



Energy for  
generations



# ESB RISK MANAGEMENT GROUP POLICY

## 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.

### 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 Risk Management Guidelines (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.

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 Risk Management Manual.

### 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 realizing 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).

## 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 guidelines 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) 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 Guidance, 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

Chief Executive Officer