material concentration of borrowings with any such banks during the period or at 31 December 2023. A portion of the cash and cash equivalents as disclosed in note 19 was on deposit with such banks.

Board members' interests

Other than agreed allocations under ESOP, Board members had no beneficial interest in ESB or its subsidiaries at any time during the year. Other than dividends arising as a result of those allocations, there were no other transactions related to those interests.

ESOP

During the year ended 31 December 2023, ESB paid fees of €0.1 million (2022: €0.2 million) on behalf of ESOP. Please refer to note 32 for details of ESB's acquisition of ESOP capital stock.

Pensions

The Group operates a number of pension schemes for staff in the Republic of Ireland, Northern Ireland and Great Britain. See note 10 and note 24 for further details.

Subsidiary undertakings

Sales to and purchases from subsidiaries are conducted in the ordinary course of business.

During the year ended 31 December 2023, ESB Parent purchased gas, engineering, consulting and other services, including rental services of €1,088.2 million (2022: €798.0 million) from its subsidiaries.

During the year, ESB Parent had sales of €1,095.0 million (2022: €827.4 million) to subsidiaries. These sales mainly relate to management services and electricity charges including Use of System Charges and sales of electricity and gas.

During the year, ESB Parent earned interest of €103.0 million (2022: €56.0 million) from subsidiaries and incurred interest of €123.7 million (2022: €76.0 million) on inter-company loans.

At 31 December 2023, ESB Parent had gross amounts payable of €8,736.0 million (2022: €7,383.4 million) to its subsidiaries. These payables mainly relate to amounts held on deposit for subsidiaries and other amounts due to subsidiaries, borrowings raised by ESB Finance DAC and loaned to ESB Parent and amounts due in respect of engineering and consulting services.

At 31 December 2023, ESB Parent had balances receivable of €4,274.5 million (2022: €5,550.1 million) from its subsidiaries (net of allowances). These receivables mainly relate to management services and loans to subsidiaries as well as electricity charges including Use of System Charges. The total impairment allowance in respect of amounts owed by subsidiary undertakings at 31 December 2023 was €143.1 million (2022: €30.3 million).

31. RELATED PARTY TRANSACTIONS (continued)

Equity accounted investees

Group	2023 €m	2022 €m
Sale of goods / services <sup>1</sup>	33.5	11.9
Purchase of goods / services <sup>2</sup>	53.5	63.4
Amounts owed from as at 31 December <sup>3</sup>	722.9	536.7
Equity advanced during the year	35.3	3.3

1 ESB provided electricity sales, management and other professional services during the year to equity accounted investees as set out in the above table.  
2 ESB purchases power from certain equity accounted investees under Power Purchase Agreements.  
3 Amounts owed from equity accounted investees include shareholders loans (shown net of any impairments), interest on these loans and trade receivable balances. Included in the expected credit loss provision is €0.5 million (2022: €0.5 million) in respect of balances owed from SIRO Limited and €0.2 million (2022: €0.2 million) in respect of the balances owed from Emerald Bridge Fibres DAC.

Terms and conditions

Sales to and purchases from equity accounted investees and associates are conducted in the ordinary course of business. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with equity accounted investees and associates are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to amounts due to or from related parties.

Key management compensation

	2023 €m	2022 €m
Salaries and other short-term employee benefits	3.8	3.7
Post-employment benefits	0.4	0.4
	4.2	4.1

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group. These include the remuneration of senior executives and board members.

32. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as Trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the company. The Trustee Company is chaired by an independent professional Trustee with four directors representing ESB employees and two directors representing ESB. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with IFRS 10 Consolidated Financial Statements, the financial statements for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

During the year ended 31 December 2015, ESB entered into an agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement ESB committed to match the acquisitions made by the ESOP Trustees up to a value of €25.0 million. During the year ended 31 December 2021, ESB entered into a further agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement, ESB committed up to €35.0 million in addition to the funds remaining from on the 2015 agreement, to purchase shares in future ESOP internal markets from 2021 (inclusive) onwards. An ESOP provision of €36.5 million was recognised during the year ended 31 December 2021 in other reserves in respect of this agreement and the remaining balance of the 2015 agreement.

During 2023, ESB continued the repurchase of the ESOP capital stock and consequently a capital redemption reserve movement of €2.3 million (2022: €8.0 million) arose from the purchase and cancellation of the 2.3 million ESOP share capital (2022: 8.0 million) for a consideration of €4.5 million (2022: €12.4 million) and represents the nominal amount of the share capital cancelled. The repurchase reduced the ESOP repurchase provision by €4.5 million and at 31 December 2023, the ESOP repurchase provision (note 28) recognised in other provisions amounts to €10.1 million (2022: €14.6 million). The remaining balance of the provision will be discharged in future years as capital stock is repurchased.

Notes to the Financial Statements (continued)

33. POST BALANCE SHEET EVENTS

Details of the dividend declared since the year end are set out in note 20. There are no other post balance sheet events that the Board members believed requirement adjustment to or disclosure in the financial statements.

34. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 28th February 2024.

