Energy for generations

ESB Group

Remuneration & Management Development Committee

Terms of Reference

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1. PURPOSE

The Remuneration and Management Development Committee ("**REMCO**") ("**the Committee**") is a Committee of the ESB Board, responsible for setting and overseeing the implementation of ESB's Executive Remuneration Policy, the development of Executive/Management Directors/Company Secretary and for reviewing the performance and setting the remuneration of the Chief Executive of the ESB.

The Committee is also the responsible for the implementation of remuneration arrangements for Board members and advises the Chairman in relation to Board independence and succession planning.

2. DEFINITIONS

The "**Company**" is ESB.

"**Main Subsidiary Boards**" are the boards of ESB Networks DAC and NIE Networks Ltd.

"The **Chief Executive**" is the Chief Executive of the Company.

"**Executive Directors**" are direct reports to the Chief Executive and any other position at direct report level to a Managing Director approved by the Board.

"**Managing Directors**" are the (i) the Managing Director of ESB Networks DAC and the Managing Director of NIE Networks Ltd.

"**The Company Secretary**" is the Company Secretary of the Company.

"Executive Remuneration Policy" is the policy for remuneration of ESB Executives except for the Chief Executive.

"**State Code**" is the Code of Practice for the Governance of State Bodies.

The "**Minister**" means the Minister for Climate, Energy and the Environment.

3. COMMITTEE MEMBERSHIP AND ATTENDANCE

(a) The Committee shall normally comprise at least three members, all of whom shall be non-executive directors, who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.

(b) The Chairman of the Board shall be the Chairman of the Committee.

(c) In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

(d) Members of the Committee shall be appointed by the Board on the recommendation of the Chairman of the Board. Committee members should have the necessary skills and expertise to lead an appropriately robust pay and performance review process.

(e) Committee members (other than the Chairman) shall serve for a period of five years which may be renewed up to a maximum of eight years in total. The general aim is to refresh the membership from time to time to ensure an appropriate balance between continuity, expertise and fresh perspective.

(f) Only members of the Committee have the right to attend committee meetings. However, the Chief Executive and other individuals may be invited to attend all or part of any meeting as and when appropriate.

(g) None of the members of the Board, the Chief Executive, the Executive Directors, the Company Secretary or the Managing Directors may participate in discussions or decisions relating to his or her own remuneration.

4. SECRETARY

(a) The Company Secretary will, at the invitation of the Chairman of the Committee, attend meetings, and act as Secretary of the Committee, except for:
- any part of a meeting which the Chairman of the Committee wishes to reserve for Committee members only; and
- when their own remuneration is being determined.

(b) The process for recording declarations of conflicts of interest in the Committee shall be the same as for the Board.

(c) Committee members will have access to sufficient resources in order to carry out their duties, including access to the Company Secretariat for advice and assistance as required.

(d) The Company Secretary shall ensure Committee members are provided with appropriate and timely training, both in the form of an induction programme for new members, and on an ongoing basis.

5. QUORUM

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions of the Committee.

6. MEETINGS

6.1 Frequency

The Committee shall meet at least twice a year and at such other times as the Committee Chairman shall decide.

6.2 Notice

(a) Meetings of the Committee shall be called by the Company Secretary at the request of the Committee Chairman, the Chief Executive or any of the Committee members.

(b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting, unless exceptional circumstances arise,

in which case shorter notice may be required. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6.3 Minutes of Meetings

(a) The Company Secretary (or their alternate nominated by the Committee Chairman) shall minute the proceedings and resolutions of Committee meetings, including the names of those present and in attendance.

(b) The Company Secretary shall circulate the minutes to all members of the Committee and once agreed, to non-executive members of the Board. The Committee Chairman shall update the full Board on the proceedings of the Committee.

7. AUTHORITY

(a) The Committee shall make whatever recommendation it deems appropriate on any area within its remit to the Board.

(b) The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

(c) In connection with its duties, the Committee is authorised by the Board to obtain, at the Company's expense: -

- any outside legal or other professional advice including the advice of independent remuneration consultants; and to
- commission any reports or surveys which it deems necessary to fulfil its obligations.

