

Chairman's Statement

COMMITTED TO DELIVERING OUR NET ZERO BY 2040 STRATEGY



Terence O'Rourke, Chairman

ESB's Board Driving to Make a Difference

The last year has seen extraordinary and sustained increases in the wholesale price of electricity. Driven primarily by unprecedented increases in wholesale gas prices and by concerns over European gas supply, the impact is more acute as a result of the conflict in Ukraine and reduced Russian gas supply. These energy market developments came on top of a deteriorating inflation and interest rate outlook as well as security of supply concerns in the Integrated Single Electricity Market (I-SEM).

These are not normal market conditions. In 2022, the Board has focussed on the very real impact that the ongoing energy crisis is having on our customers and the economy. We have ensured a graduated approach to price changes, delaying increases as long as possible and re-doubling our commitment to helping our customers during these challenging times.

The Board is also cognisant of the ongoing climate crisis. The Intergovernmental Panel on Climate Change (IPCC) assessment is very explicit: "The scientific evidence is clear: climate change is a threat to human well-being and the health of the planet". The Board is fully committed to delivering the ambitious targets set in our Net Zero by 2040 Strategy. Every action, every decision made by the Board in this regard matters.

Financially Strong

It is against this backdrop that ESB delivered an operating profit of €847 million and a profit after tax of €649 million in 2022 (both before exceptional items).

These are significant profits particularly given that they come at a time when our customers are enduring high energy bills. The Board notes the Irish and UK Governments intention to introduce additional caps or taxes on the revenues of certain electricity generators. We are supportive of these measures and we are committed to complying fully with them.

Given both the energy and climate crises, it has never been more important that ESB has the financial strength to deliver on our strategic commitments. ESB must earn an appropriate level of profit so that it can pay tax and dividends to the Government and most crucially re-invest in critical networks, renewable generation and other important energy infrastructure for the benefit of the customers and communities we serve.

It is critical that we maintain our strong investment grade credit ratings to allow us to deliver on this ambition. The Board was pleased therefore to see that ESB maintained our credit ratings at A-/A3 (BBB+ standalone) during 2022.

Delivering Dividends for Stockholders

Over the past 10 years, ESB has declared almost €1.5 billion in dividends and invested over €10 billion in energy infrastructure. This level of investment will only increase in the decade to come as society rapidly decarbonises. The electrification of heat, transport and our economy will see citizens and businesses adopting low-carbon technologies including renewables, heat pumps, electric vehicles and microgeneration such as roof top solar. ESB is at the centre of the transition to a low-carbon energy society and we are proud of our leading role in this transformation.

ESB's dividend policy provides for targeted dividends at a rate of 40% of adjusted profit after tax. In light of the extraordinary wholesale market conditions prevailing in 2022, which led to unexpectedly high profits for our Generation and Trading business, and following engagement with the Government, as the majority stockholder, the Board has agreed to recommend a one-off enhanced dividend for 2022 of €327 million.

Supporting our Customers

ESB has a proud history of serving electricity customers through delivery and innovation and has always sought to deliver affordable electricity to all our customers. The Board is conscious of the significant impact that the price increases of the last 18 months had and will ensure that the impact on customers is always

considered. The Board is committed to ensuring that vulnerable customers are supported during these challenging times. Policies such as never disconnecting an engaging customer, extending credit terms, providing the best energy insights in the market to smart metering customers, and putting in place a Hardship Fund which now totals €5 million underpins our commitment to customers and we will continue to seek ways to further that support. The Board was pleased to be in a position also to approve a €50 credit to all of Electric Ireland's domestic electricity customers in the Republic of Ireland in December 2022.

Strategy Delivery

ESB's new strategy Driven to Make a Difference – Net Zero by 2040 was positively received by stakeholders following its launch in January 2022. The Board dedicated two full meetings to strategy in 2022. The Spring strategy meeting took the opportunity to review the wider context since the strategy was launched, reflect on Our Purpose and to consider what we understand by Science-Based Targets. Time was also given to considering in more detail the first two strategy pillars – Decarbonised Electricity and Resilient Infrastructure. At the Autumn strategy meeting, the Board reflected on the scale and velocity of geopolitical and economic developments during the year and looked in more detail at aspects related to the customer, resilient networks and the foundational capabilities required to deliver the strategy.

The Board followed up these sessions with detailed review of the five-year Integrated Business Plan and a deep dive on risk appetite to ensure a high level of alignment between the proposed Business Plan and our Net Zero by 2040 Strategy. The Board will continue to closely monitor strategy implementation throughout 2023.

Board Engagement

In thinking about strategy, the Board is very conscious of listening to diverse voices and experiences, believing that it leads to better decision making and more agile delivery of the strategy. One of the foundational capabilities identified in the strategy is to ensure that we have the people capability to deliver our strategic

objectives with a strong values-based and inclusive culture. The Board was delighted to see almost 800 new recruits join ESB in 2022. They will join with committed colleagues across the ESB Group to deliver innovative solutions to achieve net zero by 2040.

Empowering our people to perform at their best and being able to attract and retain diverse talent is key to delivering our ambitious Net Zero by 2040 Strategy and making a real and lasting difference for the communities we serve. In 2022, the Board met with the BeMe@ESB group (ESB's LGBT+ network) and front-line customer service staff. These conversations, along with engagements with staff in Moneypoint, Coolkeeragh and Ardnacrusha, have demonstrated that ESB's values of being Courageous, Caring, Driven and Trusted are being lived on a daily basis. The Board looks forward to further opportunities to engage with staff members in 2023.

The Board was also delighted to welcome Minister Eamon Ryan T.D. to the April meeting of the Board. The Board had a very engaging discussion with the Minister about the importance of reducing reliance on imported fossil fuels and the need to improve energy efficiency. The Minister was very supportive of ESB's strategy to deliver a smart, digital, low-carbon energy system.

Board Changes

Andrew Hastings stepped down from the Board and as Chairperson of the Finance and Investment Committee in September after completing just over seven years of outstanding service as a Board Member. Andrew brought his considerable commercial acumen and investment experience to bear at the ESB Board and the Board is very appreciative of his contribution. Anne Butler also completed her second term as a Board Member in November. Anne has been a thoughtful and insightful Board Member, probing when needed and supportive when required. As Chairperson of the Safety,

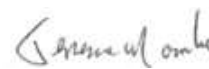
Sustainability and Culture Committee, Anne has overseen an expansion of the Committee's remit to embrace broader sustainability and people topics.

In 2022, the current four Worker Board Members also completed their terms. On behalf of the Board, I want to thank most sincerely Tony Merriman, Dave Byrne, Seán Kelly and Stephen Carrig for their contribution to the Board. They have fulfilled their role with diligence and contributed to a very inclusive boardroom culture. I would also like to welcome a new Independent Board Member, Michael Barry, and the four new Worker Board Members who are joining the Board: Karen Halpenny, Gráinne O'Shea, Owen Kilmurray and Trevor Walsh. I look forward to working with them on the busy agenda ahead.

Conclusion

On behalf of the Board, I would like to thank the employees and management of ESB for their outstanding efforts during a period of significant uncertainty and volatility in our industry. They have worked extremely hard to support our customers during this difficult period and to deliver secure, reliable electricity supplies.

In accordance with the ESB Acts 1927-2014, the Board presents the Annual Report and Financial Statements for the year ended 31 December 2022.



Terence O'Rourke
Chairman
09 March 2023