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS

Company name	Registered office	Group share %	Nature of business
<b>Subsidiary undertakings</b>			
<b>Direct subsidiary</b>			
ESB Energy International Ltd.	2	100	Holding company
ESB Finance DAC.	2	100	Finance
ESB Financial Enterprises Ltd.	2	100	Holding company
ESB International Investments Ltd.	2	100	Holding company
ESB International Ltd.	2	100	Holding company
ESB Networks DAC.	28	100	Power distribution
ESBNI Ltd.	5	100	Holding company
<b>Indirect subsidiary</b>			
Airstream Wind Energy Ltd.	2	100	Windfarm development
Airvolution Energy Ltd. (UK) (In Liquidation)	29	100	Power generation
Allt An Tuir Renewable Energy Park Ltd. <sup>1</sup>	36	10	Power generation
Blarghour Wind Farm Ltd. <sup>1</sup>	7	23.3	Power generation
Bullstown Solar Ltd.	2	100	Business development
Cambrian Renewable Energy Ltd.	4	100	Power generation
Capital Pensions Management Ltd.	6	100	Pension scheme administration
Cappawhite Wind Ltd.	2	100	Power generation
Carrington Power Ltd.	35	100	Power generation
Castlepook Power DAC.	2	100	Power generation
Celtic 2 OSW Power Holdings DAC.	2	100	Power generation
Celtic OSW Power Holdings DAC.	2	100	Holding company
Chirmorie Wind Farm Ltd. <sup>1</sup>	7	25.8	Power generation
Coolkeeragh ESB Ltd.	5	100	Power generation
Corby Power Ltd.	3	100	Power generation
Corvoderry Wind Farm Ltd.	2	100	Windfarm development
Crockagarran Windfarm Ltd.	5	100	Power generation
Crockahenny Wind Farm DAC.	2	75	Power generation
Crockdun Windfarm (NI) Ltd.	5	100	Dormant
Curryfree Wind Farm Ltd.	5	100	Power generation
Darlees Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
Dell Wind Farm Ltd. <sup>1</sup>	7	18.7	Power generation
Devon Wind Power Ltd.	4	100	Power generation
Durris Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
ESB Asset Development (UK) Ltd.	4	100	Business development

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
ESB Commercial Properties Ltd.	2	100	Property management and development
ESB Energy Ltd.	4	90	Supply company
ESB Group (UK) Ltd.	4	100	Engineering and consultancy
ESB Independent Energy (NI) Ltd.	2	100	Electricity and gas sales
ESB Independent Energy Ltd.	2	100	Electricity and gas sales
ESB Independent Generation Trading Ltd.	2	100	Electricity and gas trading
ESB Innovation ROI Ltd.	2	100	Provision of energy and electromobility services
ESB Innovation UK Ltd.	4	100	Provision of energy and electromobility services
ESB International (Malaysia) Sdn. Bhd	12	100	Dormant
ESB Novusmodus Limited GP Ltd.	2	100	Clean technology investment
ESB Power Generation Holding Company Ltd.	2	100	Holding company
ESB Retail GB Ltd.	4	90	Holding company
ESB Solar (IRE) Ltd.	2	100	Business and management consultancy activities
ESB Solar (NI) Ltd.	5	100	Business and management consultancy activities
ESB Telecoms Ltd.	2	100	Telecommunications
ESB Trading Ltd.	2	100	Management and operation services
ESB Wind Development Ltd.	2	100	Business development
ESBI Carbon Solutions Ltd.	2	100	Dormant
ESBI Contracting Ltd.	2	100	Dormant
ESBI Engineering and Facility Management Ltd.	1	100	Engineering
ESBI Luxembourg S.A.	18	100	Electricity generating assets investment
ESBII UK Ltd.	4	100	Holding company
Facility Management UK Ltd.	4	100	Facility management
Fitzwilliam Street Lower Management CLG.	2	50	Property Management
Foel Fach Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
Garravagh Solar Farm Ltd.	2	100	Business development
Garvagh Glebe Power Ltd.	2	100	Power generation
Garvary Wind Farm Ltd. <sup>1</sup>	7	21.6	Windfarm development
Geothermal International Ltd. (In Adminstration)	30	92.6	Heat and air-conditioning installation
Geothermal International Polska Sp Zoo (Spolka Z Organizzona Odpowiedzialnoscia).	17	89	Dormant
Glasa Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
Glendye Wind Farm Ltd. <sup>1</sup>	7	21.1	Power generation
Gort Windfarms Ltd.	2	100	Power generation
Greengate Energy Recovery Ltd.	4	100	Dormant
Greystone Knowe Wind Farm Ltd. <sup>1</sup>	7	13.9	Power generation
Harmony Solar Clare Ltd. <sup>1</sup>	23	60	Business development
Harmony Solar Cork Ltd <sup>1</sup> .	23	30	Business development
Harmony Solar Dennistown Ltd.	2	100	Business development
Harmony Solar Galway Ltd. <sup>1</sup>	23	30	Business development
Harmony Solar Kerry Ltd. <sup>1</sup>	23	60	Business development
Harmony Solar Kildallan Ltd <sup>1</sup> .	23	30	Business development
Harmony Solar Kildare Ltd.	23	70	Business development
Harmony Solar Kilkenny Ltd.	2	100	Business development
Harmony Solar Kilmorna Ltd. <sup>1</sup>	23	30	Business development
Harmony Solar Knockanoura Ltd.	23	60	Business development



Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Harmony Solar Limerick Ltd.	23	60	Business development
Harmony Solar Longford Ltd.	23	100	Business development
Harmony Solar Louth Ltd.	23	60	Business development
Harmony Solar Mayglass Ltd.	2	100	Business development
Harmony Solar Meath Ltd.	23	60	Business development
Harmony Solar Mullingar Ltd.	23	60	Business development
Harmony Solar Offaly Ltd.	23	30	Business development
Harmony Solar Ralphtown Ltd.	2	100	Business development
Harmony Solar Rathkeale Ltd. <sup>1</sup>	23	30	Business development
Harmony Solar Smithstown Ltd.	23	60	Business development
Helvick Head Offshore Wind Holdings DAC.	2	100	Holding company
Hibernian Wind Power Ltd.	2	100	Power generation
Hunter's Hill Wind Farm Ltd.	5	100	Power generation
Inveroykel Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
Kerry Wind Power Ltd.	2	100	Power generation
Kintyre Renewable Energy Park Ltd. <sup>1</sup>	36	10	Power generation
Kirkan Wind Farm Ltd. <sup>1</sup>	7	16.4	Power generation
Knottingley Power Ltd.	4	100	Dormant
Loch Garman Offshore Wind Holdings DAC.	2	100	Holding Company
Malin Sea Wind Ltd.	4	100	Dormant
Merrion Park Owners Management Company CLG.	2	52	Property Management
Moneypoint 1 Offshore Wind Holdings DAC.	2	100	Holding company
Moneypoint 2 Offshore Wind Holdings DAC.	2	100	Holding company
Mount Eagle WindFarm Ltd.	2	100	Power generation
Mountainlodge Power DAC.	2	85.9	Power generation
NIE Finance PLC.	6	100	Finance
NIE Ltd.	6	100	Dormant
NIE Networks Services Ltd.	6	100	Non-trading
Northern Ireland Electricity Ltd.	6	100	Dormant
Northern Ireland Electricity Networks Ltd.	6	100	Power transmission and distribution
Orliven Ltd.	2	100	Power generation
Planet 9 Energy Ltd.	4	100	Trade of electricity
Pollie Hill Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
REG Greenburn Ltd. <sup>1</sup>	31	10	Power generation
REG Knockodhar Ltd. <sup>1</sup>	36	10	Power generation
Seastacks Offshore Wind Holdings DAC.	2	100	Holding company
Shanoagh PV Ltd.	42	60	Business development
Shantallow Solar Farm Ltd.	2	100	Business development
Shetland Offshore Wind Ltd.	4	100	Dormant
Sillahertane Energy Project Two Ltd.	2	100	Dormant
So Energy Ltd.	25	90	Supply company
So Energy Trading Ltd.	25	90	Supply company
Synergen Power Ltd.	9	100	Power generation
Thameside Energy Recovery Holding Company Ltd.	4	100	Dormant

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Thameside Energy Recovery Ltd.	34	80	Dormant
Tullamore Solar Farm Ltd	2	100	Business development
Tullynahaw Power Ltd.	2	100	Power generation
Vale of Leven Wind Farm Ltd. <sup>1</sup>	7	8.2	Power generation
Waterfern Ltd.	2	100	Power generation
West Durham Wind Farm Ltd.	4	100	Power generation
Woodhouse WindFarm Ltd.	2	100	Power generation
Y Bryn Wind Farm Ltd <sup>1</sup> .	7	13.9	Power generation
Equity accounted investees			
Aldeburgh Offshore Wind Holdings Ltd.	19	50	Holding company
Aldeburgh Offshore Wind Investments Ltd.	19	50	Holding company
Ballinagree Wind DAC.	27	50	Power generation
Cahermurphy Renewables DAC.	27	27.5	Power generation
Celtic 1 OSW Power DAC.	2	50	Windfarm development
Celtic 2 OSW Power DAC.	2	50	Windfarm development
Clogherhead Offshore Wind DAC.	2	75	Windfarm development
Clogherhead Offshore Wind Holdings DAC.	2	75	Holding Company
Cummeennabuddoge Wind DAC.	27	50	Power generation
Emerald Bridge Fibres DAC.	2	50	Telecommunications
Five Estuaries Offshore Wind Farm Ltd.	20	12.5	Power generation
FuturEnergy Knockshanvo DAC.	32	50	Windfarm development
FuturEnergy Ballyhoura DAC.	32	50	Windfarm development
FuturEnergy Barracree DAC.	32	50	Windfarm development
FuturEnergy Carrownagowan DAC.	32	50	Windfarm development
FuturEnergy Clonbullogue DAC.	32	50	Windfarm development
FuturEnergy Corbally DAC.	32	50	Windfarm development
FuturEnergy Corravaddy DAC.	32	50	Windfarm development
FuturEnergy Croagh DAC.	32	50	Windfarm development
FuturEnergy Croaghaun DAC.	32	50	Windfarm development
FuturEnergy Crowagh DAC.	32	50	Windfarm development
FuturEnergy Cullenagh DAC.	32	50	Windfarm development
FuturEnergy Glenard DAC.	32	50	Windfarm development
FuturEnergy Gortnahurra DAC.	32	50	Windfarm development
FuturEnergy Ireland Development DAC.	32	50	Windfarm development
FuturEnergy Ireland Development Holdings DAC.	32	50	Holding company
FuturEnergy Kealafreaghane DAC.	32	50	Windfarm development
FuturEnergy Lissinagroagh DAC.	32	50	Windfarm development
FuturEnergy Mongorry DAC.	32	50	Windfarm development
FuturEnergy North Mayo DAC.	32	50	Windfarm development
FuturEnergy Scart Mountain DAC.	32	50	Windfarm development
FuturEnergy Slieve Rusheen DAC.	32	50	Windfarm development
FuturEnergy Slieveragh DAC.	32	50	Windfarm development
FuturEnergy Tievemore DAC.	32	50	Windfarm development
FuturEnergy Tullintowello DAC.	32	50	Windfarm development
Galloper Wind Farm Holding Company Ltd.	20	12.5	Holding company

Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Galloper Wind Farm Ltd.	20	12.5	Power generation
Gortyrahilly Wind DAC.	27	50	Power generation
Havbredey Limited.	39	24.5	Windfarm development
Helvick Head Offshore Wind DAC.	2	50	Windfarm development
Highland Wind Farm Limited.	43	50	Power generation
Inch Cape Offshore Holdings Ltd.	24	50	Holding company
Inch Cape Offshore Limited.	24	50	Business Development
Inchamore Wind DAC.	27	50	Power generation
Lenalea Wind Farm DAC.	27	25	Power generation
Lewis Wind Power Holdings Ltd.	41	50	Holding company
Loch Garman Offshore Wind DAC.	2	50	Windfarm development
Moneypoint 1 Offshore Wind DAC.	2	50	Windfarm development
Moneypoint 2 Offshore Wind DAC.	2	50	Windfarm development
Nearr na Gaoithe Offshore Wind Ltd.	22	50	Windfarm development
NNG Windfarm Holdings Ltd.	22	50	Holding company
Oweninny Power 2 DAC.	2	50	Power generation
Oweninny Power 2 Holdings DAC.	2	50	Holding company
Oweninny Power DAC.	2	50	Power generation
Oweninny Power Holdings DAC.	2	50	Holding company
Raheenleagh Power DAC.	2	50	Power generation
Retrofit Superhomes Ltd.	26	50	Retrofit of homes
Saoirse Wave Energy Ltd.	40	50	Development of wave energy projects
Seastacks Offshore Wind DAC	2	50	Windfarm development
SIRO DAC.	2	50	Fibre to the building
SIRO JV Holdco Ltd.	33	50	Holding Company
Spiorad na Mara Limited.	39	24.5	Windfarm development
Springfield Renewables DAC.	27	32.5	Power generation
Stornoway Wind Farm Limited.	41	50	Holding company
Sundew Solar DAC.	2	50	Solar farm development
Superhomes Ireland DAC.	26	50	Retrofit of homes
Western Isles Offshore Wind N2 Ltd.	38	24.5	Holding company
Western Isles Offshore Wind N4 Ltd.	38	24.5	Holding company

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
<b>Investments</b>			
Dublin Offshore Technology Ltd.	37	15	Engineering Activities And Related Technical Consultancy
Gridbeyond Ltd.	13	17.2	Clean technology investment
Heliex Power Ltd.	14	0.6	Clean technology investment
Nualight Ltd. <sup>1</sup>	15	42.3	Clean technology investment
Oriel WindFarm Ltd.	21	5	Power generation
Pesaka Technologies. <sup>1</sup>	11	30	Power generation
Rousch Pakistan Power.	8	7	Power generation
VantagePoint Cleantech Partners II, L.P.	16	4.5	Clean technology investment
<b>Other - wholly owned, non-controlled</b>			
ESB ESOP Trustee Ltd.	10	100	Staff shareholding scheme

1 The group has determined that entities with less than 50% group share are subsidiaries and less than 20% group share are equity accounted joint ventures, on the basis that the group has the ability to control or direct the relevant activities (or jointly control and jointly direct in the case of joint venture) of the entities due to specific contractual, funding and board arrangements in place with those entities. Similarly, there are entities where the group holds more than 20% where contractual arrangements mean the group has no significant influence and accordingly these investments are not equity accounted.

Electricity Supply Board is an Irish tax resident statutory body having its principal place of business at 27 Fitzwilliam Street Lower, Dublin 2, D02 KT92. Its subsidiaries, equity accounted investees and associated undertakings are all tax resident in the tax jurisdiction where their respective registered office is located. Below is the location of the registered offices.

Notes:

1	ESB International, One, Dublin Airport Central, Dublin Airport, Cloghran, Co. Dublin, K67 XF72, Republic of Ireland
2	27 Fitzwilliam Street Lower, Dublin 2, D02 KT92, Republic of Ireland
3	Mitchell Road, Phoenix Parkway, Corby, Northamptonshire MN17 1Q7, United Kingdom
4	Fora, 16-19 Eastcastle, London W1W 8DY, UK
5	2 Electra Road, Maydown, Derry, BT47 6 UL, Northern Ireland
6	120 Malone Road Belfast, BT9 5HT, Northern Ireland
7	22-24 King Street, Maidenhead, SL6IEF, United Kingdom
8	94-W, 3rd Floor, AAMIR Plaza, Jinnah Avenue, Blue Area, Islambad, Pakistan
9	ESB Dublin Bay, Pigeon House Road, Ringsend, Dublin 4, D04 Y5N2, Republic of Ireland
10	56 Mount Street Upper, Dublin 2, D02 P406, Republic of Ireland
11	Level 1, Menara Yavasan, Tun Razak, Zoo, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
12	10th Floor, Wisma Havela, Thakardos, No 1 Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia
13	3015, Lake Drive, Citywest Business Park, Dublin 24, D24 DKP4, Republic of Ireland
14	Kelvin Building Bramah Avenue, East Kilbride, Glasgow, G75 0RD, Scotland, United Kingdom
15	Unit 18a South Ring Business Park, Kinsale Road, Cork, T12 WEY8, Republic of Ireland
16	C/O Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O Box 2681, Grand Cayman, KY1-1111, Cayman Islands
17	Geothermal International Polska, Parkova 21 lok 7, 00-759 Warszawa, Poland
18	6, Rue Eugene Ruppert, L-2453, Luxembourg
19	C/O Alter Domus (Uk) Limited 10th Floor 30 st Mary Axe London EC3A 8BF, England
20	Windmill Hill Business Park, Whitehall Way, Swindon SN5 6PB, United Kingdom
21	302 - 303 Balheary Demesne, Balheary Road, Swords, Dublin, Co. Dublin, Republic of Ireland
22	Atria One, 144 Morrison Street, Edinburgh, Scotland, United Kingdom EH3 8EX
23	Ballyseskin House, Ballyseskin, Kilmore, Co. Wexford, Republic of Ireland
24	5th Floor, 40 Princes Street, Edinburgh, EH2 2BY, Scotland, United Kingdom



Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEEES AND ASSOCIATE UNDERTAKINGS (continued)

Notes:

25	Studio 2 Power Road Studios, 114 Power Road, Chiswick, London, England, W4 5PY
26	Thurles Chamber Enterprise Centre, TUS Thurles Campus, Nenagh Road, Thurles, Tipperary, Republic of Ireland
27	Riverside One, Sir John's Rogerson's Quay, Dublin 2, D02 X576, Republic of Ireland
28	Three Gateway, East Wall Road, Dublin 3, D03 R583, Republic of Ireland
29	C/O Interpath Limited, 10 Fleet Place, London, EC4M 7RB
30	C/O Begbies Traynor, 340 Deansgate Manchester M3 4LY, United Kingdom
31	C/O Gillespie Macandrew LLP, 5 Atholl Crescent, Edinburgh, Scotland, EH3 8EJ
32	C/O Futureenergy, 27/28 Herbert Place, Dublin 2, D02 DC97
33	The Herbert Building, The Park, Carrickmines, Co Dublin, D18 K8Y4, Republic of Ireland
34	Viridor House, Priory Bridge Road, Taunton, England, TA1 1AP
35	132 Manchester Road, Carrington, Manchester, England, M31 4AY
36	C/O Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, Scotland, EH3 8BL
37	57 Fitzwilliam Square North, Dublin 2, D02 CP02, Republic of Ireland
38	21 Holborn Viaduct, London, United Kingdom, EC1A 2DY
39	77 Renfrew Street, Glasgow, United Kingdom, G2 3BZ
40	Woodbine Hill, Youghal, Co. Cork, Ireland
41	C/O Edf Renewables, Atria One, 144 Morrison Street, Edinburgh, Scotland, EH3 8EX
42	4 Kellyville Park, Kylekiproe, Portlaoise, Laois
43	14b, Tower 42, 25 Old Broad Street, London, England, EC2N 1HN

Report of Board Members on Compliance with the Prompt Payment of Accounts Act, 1997 and European Communities (Late Payments in Commercial Transactions) Regulations, 2012 (S.I. No. 580 of 2012) as amended by European Communities (Late Payment in Commercial Transactions) (Amendment) Regulations, 2016 (S.I. No. 281 of 2016)

Introduction

Payment terms during 2023 were governed by:

- The Prompt Payment of Accounts Act, 1997.
- European Communities (Late Payments in Commercial Transactions) Regulations, 2012 (S.I. No. 580 of 2012) as amended by European Communities (Late Payment in Commercial Transactions) (Amendment) Regulations, 2016 (S.I. No. 281 of 2016) to combat late payments in commercial transactions. These regulations apply to contracts for goods and services supplied to ESB.
- Construction Contracts Act, 2013. This Act applies to construction contracts over €10,000.

Statement of payment practices

ESB is committed to paying all undisputed supplier invoices within their agreed terms of payment.

Procedures and controls in place

Appropriate internal financial controls have been implemented including clearly defined roles and responsibilities. These procedures provide assurance against material non-compliance with the legislation.

Prompt Payment Code of Conduct

In 2015, the Government launched the Prompt Payment Code of Conduct, which can be found at [www.irishstatutebook.ie/eli/1997/act/31](http://www.irishstatutebook.ie/eli/1997/act/31). ESB is a signatory to this Code and undertakes to pay suppliers on time; give clear guidance to suppliers on payment procedures; and encourage the adoption of the Code by suppliers within their own supply chains.

Construction Contracts Act, 2013

This Act came into effect on 25 July 2016. ESB has reviewed its responsibilities under this Act and has communicated these responsibilities to relevant staff.

Details of late payment interest in respect of 2023

When ESB validates a late payment request from a supplier, it is ESB's policy to pay interest due on such late payments. No such payments were made in respect of late payments during the year 2023 (2022: Nil).

Terence O'Rourke  
Chairman

Paddy Hayes  
Chief Executive

28 February 2024

Alternative Performance Measures

The Group reports certain alternative performance measures (APMs) that are not required under International Financial Reporting Standards (IFRS). These measures below are used by management and investors alongside IFRS measures to assess the performance and financial position of the Group.

The key APMs used by the Group are as follows:

	APM	Category of measure	Closest equivalent IFRS measure	Definition
(a)	Earnings before interest, tax, depreciation and amortisation (EBITDA)	Profit measure	Operating Profit	Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions.
(a)	EBITDA before exceptional items	Profit measure	Operating Profit	Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation, revenue from supply contributions and exceptional items separately disclosed in the Income Statement.
(a)	Operating profit before exceptional items	Profit measure	Operating Profit	Operating profit before exceptional items separately disclosed in the Income Statement.
(b)	Net debt	Cash and debt measure	Borrowings and other debt, lease liabilities less cash and cash equivalents	Total of borrowings and other debt plus lease liabilities less cash and cash equivalents (excluding any restricted cash).
(c)	Capital expenditure	Capital expenditure measure	Capital additions to intangible assets, property, plant and equipment and equity accounted investees	Additions to property, plant and equipment, intangible assets (excluding emissions allowances) plus additions to equity accounted investees.
(d)	Return on Capital Employed (ROCE) percentage	Capital efficiency measure	N/A	Adjusted operating profit after tax divided by average capital employed.
(e)	Liquidity	Cash and debt measure	N/A	Total of cash and cash equivalents (excluding any restricted cash) and amounts undrawn under available revolving credit facilities or other facilities.
(f)	Consolidated net debt percentage	Cash and debt measure	N/A	Net debt divided by the sum of net assets and gross debt.
(g)	Total assets excluding cash*	Asset base measure	Total assets less cash and cash equivalents	Total of non-current assets and current assets excluding cash and cash equivalents.