(d) The Committee is exclusively responsible for setting the terms of reference for any remuneration consultants selected to advise the Committee.

(e) Where the Committee has utilised remuneration consultants, the annual report should identify such consultant and state whether they have any other connection with the Company.

8. COMMITTEES DUTIES

Specifically, the Committee shall carry out the following duties: -

8.1 Board and Subsidiary Board Members Remuneration

(a) Approve implementation of any changes in the remuneration arrangements of Board members (including Worker Directors[1]), ensuring compliance with Government pay policy, legal obligations and the State Code;

(b) Recommend the policy for authorising expenses claims for board members to the Board for approval.

[1] Except for normal pay movements in line with the company's reward model for their role

(c) Approve fees paid to Main Subsidiary board members prior to the approval by the Board of appointments to Main Subsidiaries.

(d) Consider the appropriateness of remuneration of any external non-Government appointed members of the boards of ESB subsidiary companies. As required by the State Code such consideration will take account of Government policy for board fees.

8.2 Board Succession Planning

(a) Review the Board's Diversity, Equity & Inclusion Policy and recommend to the Board for approval;

(b) Review the Board's Succession Plan annually and provide input to the Chairman for his or her annual report to the Minister on: -

(i) measures planned to support gender balance; and
(ii) any skills gaps identified; and

in the context of advising the Minister regarding Board vacancies, advise the Chairman on the appropriate person specification(s).

8.3 Board Member Independence

(a) Approve the Independent Director Assessment Policy;

(b) Perform the annual assessment of Non-Executive Director's independence and recommend to the Board for approval prior to disclosure in the Annual Report.

8.4 Acceptance of Additional Appointments by Board Members

(a) Approve the Policy on Acceptance of Additional Positions by independent Non-executive Directors.

(b) Oversee the framework in place to provide the required assurance that Board members commit sufficient time during the year to enable them to fulfil their duties as Board members of ESB.

8.5 Chief Executive's Performance & Remuneration

(a) Approve the remuneration, terms of employment and pension arrangements of the Chief Executive, ensuring compliance with Government pay policy, Letter of Sanction and the State Code.

(b) Approve any performance related reward scheme (where applicable) and any changes thereto in respect of the Chief Executive;

(c) Approve the annual Objectives/Key Results (targets) for the Chief Executive;

(d) Assess the performance of the Chief Executive annually following consultation with senior stakeholders. The REMCO shall consider the Chief Executive's report on his or her performance, making their own assessment of this, and providing additional input based on any feedback provided to the Chairman of the Board. The Chairman of the Board will provide direct feedback to the Chief Executive to allow for a discussion in relation to both performance and development opportunities;

(e) Approve annual salary increases and performance related payments (where applicable) for the Chief Executive, subject to Ministerial approval.

(f) The Committee Chairman shall engage with the Senior Posts Remuneration Committee[2] on reviews of the remuneration attaching to the Chief Executive Officer.

The Chairman, on an annual basis, shall provide Non-Executive Directors with the opportunity to informally share or discuss feedback in relation to the performance of the Chief Executive which can be taken into account as part of the Chief Executive's performance assessment process.

8.6 Executive Performance & Remuneration

The Committee shall set and keep under review the executive remuneration framework, having regard to:

(i) the links between the remuneration framework and the Company's purpose and strategy;
(ii) alignment with culture, values and behaviours;
(iii) promotion of the long-term, sustainable success of the Company;
(iv) the remuneration principles of all the Company's employees;
(v) all relevant laws and regulations and the provisions of the Code of Practice for the Governance of State Bodies (**the "State Code")** and related guidelines[3];
(vi) Government pay policy for Chief Executives of Commercial State Bodies; and
(vii) the risk appetite of the Company, as established by the Board.

In their deliberations, the Committee will also have regard to the ongoing appropriateness of remuneration policy and relevant market comparisons and practice.

