



Energy for  
generations

# ESB Group

## Finance and Investment Committee Terms of Reference

Approved: September 2022

## Contents

<b>1. MEMBERSHIP</b>	<b>3</b>
<b>2. SECRETARY</b>	<b>3</b>
<b>3. FREQUENCY OF MEETINGS</b>	<b>3</b>
<b>4. MINUTES OF MEETINGS</b>	<b>3</b>
<b>5. AUTHORITY</b>	<b>3</b>
<b>6. DUTIES</b>	<b>4</b>
<b>6.1 Investments and Capital Expenditure</b>	<b>4</b>
<b>6.2 Funding</b>	<b>4</b>
<b>6.3 Financial Performance/Shareholder Matters</b>	<b>5</b>
<b>6.4 Energy Markets &amp; Trading</b>	<b>5</b>
<b>6.5 General</b>	<b>5</b>
<b>7. OTHER</b>	<b>6</b>
<b>8. REPORTING</b>	<b>6</b>

## **1. MEMBERSHIP**

- 1.1 The Board shall appoint the members of the Finance and Investment Committee (“the Committee”) on the recommendation of the Chairman of the Board. The Committee shall consist of not less than five members.
- 1.2 A quorum for the Committee shall be three members one of whom shall be an independent Board member.
- 1.3 In the absence of the Chairperson at a Committee meeting, the remaining members present shall elect one of themselves to be the Chairperson of the meeting.

## **2. SECRETARY**

The Secretary of the Company shall be the Secretary of the Committee.

## **3. FREQUENCY OF MEETINGS**

- 3.1 Meetings shall be held not less than four times a year unless otherwise agreed by the Committee.
- 3.2 Unless otherwise agreed, the meeting agenda shall be forwarded to each member of the Committee and any other person required to attend no later than one week prior to the date of the meeting. Supporting papers (and presentations if required) shall be sent to Committee members at the same time as the agenda.

## **4. MINUTES OF MEETINGS**

- 4.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee.
- 4.2 Minutes of Committee meetings shall be circulated to all members of the Board.

## **5. AUTHORITY**

- 5.1 The Committee authorities are set out in these Terms of Reference and such other authority as is from time to time delegated to it by the Board.
- 5.2 The Committee is authorised by the Board to seek any information it requires from any employee of the Company or its subsidiaries in order to perform its duties.
- 5.3 The Committee may obtain, at the Company’s expense, outside legal or other professional advice on any matter within its Terms of Reference.

## 6. DUTIES

The duties of the Committee shall be as follows:

### 6.1 Investments and Capital Expenditure

- 6.1.1 Review, challenge and make a recommendation to the Board in respect of, or approve, under authority delegated by the Board from time to time, investment and divestment proposals/business cases to ensure consistency with the strategy and risk appetite approved by the Board.
- 6.1.2 Review, challenge and make a recommendation to the Board in respect of Networks Price Review submissions.
- 6.1.3 Review procedures for investment appraisal, including the setting of appropriate hurdle rates, to confirm that they are fit for purpose and sufficient to support a robust investment appraisal process.
- 6.1.4 Review progress on a quarterly basis against Board capital approvals.
- 6.1.5 Review achievement of approved business case for significant investments.
- 6.1.6 Support the Board in carrying out their responsibilities for ensuring that a robust process is in place to ensure that risks in relation to investment proposals are properly identified, assessed, reported and controlled.
- 6.1.7 Review Group Property Strategy periodically for alignment with Group Strategy.

### 6.2 Funding

- 6.2.1 Review and approve the Group's Treasury Policies.
- 6.2.2 Consider the financial requirements of the Group and approve or make recommendations in respect of the appropriate funding arrangements to meet these requirements.
- 6.2.3 Consider, and if deemed appropriate, recommend to the Board entry by the company or any subsidiary into any funding facilities and transactions, or the issuance of any guarantee or indemnity in respect of the liabilities of any subsidiary requiring Board approval.
- 6.2.4 Examine key policy issues concerning the financial requirements of (and related risks to) the company including credit/climate risk ratings, financial risks and debt management.

### **6.3 Financial Performance/Shareholder Matters**

- 6.3.1 Review and challenge the Integrated Business Plan/Annual Financial Plans prior to submission to the Board for approval.
- 6.3.2 Review business plans/financial performance on a quarterly basis.
- 6.3.3 Review and recommend updates to Dividend Policy to the Board for approval.
- 6.3.4 Consider and report to the Board on the outcome of periodic Equity Valuations.
- 6.3.5 Review Shareholder Letter of Expectations and monitor progress in meeting expectations annually.

### **6.4 Energy Markets & Trading**

- 6.4.1 Review Business Unit Trading Strategies (as approved by relevant Group Trading Committee (GTC)) in context of Group's Risk Appetite and Business Plans.
- 6.4.2 Review and challenge the Risk Management and Compliance Frameworks in place to manage trading risks and compliance with energy market and financial regulations.
- 6.4.3 Taking account of overall Enterprise Risk Appetite, set / recommend appetite for Group Trading Risks to the Board.
- 6.4.4 Delegate (or recommend to the Board delegation of) certain activities and powers to the Business Unit Trading Committee and Management.
- 6.4.5 Monitor emerging risks and trends in energy markets.
- 6.4.6 Review, challenge and make a recommendation to the Board in respect of residential standard variable tariffs for gas and electricity customers in mass markets (as defined from time to time).

### **6.5 General**

- 6.5.1 Review insurable risks for the Group and seek assurance regarding the appropriateness of cover and cost effectiveness of Group insurance programmes.
- 6.5.2 Review Consolidated Authority Levels reserved to Board and Delegated to Management in respect of matters within the Committee's remit and make recommendations to the Board as appropriate.
- 6.5.3 Review and approve the Market Abuse & Insider Trading Policy and monitor its ongoing implementation.

## 7. OTHER

The Committee shall:

- 7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 7.2 be provided with appropriate and timely training both in the form of an induction programme for new members and on an ongoing basis for all members;
- 7.3 give due consideration to the law and regulations, including the provisions of the Code of Practice for the Governance of State Bodies, the UK Corporate Governance Code (and related guidance) and the requirements of the Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as appropriate;
- 7.4 The Company Secretary shall prepare a Committee Work Plan annually reflecting the Committees priorities for the year ahead and to ensure that the Committee has adequate coverage of its oversight responsibilities as set out in this Terms of Reference.
- 7.5 The Chairman of the Committee will propose a set of Key Performance Indicators (KPIs) to support the Committee with evaluation of its performance;
- 7.6 at least once a year review its own performance and this Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- 7.7 deal with any matters which the Board may refer to the Committee.

## 8. REPORTING

- 8.1 The Committee Chairman should meet regularly with the Chairman of the Audit and Risk Committee to agree and update as appropriate the specific risk responsibilities of the Committee.
- 8.2 The Committee shall periodically review ongoing reporting provided to the Committee to ensure continued relevance and to confirm reporting frequency and detail are appropriate and support the Committee with its oversight responsibilities.