\* Total assets excluding cash has been added as an APM in 2023 to aid readers in their analysis of the asset base of the Group.

The measures and their purpose can be classified as follows:

Measure	Purpose
Profit measure	Allows management and readers understand underlying profitability for the year. Exceptional items are excluded in two of the three alternative profit measures as by their nature these are unusual and do not reflect underlying performance. Impairments are also excluded from the EBITDA measure as they do not necessarily reflect operating performance in the period.
Cash and debt measure	Allows management and readers to understand the indebtedness, funding and liquidity position of the Group.
Capital expenditure measure	Allows management and readers to track progress on the significant capital investment programme which is a key element of the Group's strategic ambition.
Capital efficiency measure	Allows management and readers to determine how well the Group has performed in generating profits from the capital it has employed.
Asset base measure	The asset base is a measure of the size of the Group. ESB is a large group of diverse and different businesses. The segmental analysis of the Group's asset bases allows management and readers to understand how the asset base of the Group is made up and what proportion relates to regulated network activities.

Reconciliation of Alternative Performance Measures

(a) EBITDA, EBITDA before exceptional items and Operating profit before exceptional items – December 2023

	Reference in Financial Statements	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Total €m
Operating profit/(loss) excluding exceptional items	Note 3(a)(iii)	(12.4)	359.0	730.5	77.8	(34.1)	1,120.8
Exceptional items	Note 6	-	-	-	-	-	-
Operating profit/(loss)	Note 3(a)(iii)	(12.4)	359.0	730.5	77.8	(34.1)	1,120.8
Impairments (including non-trading net impairment losses on financial assets and impairment gains)	Note 3(a)(ii)	-	-	5.1	-	-	5.1
Depreciation and amortisation	Note 3(a)(ii)	22.3	553.2	144.6	191.2	31.0	942.3
Revenue from supply contributions	Note 4	-	(67.8)	-	(24.2)	-	(92.0)
EBITDA		9.9	844.4	880.2	244.8	(3.1)	1,976.2
Exceptional items (non-impairment)	Note 6	-	-	-	-	-	-
EBITDA before exceptional items		9.9	844.4	880.2	244.8	(3.1)	1,976.2



## Alternative Performance Measures (continued)

## EBITDA, EBITDA before exceptional items and Operating profit before exceptional items – December 2022

	Reference in Financial Statements	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Total €m
Operating profit/(loss) excluding exceptional items	Note 3(a)(iii)	(108.9)	206.9	774.3	63.7	(89.3)	846.7
Exceptional items	Note 6	-	-	-	-	-	-
<b>Operating profit/(loss)</b>	Note 3(a)(iii)	(108.9)	206.9	774.3	63.7	(89.3)	846.7
Impairments (including non-trading net impairment losses on financial assets and impairment gains)	Note 3(a)(ii)	0.2	-	2.6	-	-	2.8
Depreciation and amortisation	Note 3(a)(ii)	29.9	531.4	145.4	183.7	24.2	914.6
Revenue from supply contributions	Note 4	-	(67.0)	-	(22.5)	-	(89.5)
<b>EBITDA</b>		(78.8)	671.3	922.3	224.9	(65.1)	1,674.6
Exceptional items (non-impairment)	Note 6	-	-	-	-	-	-
<b>EBITDA before exceptional items</b>		<b>(78.8)</b>	<b>671.3</b>	<b>922.3</b>	<b>224.9</b>	<b>(65.1)</b>	<b>1,674.6</b>

## (b) Net debt

	Reference in Financial Statements	December 2023 €m	December 2022 €m
Borrowings and other debt	Note 22	<b>7,739.1</b>	6,892.8
Lease liabilities	Note 14(a)	<b>136.0</b>	128.8
<b>Gross debt</b>		<b>7,875.1</b>	7,021.6
Cash and cash equivalents (excluding restricted cash)	Note 19	<b>(1,428.3)</b>	(236.0)
<b>Net debt</b>		<b>6,446.8</b>	6,785.6

## (c) Capital expenditure

	Reference in Financial Statements	December 2023 €m	December 2022 €m
Investments in property, plant and equipment	Note 12	<b>1,517.7</b>	1,259.5
Investments in intangible assets (excluding emissions allowances)	Note 13	<b>175.5</b>	132.3
Financial assets and equity accounted investees	Note 16	<b>35.3</b>	3.3
<b>Capital expenditure*</b>		<b>1,728.5</b>	1,395.1

\* Refer to Note 3(b) for segmental breakdown of additions to non-current assets.

