

Chief Executive's Review

DRIVEN TO MAKE A DIFFERENCE: NET ZERO BY 2040



Paddy Hayes, Chief Executive

Investing to Make a Difference

Against a background of market turbulence and volatility in 2022, ESB worked to support customers impacted by rising energy prices, delivering critical energy infrastructure, enhancing energy security and accelerating the transition to a reliable, affordable, net-zero future.

Delivering a Net-Zero Future

Clean electricity can and must play a key role in decarbonising the energy system and in reducing dependence on imported fossil fuels. In Q1, we launched our new strategy, Driven to Make a Difference: Net Zero by 2040. This sets a timebound target for ESB to reach net zero on a trajectory aligned to the 1.5°C goal in the Paris Agreement. Working with industry partners, we have made significant progress during 2022.

Developing and Connecting Renewables to Decarbonise Electricity

Together, ESB Networks and NIE Networks connected a record almost 700 MW of renewables to the Irish electricity networks, in addition to 79 MW of new battery storage.

Over the same period, our Generation business continued to work with partners to develop new renewable capacity. There has been strong progress on Oweninny 2 (a joint venture (JV) project with Bord na Móna), Neart na Gaoithe (a JV with EDF) and with FuturEnergy Ireland (a JV with Coillte). We also increased our pipeline of onshore, offshore and solar developments.

Investing in Resilient Infrastructure for a Low-Carbon System

To support energy security at a time of tightening capacity margins in Ireland and Great Britain, ESB invested over €20 million during 2022 to strengthen the resilience of our existing generation assets and maximise their availability for times of high demand. We also completed two new large battery storage projects in Aghada and Inchicore, with three more under construction. Three new flexible gas generation projects (total capacity 190 MW) being developed in the Dublin area are making good progress and will support system security, while work on the installation of c.200 MW of temporary emergency generation capacity at North Wall continues, targeting winter 2023/24.

As we become more dependent on electricity, the resilience of the networks becomes increasingly important and, during 2022, ESB Networks and NIE Networks made capital investments of over €1 billion.

The construction of a new synchronous condenser at Moneypoint in Co. Clare marked the completion of the next phase of the ambitious Green Atlantic project. This large flywheel installation will support growing levels of renewable generation to further decarbonise the electricity system.

Empowering and Supporting Customers to Achieve Net Zero

Throughout 2022, businesses, economies and customers were faced with the consequences of unprecedented increases and large fluctuations in the

costs of wholesale gas, driven primarily by the Russian invasion of Ukraine. These elevated gas costs resulted in sustained increases in wholesale electricity prices.

This had implications for the customers of Electric Ireland, which operates under licence as a standalone supplier in the Irish and Northern Irish markets. So Energy, our GB retail business, was also impacted by the UK Government's price cap. While Electric Ireland continued to offer competitive tariffs, the rises in wholesale energy costs necessitated significant price increases for customers.

ESB welcomed the support from the Irish and UK governments for customers impacted by the significant increases in energy costs. In addition to offering amongst the most competitive tariffs in the market, Electric Ireland also supported customers with affordable payment plans, through a €5 million Hardship Fund and, in Ireland, announcing a once-off credit of €50 to residential electricity customers during the peak winter period.

The continued roll out of new products and services to empower customers to save energy and reduce carbon emissions included home retrofits in partnership with Tipperary Energy Agency, providing car charging infrastructure, and rolling out superfast fibre broadband through SIRO, our joint venture with Vodafone. In 2022, Electric Ireland Superhomes, ESB's JV with Tipperary Energy Agency, carried out twice as many home retrofits as in 2021. ESB ecars installed eight high power multi-site hubs to support the

electrification of transport. SIRO installed a further 1,545 km of fibre in 2022 bringing high speed broadband within the reach of a total of 472,000 homes across 88 towns.

During 2022, ESB Networks processed over 16,000 microgeneration applications, bringing the total registered microgeneration customers to over 44,000, completed c.39,000 new customer connections, and connected Ireland's first community solar farm in Co. Wexford. ESB Networks also developed the "Beat the Peak" customer behaviour pilot to encourage and empower residential and commercial customers to reduce their energy consumption at peak times. Reducing peak usage has a positive benefit for energy security, for sustainability and for costs.

