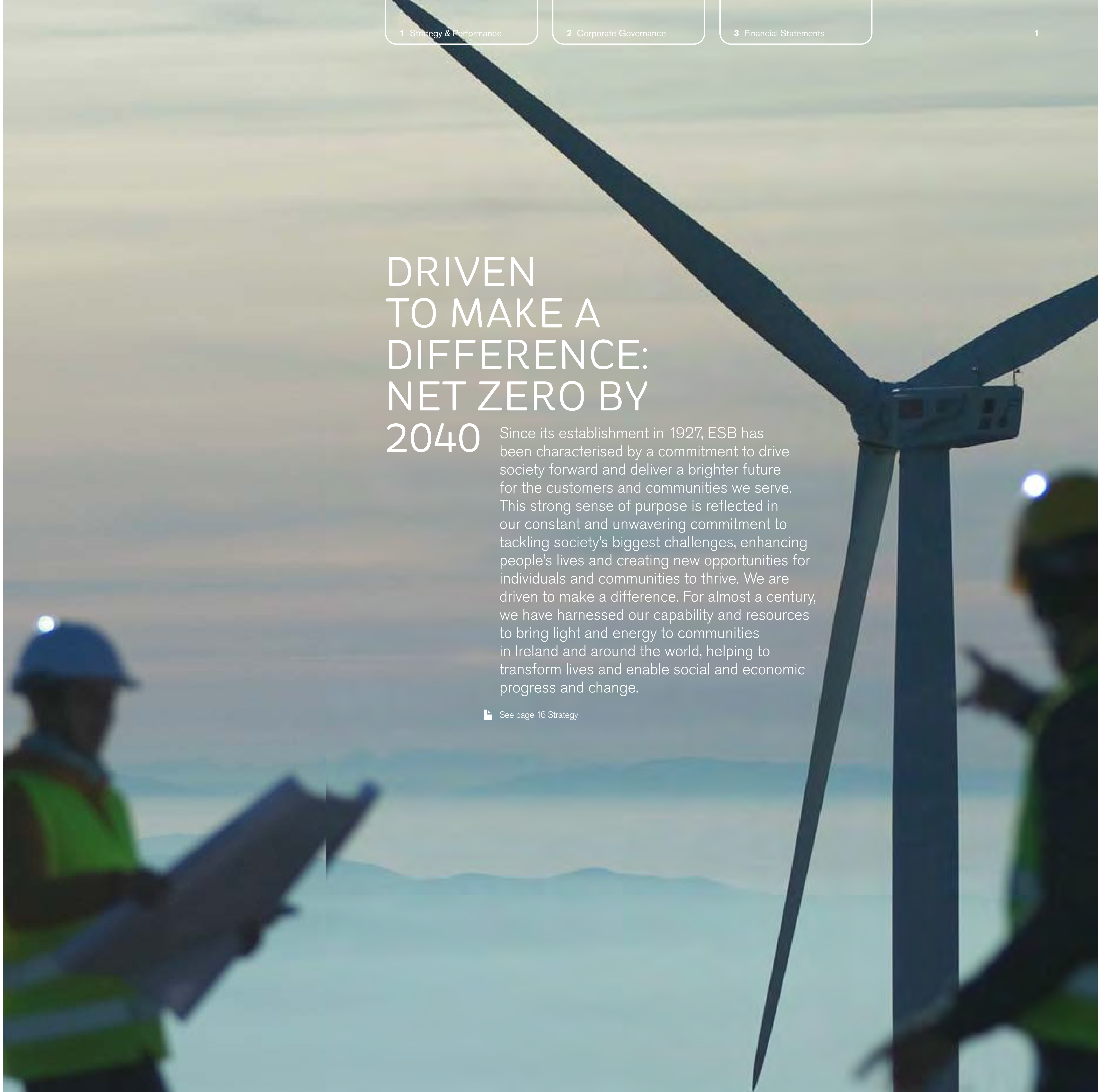
Energy for generations

DRIVEN TO MAKE A DIFFERENCE

2022 Annual Report & Financial Statements

About ESB

ESB was established in 1927 as a statutory body under the Electricity (Supply) Act, 1927. With a holding of 96.9%, ESB is majority owned by the Irish Government. The remaining 3.1% is held by the trustees of an Employee Share Ownership Plan. As a strong, diversified utility, ESB operates across the electricity market, from generation through transmission and distribution, to supply of customers in addition to using our networks to carry fibre for telecommunications. ESB is a leading Irish utility with a regulated asset base of approximately €12.0 billion (comprising ESB Networks €9.7 billion and NIE Networks €2.3 billion), a 30% share of generation in the all-island market and supply businesses supplying electricity and gas to over 2 million customer accounts throughout the island of Ireland and Great Britain. During the year ended 31 December 2022, ESB Group employed an average of over 8,000 people.



