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ESB GROUP RISK MANAGEMENT POLICY

AUTHOR	Group Risk
OWNER	Group Strategy and Risk Manager (Chief Risk Officer)
APPROVED BY	ESB Board
CURRENT STATUS	APPROVED (July 2024 Board Meeting)
VERSION NO	2.0
UPDATE CYCLE	Annual
RELATED DOCUMENTS	<p>This Group Risk Management Policy document is not a standalone document. It should be read in conjunction with other related Governance, Risk Compliance (GRC) documents including, but not limited to:</p> <ul style="list-style-type: none"> • ESB Group Risk Management Framework • ESB Group Risk Appetite Statement and Framework • ESB Group Enterprise Risk Management (ERM) Guidelines – Group Level ERM Processes (Draft in Development) • ESB Group Annual Risk Plan • ESB Group Internal Control Framework Policy • ESB Group Governance, Risk, Compliance (GRC) Framework (in Development) • ESB Group Policy Management Framework • ESB Group Policy for Governance of Non-Wholly Owned Entities • ESB Group Guidelines for Governance of Non-Wholly Owned Entities • ESB Audit and Risk Committee Terms of Reference • ESB Executive Committee Risk Forum Terms of Reference • ESB Executive Sub-Committee Risk Forum Terms of Reference • ESB Risk Management Committee Terms of Reference

Document Control

Version	Date	Description of Change/Approval	Document Developer/Author
1.0	February 2023	Group Risk, after completing a detailed gap analysis, worked closely with external consultants (which comprised of the lead instructors from the Institute for Risk Management (IRM)) to write this updated Policy document which now reflects a concise formal acknowledgement of the commitment of the organisation to the effective management of risk. Group Risk worked with these expert consultants to reflect alignment to best practice of enabling a more succinct review by the Board as well as meeting our governance requirements	Group Risk
2.0	July 2024	Annual review/approval of the Policy completed to ensure it remains current, relevant, and aligned to best practice . No changes proposed.. Updates reflect alignment to GRC documentation developed .	Group Risk

Policy Statement

This *Policy* is a formal acknowledgement of the commitment of the organisation to the effective management of risk.

The ESB Group recognises that the management of risk, both threats and opportunities, is fundamental to good management practice and is a core focus to ensure the delivery of its strategy and objectives.

This *Policy* document is one of a number of interlinked and integrated Governance, Risk and Compliance (GRC) documents put in place to ensure that a common approach to internal controls is applied across ESB, including Risk. These documents are reflected in Chart 1 below.