Maintaining Financial Capability

In 2022, ESB's financial performance remained solid with Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of €1.7 billion and operating profit (before exceptional items) of €847 million, maintaining a strong credit rating.

Revenues and profit were higher than 2021 arising from the way in which wholesale markets responded to high international gas prices, increasing revenues for renewable and non-gas generation. This had a significant impact for customers and ESB supports policy measures to address this anomaly in both GB and the Single Electricity Market.

The proposed dividend to our stockholders for 2022 of €327 million brings the total amount of declared dividend over the last decade to almost €1.5 billion.

ESB's capacity to invest in the critical infrastructure required to deliver net zero is underpinned by our financial performance. After interest, tax and dividends, the balance of our profits are reinvested in delivering our strategy, Driven to Make a Difference: Net Zero by 2040. Capital expenditure for 2022 was €1.4 billion. This included €1.1 billion in our networks businesses and €0.2 billion on new flexible generation, electricity storage and renewable assets. In addition, almost €0.3 billion was advanced to renewable joint venture projects by way of shareholder loans.

Maintaining a Capable and Inclusive Workforce

Talent acquisition, development and retention is a critical enabler of our strategy. We announced a campaign to recruit 1,000 people into ESB over the next three years, and almost 800 people joined the organisation through 2022. Creating an inclusive, diverse, and flexible environment that empowers everyone to thrive is paramount and we welcomed several Ukrainian colleagues who are in Ireland as a result of the war. We also increased the number of women in technical roles, and over 20% of the 2022 intake into ESB Networks' Network Technician apprenticeship programme were women.

We reported a slight reduction in our Republic of Ireland gender pay gap in 2022. This is a step in the right direction, but we know we have further to go and recognise the need to encourage and support more women in Science, Technology, Engineering and Mathematics (STEM) roles. ESB Science Blast, delivered by the RDS, is our flagship initiative to engage primary level students in STEM and, in 2022, over 12,000 children took part.

The safety, health and wellbeing of our colleagues, contractor partners and the public remains of primary importance for ESB. Through the "Safe and Sound" and "Safer Together" Programmes, we are committing to sustaining an open and inclusive workplace, where people feel valued and trusted, and a culture where everyone chooses to take responsibility both for their own safety and the safety of others.

Sustainability and Social Responsibility

During the year, the organisation has been mobilising around our sustainability ambition of electricity as an enabler for regeneration.

ESB's Energy for Generations fund, supporting the communities we operate in, distributed almost €1 million to organisations working in the areas of educational disadvantage, suicide prevention and homelessness as well as providing funding for organisations supporting refugees. We also disbursed c.€1 million to projects to assist communities located in the vicinity of

our wind farms and have worked with arts organisations across Ireland on projects to promote sustainability and climate action under our Brighter Future Arts Fund.

Digital & Data Driven Innovation

Innovation is at the heart of everything that we do, and important opportunities exist to leverage digital and data to improve efficiency and enhance customer experiences. In 2022, ESB Networks passed the milestone of 1.1 million smart meters installed (including over 30,000 microgeneration customers) and launched ESB Networks' customer portal. This digital development, allowing all electricity customers to directly access their own smart metering data, will make a real difference in supporting customers to manage their electricity demand and play their part in the clean energy future.

Outlook

The outlook for wholesale markets, and therefore for the energy sector, remains uncertain. However, it is clear that continuing to focus on the development and connection of more renewables will make a difference in both decreasing the carbon intensity of electricity and reducing dependence on the imports of gas. ESB remains committed to developing a pipeline of low-carbon generation options, investing in electricity transmission and distribution networks, and supporting the customers and communities we serve.

Our capable and professional staff of over 8,000 have shown great agility and commitment and have consistently delivered through the past couple of very difficult and uncertain years. We remain focused on supporting our customers through 2023, while continuing to invest in a more sustainable and resilient energy future and driving towards net zero by 2040.



Paddy Hayes,
Chief Executive
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