DRIVEN TO MAKE A DIFFERENCE: NET ZERO BY 2040

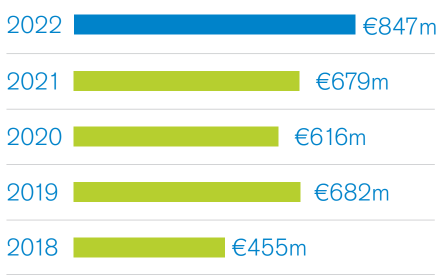
Since its establishment in 1927, ESB has been characterised by a commitment to drive society forward and deliver a brighter future for the customers and communities we serve. This strong sense of purpose is reflected in our constant and unwavering commitment to tackling society's biggest challenges, enhancing people's lives and creating new opportunities for individuals and communities to thrive. We are driven to make a difference. For almost a century, we have harnessed our capability and resources to bring light and energy to communities in Ireland and around the world, helping to transform lives and enable social and economic progress and change.

See page 16 Strategy

Key Facts & Figures

Operating Profit before exceptional items*

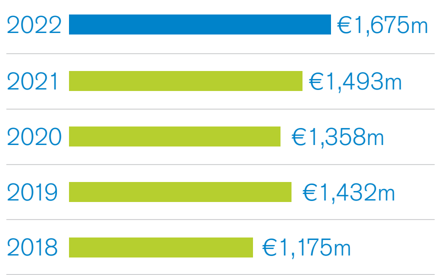
€847m



*Operating profit before exceptional items separately disclosed in the Income Statement.

EBITDA before exceptional items*

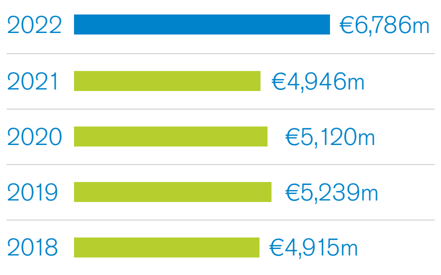
€1,675m



*Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions excluding exceptional items separately disclosed in the Income Statement.

Net Debt*

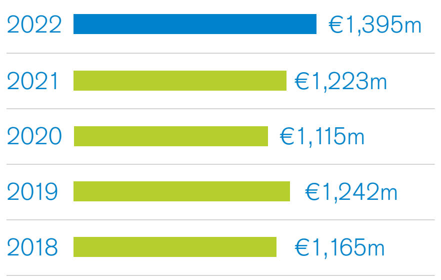
€6,786m



*Long term borrowings and other debt plus short term borrowings and other debt less cash and cash equivalents (excluding any restricted cash) plus lease liabilities.

Capital expenditure*

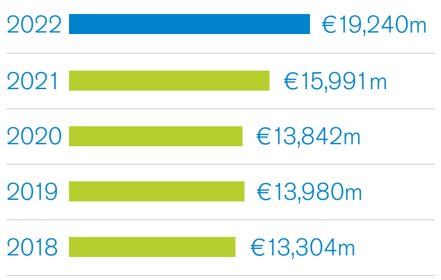
€1,395m



*Additions to property, plant and equipment, intangible assets (excluding emissions allowances) plus additions to equity accounted investees.

Total Assets

€19,240m



Generation All-Island Market Share

- ● 30% ESB
- ● 70% Other Power Producers

Supply All-Island Electricity Market Share

- ● 41% ESB
- ● 59% Other Electricity Suppliers

Refer to page 289 for the Group's accounting policy relating to Alternative Performance Measures noted above.

Contents

Chapter 1

Strategy & Performance

DECARBONISED ELECTRICITY

ESB Networks is working to connect and facilitate up to 80% renewable electricity generation by 2030 as set out in the Government's Climate Action Plan. This will be achieved by enabling new renewable generators to connect to the electricity network, with the growth of grid scale solar playing an important part in delivering this target. We are proud of the excellent teamwork between our customer Neoen and everyone working for ESB Networks that brought Ireland's first grid scale solar project, at Millvale in Co. Wicklow, from inception to final energisation during 2022.