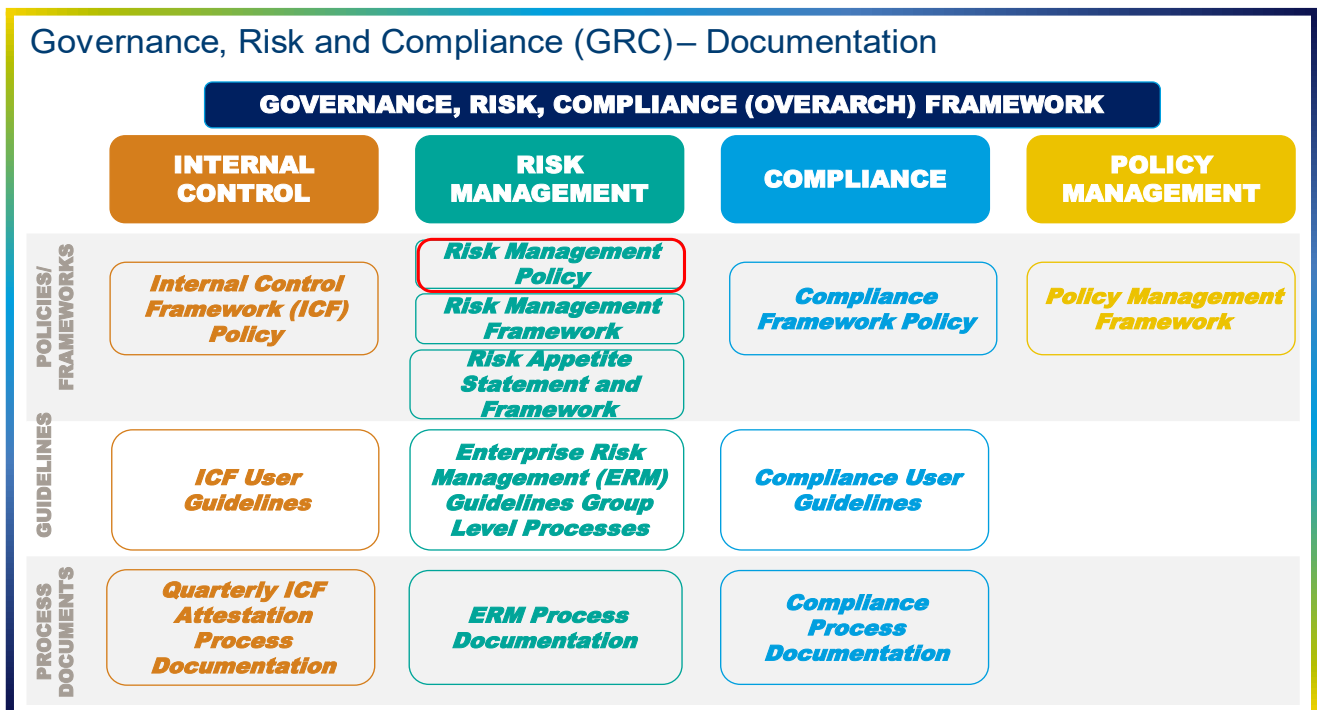


Chart 1: Governance, Risk, Compliance (GRC) - Documentation

1. Scope

This *Policy* applies to ESB and all majority owned subsidiaries. In relation to alliances, joint-ventures, and other shareholding arrangements, ESB takes all reasonable steps to ensure that such ventures comply with the sound risk management principles and practices as set out in this *Policy* and its associated ESB Group Risk Management Framework (*Framework*), ESB Group Risk Appetite Statement and Framework and ESB Enterprise Risk Management (ERM) Guidelines - Group Level ERM Processes (*Guidelines*).

The *Policy* will be reviewed annually by the Board.

2. Responsibilities

The Board has ultimate accountability and responsibility for risk management and the internal control systems in the business. The Board determines the nature and extent of risk it is willing to take to achieve its strategic objectives and deliver long term shareholder value in the context of our Purpose and Values.

The Board must also ensure that an appropriate culture has been embedded throughout the organisation to ensure that risks are assessed and managed effectively. This *Policy* supports the Board in meeting its responsibilities for risk management.

The Group Chief Executive Officer has overall accountability and responsibility for the effectiveness of risk management in preserving, creating, and realising value for the organisation.

The functional responsibility for the review and maintenance of the relevant risk management policy, guidance and associated supporting material, and developing a skilled, agile, and responsive risk organisation is with the Group Strategy and Risk Manager (Chief Risk Officer).

In practice, however, everyone within the organisation is involved in risk management, and has a part to play in embedding the process within ESB's everyday activities. Specific risk related roles and responsibilities are included in the various Governance, Risk and Compliance documentation, including ESB Group Risk Management Framework and associated ESB Group Enterprise Risk Management (ERM) Guidelines - Group Level ERM Processes and the ESB Group Internal Control Framework (ICF) Policy

3. Key terms

Risk is defined as an uncertain event, which if it occurs impacts either positively or negatively on ESB's objectives. As such positive risks are opportunities and negative risks are threats.

Risk management is defined as the culture, capabilities, processes and practices integrated with strategy-setting and its execution, that ESB relies on to manage risk in creating, preserving, and realising value.

ESB's risk management approach aligns with international standards and frameworks, including *ISO 31000 (2018): Risk Management Guidelines* and *COSO (2017): Enterprise Risk Management Framework*, and industry best practice. It also complies with the requirements of the Code of Practice for the Governance of State Bodies (2016), the UK Corporate Governance Code (2018) (current) and *UK Corporate Governance Code 2024 (effective 2025)*.

4. Principles

The organisation will ensure that:

- There is an effective risk management culture in place, where risk management is embedded and is supported by effective resources, procedures, training, and commitment from the Board,
- It implements this *Policy* and associated Governance, Risk and Compliance (GRC) guidelines and frameworks to assist in ensuring that the organisation is viable, properly governed and properly managed, in line with the governance requirements of the Code of Practice for the Governance of State Bodies (2016), the UK Corporate Governance Code (2018) (current) and UK Corporate Governance Code 2024 (effective 2025) and related guidance for risk oversight
- Effective processes will exist to assess, manage, and monitor risk, including the reporting to the Board and its Committees on the actions (current and future) that are/will be required to manage significant and principal risks (Group and Directorate/Business Unit level) to acceptable levels, in line with ESB's risk appetite and its objectives,
- All strategic and significant business decisions are risk-based, with formal consideration of the



implications for the organisation's Strategy, Purpose and Values.

- Risk management is applicable to all levels of the organisation and follows the standard structured approach outlined in the *Guidelines*, the *Framework* and the Internal Control Framework and Policy although its implementation shall be tailored to suit the nature and objectives of the work being undertaken,
- Risk management is aligned with all operational activities, such as financial, human resources, legal, IT, facilities, business continuity, crisis management and project management, and the organisation's governance requirements to ensure the consistency in terminology and application and an understanding of the full profile of risk across ESB,
- As ESB's objectives, context and risks change continuously, the process will be regularly and proactively implemented to ensure that risks are understood and are being managed effectively, and that the risk management process is continuously improved.

Signed by

Paddy Hayes

Chief Executive Officer