## (d) Return on Capital Employed (ROCE) percentage

	Reference in Financial Statements	December 2023 €m	December 2022 €m
Operating profit excluding exceptional items	Income Statement	<b>1,120.8</b>	846.7
Exceptional items	Note 6	<b>-</b>	-
Impairments (including non-trading net impairment losses on financial assets and impairment gains)	Note 8	<b>5.1</b>	2.8
Foreign exchange retranslation (gain)/loss	Note 8	<b>(4.2)</b>	70.5
Share of equity accounted investees income*	Note 16(a)	<b>13.7</b>	14.4
Profit on disposal of property, plant and equipment and intangible assets and subsidiaries	Note 7	<b>(9.2)</b>	(2.5)
Impairment loss recognised in respect of trade receivables	Note 18	<b>70.4</b>	38.5
Pension costs (curtailment cost and administration expenses)	Note 24	<b>1.7</b>	2.1
<b>Adjusted operating profit</b>		<b>1,198.3</b>	972.5
Taxation	Note 21(a)	<b>(133.8)</b>	(142.1)
Taxation on exceptional items/adjustments**		<b>(23.6)</b>	(52.5)
<b>Adjusted operating profit after tax (A)</b>		<b>1,040.9</b>	777.9
Equity	Balance Sheet	<b>5,300.0</b>	4,781.6
Borrowings and other debt	Note 22	<b>7,739.1</b>	6,892.8
Lease liabilities	Note 14(a)	<b>136.0</b>	128.8
Net deferred tax liability	Note 21(b)	<b>558.9</b>	554.1
Allowance for expected credit loss in respect of trade receivables	Note 18	<b>147.8</b>	98.9
Current tax asset	Balance Sheet	<b>22.0</b>	31.3
<b>Capital employed</b>		<b>13,903.8</b>	12,487.5
<b>Average capital employed (B)***</b>		<b>13,195.7</b>	11,290.1
<b>ROCE percentage (A/B)</b>		<b>7.9%</b>	<b>6.9%</b>

\* Excludes fair value movements in Nearth na Gaoithe in 2022 of €45.3 million.

\*\* Using an effective tax rate of 13.4% (2022: 17.3%).

\*\*\* Average capital employed of the current and preceding year.

Alternative Performance Measures (continued)

(e) Liquidity

	Reference in Financial Statements	December 2023	December 2022
		€m	€m
Cash and cash equivalents (excluding restricted cash)	Note 19	1,428.3	236.0
Undrawn revolving credit facilities	Note 22(3)	2,262.6	2,021.5
Liquidity		3,690.9	2,257.5

(f) Consolidated net debt percentage

	Reference in Financial Statements	December 2023	December 2022
		€m	€m
Net debt	APM Rec. (b)	6,446.8	6,785.6
Net assets	Balance Sheet	5,300.0	4,781.6
Gross debt	APM Rec. (b)	7,875.1	7,021.6
Net assets and gross debt		13,175.1	11,803.2
Consolidated net debt percentage		48.9%	57.5%

(g) Total assets excluding cash

	Reference in Financial Statements	December 2023	December 2022
		€m	€m
Total assets	Balance Sheet	19,673.1	19,240.1
Cash and cash equivalents	Balance Sheet	(1,977.8)	(990.0)
Total assets excluding cash		17,695.3	18,250.1
By Segment		€m	€m
Customer Solutions		1,018.2	1,218.8
ESB Networks		8,735.3	8,287.7
Generation and Trading		4,655.8	5,435.3
NIE Networks		2,755.6	2,729.8
Other Segments*		530.4	578.5
Total assets excluding cash		17,695.3	18,250.1

\* All intersegment related amounts are eliminated upon consolidation and these eliminations are included in the Other Segments line above.

Glossary

1. Balancing Market/Balancing Mechanism (BM)

The Balancing Market or Balancing Mechanism (BM) allows the Transmission System Operator to balance electricity supply and demand close to real time.

2. British Electricity Trading and Transmission Arrangements (BETTA)

British Electricity Trading and Transmission Arrangements (BETTA) is the wholesale electricity market operating in Great Britain (GB).

3. Brexit

Brexit is the departure of the United Kingdom from the European Union.

4. Commission for Regulation of Utilities (CRU)

The Commission for Regulation of Utilities (CRU) is the independent regulator of water and energy in the Republic of Ireland.

5. Corporate Sustainability Reporting Directive (CSRD)

A directive of the European Union which sets out the rules concerning the social and environmental information that companies have to report on.

6. Contracts for Difference (CfDs)

A Contract for Difference (CfD) is a contract between two parties, a buyer and a seller, stipulating that the buyer will pay to the seller the difference between the current value of an asset and its value at contract time. If the difference is negative, the seller pays instead of the buyer.

7. COVID-19

COVID-19 is a disease caused by a strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease.

8. DAM

The Day-Ahead Market (DAM) allows market participants to buy or sell wholesale electricity one day before the operating day. It is the largest market in I-SEM for trading power and the biggest component of the wholesale electricity price.

9. DS3

DS3 refers to the “Delivering a Secure, Sustainable Electricity System” programme, which is designed to ensure that the power system can be securely operated with increasing amounts of variable non-synchronous renewable generation.

10. EirGrid

EirGrid is the electricity Transmission System Operator for Ireland.

11. Energy for Generations Fund

In November 2013, ESB launched the Energy for Generations Fund, a corporate responsibility investment which will see up to €1 million per year disbursed across a range of community and issues-based initiatives.

12. Environmental, Social and Governance (ESG)

Refers to the impact that a company has on its employees, customers and communities in which it operates. ESG Reporting refers to the information or data provided relating to an organisation's environmental, social and governance performance.

13. EU Taxonomy

A classification system, establishing a list of environmentally sustainable economic activities. The EU Taxonomy provides appropriate definitions for which economic activities can be considered environmentally sustainable.

14. Free Electrons

An innovation programme connecting start-ups with global energy utilities. ESB is a founding member of the programme, working with six global utility partners.

15. Gender Pay Gap (GPG)

The Gender Pay Gap (GPG) is the difference in the average hourly pay of men and women across a workforce.

16. Gigawatt (GW)

Gigawatt, being the amount of power equal to 1 billion watts.

17. Gigawatt Hours (GWh)

Gigawatt hours, being the amount of energy equivalent to delivering 1 billion watts of power for a period of one hour.