Millvale Solar Farm
Photo credit Neoen
Photographer Keith Arkins

Non-Financial Information

As a statutory body ESB is not subject to the disclosure requirements prescribed in the European Union (Disclosure of non-financial and diversity information by certain large undertakings and Groups) Regulations 2017. ESB is monitoring developments at EU level in relation to the anticipated Corporate Sustainability Reporting Directive and ESB seeks to follow best practice by disclosing a wide range of non-financial information in its Sustainability Report.

The guide below illustrates where to find non-financial information and non-financial KPIs within this annual report in addition to the ESB Group policies which underpin these areas.

Requirement	Relevant Policies	Section(s) in Annual Report
Environmental	▪ Environment and Sustainability Policy	▪ Environment and Sustainability
Employee and Social	▪ Cultural Diversity Policy ▪ Group Procurement Policy ▪ ESB Equal Opportunities and Diversity Code of Practice ▪ Health & Safety Policy ▪ Whistleblowing and Protected Disclosures Policy ▪ ESB Code of Ethics and The Way We Work	▪ Responsible Business Report ▪ Board Members' Report
Human Rights	▪ ESB Human Rights Policy ▪ Modern Slavery Policy ▪ ESB Code of Ethics (“Our Code”)	▪ Board Members' Report
Anti-Corruption and Bribery	▪ Anti-Bribery, Corruption and Fraud Policy ▪ ESB Code of Ethics and The Way We Work	▪ Audit and Risk Committee Report
Business Model		▪ Business Model
Principal Risks	▪ Risk Management Policy ▪ Risk Management and Governance Framework Policy	▪ Risk Report
Non-Financial KPIs		▪ Key Performance Indicators (KPIs) ▪ Environment and Sustainability ▪ EU Taxonomy Regulation

The Group also publishes a comprehensive "ESB Sustainability Report" which details ESB’s sustainability strategy, corporate social responsibilities and commitments to social matters. The 2022 Sustainability Report will be published on the ESB website.

Business Overview

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

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.