Without limiting the generality of the principles of the Executive Remuneration framework as set out above, the Committee will: -

(a) adopt and implement a policy on Executive remuneration which is clear, simple, predictable, proportionate and aligns to culture. The objective of such policy shall be to attract, retain and motivate executive management of the calibre required to lead the Company successfully for the long-term, having regard to views of stockholders and the need to ensure performance-related pay elements are transparent, stretching, consistently applied and linked to the successful delivery of strategy.

[2] Established by the Department of Public Expenditure, NDP Delivery and Reform.
[3] Part 3 (5) of the Minister for PEIPSR&D's Guidance Letter dated 16th June 2025

(b) approve the ESB Executive Remuneration Policy[4] and any subsequent changes thereto, having regard to legal and regulatory requirements, obligations under the State Code, market remuneration comparators for roles of similar scale and responsibility, while ensuring reasonable salary headroom relative to the salary sanctioned for the Chief Executive;

(c) in consultation with the Chief Executive, approve the remuneration and other terms and conditions of employment of Executive Directors, the Managing Directors, the Finance & Regulation Director, NIE Networks and the ESB Company Secretary prior to approval by Board of appointments to these positions;

(d) approve any performance related reward scheme (and changes thereto) in respect of these positions;

(e) approve their salary increases and performance related payments on the recommendation of the Chief Executive; and

(f) review, on an annual basis, their performance. This will be in the form of a confidential written report from the Chief Executive on their delivery of Objectives and Key Results (OKRs) that can be shared with the Non-Executive Directors.

8.7 Retirement and Termination Payments

(a) Approve termination and retirement arrangements, including ill health retirement arrangements, for the Chief Executive, [5] subject to authorisation by the Minister, and in consultation with the Minister for Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, in advance of any offer being made to the Chief Executive*;*

(b) Approve termination and retirement arrangements, including ill health retirement arrangements, for Executive Directors, the Managing Directors of the Main Subsidiaries and the Company Secretary, ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

(c) Receive an annual report on any termination payments of €250,000 or more, approved in accordance with the Consolidated Authority Levels, for any other employee; and

(d) Give or authorise any approvals required of ESB under or in connection with Section 251 of the Companies Act, 2014 in relation to directors of ESB subsidiary companies.

9. SUCCESSION PLANNING & LEADERSHIP DEVELOPMENT

(a) Establish and oversee a process for succession planning for the position of Chief Executive;

[4] With the exception of the Chief Executive.

[5] DPER Circular 09/2018 (4th Sept 2018) and Code of Practice Remuneration and Superannuation Annex 1.1 & 1.7

(b) Annually review opportunities to develop the talent pipeline, succession planning and leadership development for Executive/Managing Director positions; and

(c) Review the development of Executive Directors, Managing Directors and the Company Secretary annually. This will be in the form of an appropriate written report from the CEO to the REMCO that can be shared with the Non-Executive Directors.

10. REPORTING RESPONSIBILITIES

(a) The Committee shall provide a description of its work in the Annual Report and Financial Statements.

(b) The Committee shall ensure that any disclosure requirements regarding Non-executive Directors, Worker Director fees and expenses and executive remuneration information are fulfilled.

(c) The Company Secretary shall prepare a workplan annually reflecting the Committee's priorities for the year ahead and to ensure that there is adequate coverage of the Committee's oversight responsibilities as set out in this Terms of Reference;

(d) The Committee shall submit an annual report on its activities to the Board, presenting the Committee's opinion on: -
   (i) the workplan outturn and achievement of KPI's;
   (ii) the activities completed to support discharge of the Committee's duties as described in this Terms of Reference.

11. OTHER

The Committee shall: -

(a) Support the Board in seeking assurance that its governance, risk and compliance responsibilities in relation to executive remuneration and succession planning are being met.

(b) Co-ordinate with other committee Chairs as necessary in carrying out Committee's duties.

(c) 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 to the Board for approval.

(d) Make its Terms of Reference publically available clearly explaining its role and the authority delegated to it by the Board.