18. Great Britain (GB)

England, Wales and Scotland.

19. Greenhouse Gas Emissions (GHG)

Any gas that has the property of absorbing infrared radiation (net heat energy) emitted from the earth's surface and reradiating it back to the earth's surface, thus contributing to the greenhouse effect.

20. Impairment

An impairment charge is determined when the carrying value (book value) of assets exceeds its recoverable amount.

21. Integrated Single Electricity Market (I-SEM)

The wholesale electricity market for Ireland and Northern Ireland designed to integrate the all-island electricity market with European electricity markets.

22. Joint Venture

A company or other entity which is controlled jointly with other parties.

23. Liquidity

Total of cash and cash equivalents (excluding any restricted cash) and amounts undrawn under available revolving credit facilities or other facilities.

24. Lost Time Injuries (LTIs)

A work-related injury causing an absence for one or more working days, counting from the day after the injury, before the person returns to normal or restricted work.



Glossary (continued)

25. Megawatt (MW)

Megawatt, being the amount of power equal to 1 million watts.

26. Megawatt Hours (MWh)

Megawatt hours, being the amount of energy equivalent to delivering 1 million watts of power for a period of one hour.

27. Net Zero

Defined in line with the SBTi Net-Zero Standard which defines corporate net-zero as:

- Reducing scope 1, 2, and 3 emissions to zero or a residual level consistent with reaching global net-zero emissions or at a sector level in eligible 1.5°C-aligned pathways; and
- Permanently neutralising any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.

28. Novusmodus Fund

The Novusmodus Fund is a venture capital fund in which seed capital is invested into emerging technologies.

29. P1 Incidents

Incidents which have a high probability of causing high consequence injuries such as fatality, amputation, loss of eye, multiple injuries, major fracture, 2nd/3rd degree burns, being unconscious (major/serious), road traffic collision reportable injuries, fatalities, and excessive material damage.

30. Price Review 5 (PR5)

Regulatory periods are of five years' duration and the Price Control Review (PR5) covers the period 2021 to 2025 and sets out the total regulated allowed revenues over that period as determined by the CRU.

31. Regulated Asset Base (RAB)

The valuation of the transmission and distribution networks related assets for regulatory purposes which are held by ESB Networks and NIE Networks respectively. In the case of the relevant assets held by ESB Networks, the RAB value is determined in accordance with the CRU's required methodology and, in the case of the relevant assets held by NIE Networks, the RAB value is determined in accordance with the Utility Regulator's required methodology.

32. Regulatory Period 6 (RP6)

Regulatory Period 6 (RP6) is a regulatory period price control, covering the period 1 October 2017 to 31 March 2025, determined by the Utility Regulator in Northern Ireland.

33. Regulatory Period 7 (RP7)

Regulatory Period 7 (RP7) is a regulatory period price control, covering the period 1 April 2025 to 31 March 2031, determined by the Utility Regulator in Northern Ireland.

34. Safe and Sound

An ESB culture change programme that will serve to build a world-class safety culture and environment that is sustainable over time.

35. Science-Based Targets

A clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change.

36. Single Electricity Market (SEM)

The Single Electricity Market (SEM) is a wholesale pool-based electricity market operating north and south of the Irish Border.

37. Single Electricity Market Operator (SEMO)

The SEM/I-SEM is operated by SEMO, a joint venture between EirGrid and SONI, the transmission system operators in Ireland and Northern Ireland respectively.

38. SIRO

A joint venture with Vodafone, which will bring 1 gigabit per second (Gb/s) broadband to customers across Ireland using the existing distribution network.

39. Smart Energy Services

Smart Energy Services is a complete energy management solution that brings all of the skills and experience of a global energy innovator to businesses.

40. Smart Metering Programme

The Smart Metering Programme is delivering the next generation of energy meter. They will replace the traditional electricity and gas meters removing the need for a home visit to read the meter and will eliminate the need to use estimates whenever a meter cannot be read.

41. SONI (System Operator for Northern Ireland)

SONI is the electricity Transmission System Operator for Northern Ireland.

42. STEM (Science, Technology, Engineering and Mathematics)

STEM is an approach to learning and development that integrates the areas of science, technology, engineering and mathematics. STEM education supports children's capacity to understand and engage fully with the world around them.

43. Sustainable Energy Authority of Ireland (SEAI)

Ireland's national energy authority established under the Sustainable Energy Act 2002.

44. Task Force on Climate-related Financial Disclosures (TCFD)

An entity created by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders.

45. The Way We Work at ESB

The Way We Work at ESB brings together ESB's purpose, strategy and values. In ESB, the purpose statement tells the world why ESB exists – the reason for being, beyond profit. It's who ESB is, and it's lived through its values. Values are how ESB puts the purpose into action. It encapsulates and aligns the culture and informs behaviours.

46. United Kingdom (UK)

England, Wales, Scotland and Northern Ireland.

47. Utility Regulator (UR)

The independent non-ministerial government department set-up to ensure the effective regulation of the electricity, gas and water and sewerage industries in Northern Ireland.

48. Vertically Integrated Utility (VIU)

A Vertically Integrated Utility (VIU) refers to presence within and ownership of assets across all of the elements of the electricity value chain including the generation, trading, transmission, distribution and supply of power to customers.

49. X\_Potential

A programme which invites ESB staff to submit innovative ideas that have the potential to develop into future businesses for the organisation.

50. X\_Site

ESB's business incubator – providing supports for cross value chain ventures to enable innovative projects to develop, grow and scale. Based in Dogpatch Labs, Dublin, ESB staff work on cross-Business Unit innovation projects or other specific commercial opportunities.





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