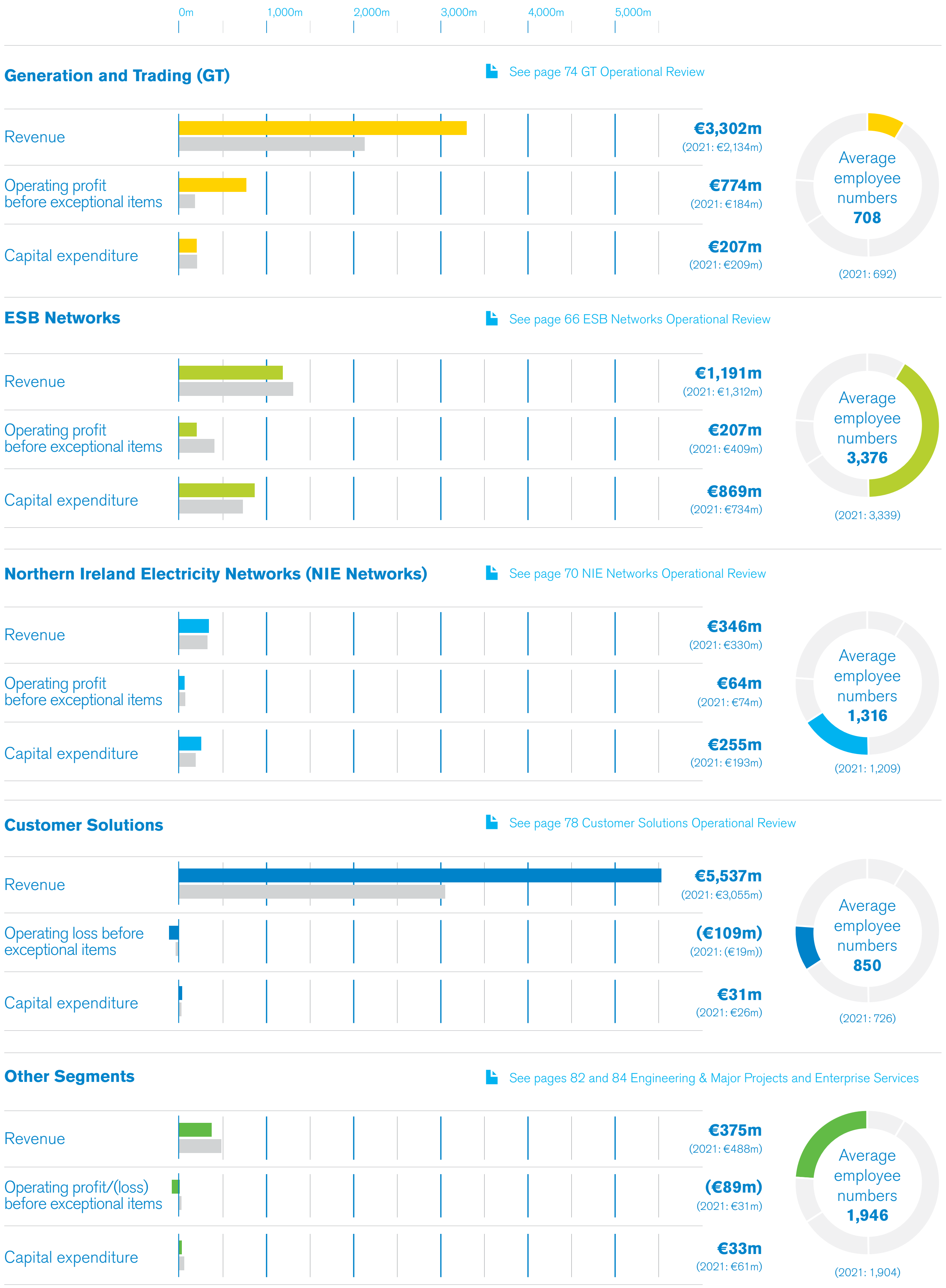
Outlook

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
09 March 2023

ESB at a glance



Generation and Trading (GT)

See page 74 GT Operational Review

	2022	2021
Revenue	€3,302m	(2021: €2,134m)
Operating profit before exceptional items	€774m	(2021: €184m)
Capital expenditure	€207m	(2021: €209m)
Average employee numbers	708	(2021: 692)

ESB Networks

See page 66 ESB Networks Operational Review

	2022	2021
Revenue	€1,191m	(2021: €1,312m)
Operating profit before exceptional items	€207m	(2021: €409m)
Capital expenditure	€869m	(2021: €734m)
Average employee numbers	3,376	(2021: 3,339)

Northern Ireland Electricity Networks (NIE Networks)

See page 70 NIE Networks Operational Review

	2022	2021
Revenue	€346m	(2021: €330m)
Operating profit before exceptional items	€64m	(2021: €74m)
Capital expenditure	€255m	(2021: €193m)
Average employee numbers	1,316	(2021: 1,209)

Customer Solutions

See page 78 Customer Solutions Operational Review

	2022	2021
Revenue	€5,537m	(2021: €3,055m)
Operating loss before exceptional items	(€109m)	(2021: (€19m))
Capital expenditure	€31m	(2021: €26m)
Average employee numbers	850	(2021: 726)

Other Segments

See pages 82 and 84 Engineering & Major Projects and Enterprise Services

	2022	2021
Revenue	€375m	(2021: €488m)
Operating profit/(loss) before exceptional items	(€89m)	(2021: €31m)
Capital expenditure	€33m	(2021: €61m)
Average employee numbers	1,946	(2021: 1,904)

See note 3 (Segment Reporting) in the financial statements for further detail.

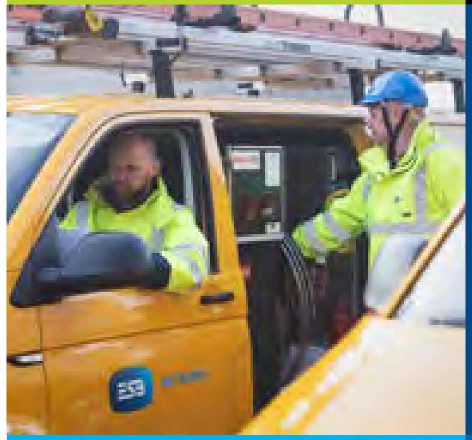
Highlights

Stockholders

Dividend of **€327 million** for 2022

Return on Capital Employed of **6.9%**

Re-affirmed **credit rating A-/A3**



Customers

€5 million hardship fund supporting customers

Administering **Government energy cost support** schemes

€50 credit to all residential electricity customers in the Republic of Ireland

Electric Ireland residential electricity customer satisfaction of **73%**

Over **46,000 new customer** connections

Over **480,000 smart meters** installed in 2022

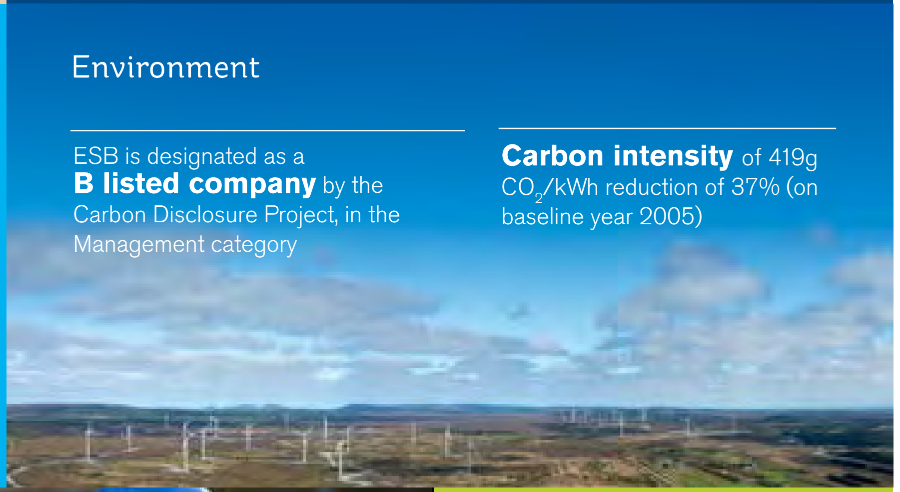
Economy

Over €1 billion investment in infrastructure

Over 8,000 employees

Over €2.3 billion contribution to Irish economy

€2.5 million disbursed across a range of community initiatives



Environment

ESB is designated as a **B listed company** by the Carbon Disclosure Project, in the Management category

Carbon intensity of 419g CO$_2$/kWh reduction of 37% (on baseline year 2005)

Recruitment

92 1st year apprentices began in ESB Networks in 2022

Recruitment campaign to **recruit 1,000 people** over the next 3 years

Strategy, Business Model, Risk Report and Key Performance Indicators (KPIs)

Strategy

ESB's strategy is informed by developments in the external environment and driven by our enduring commitment to deliver a brighter future for all.

ESB's Strategy
Driven to Make a Difference: Net Zero by 2040

Strategic Objectives

ESB has identified three strategic objectives, aligned with Sustainable Development Goals 7, 9 and 13, which are core to the delivery of our net zero ambition.

Decarbonised Electricity Develop and connect renewables to decarbonise the electricity system by 2040	This objective reflects ESB's commitment to supporting the societal goal of achieving net zero emissions through the generation of renewable electricity and by enabling the connection of renewable generation to our electricity networks. We will deliver a fivefold increase in our renewable generation portfolio to 5,000 MW by 2030, and ESB Networks and NIE Networks will increase the amount of renewable energy connected to our networks over the same period.
Resilient Infrastructure Provide resilient infrastructure for a reliable low-carbon electricity system	This objective recognises the fundamental and increasing importance of having stable, robust infrastructure to ensure secure, reliable electricity supplies. New technologies and fuels will be deployed to transition our thermal generation to a zero-carbon dispatchable portfolio which, combined with existing and new storage assets, can compete to meet society's need for non-intermittent sources of energy. ESB Networks and NIE Networks will invest in smart, reliable network infrastructure to enable increasing levels of renewable generation, and to underpin widespread electrification of transport and heating.
Empowered Customers Empower, enable and support customers and communities to achieve net zero	This objective reflects our commitment to working alongside customers and communities as a trusted energy partner, proving best value sustainable energy and supporting them to achieve net zero. We will use data and digital technologies to deliver convenient and personalised customer experiences and reduce our cost to serve. We will also develop insight-driven products and services to meet diverse and evolving customer needs. ESB Networks and NIE Networks will put in place solutions for our networks' customers to enable the electrification of heat and transport and will make it easy for customers and communities to participate in markets for flexibility and make active choices in their use of energy. We will leverage our telecoms and fibre infrastructure to provide excellent telecommunications services and enable sustainable living.

Foundational Capabilities

Underpinning the strategic objectives are four foundational capabilities which are essential to success.

Our People Ensure we have the people capability to deliver our strategic objectives with a strong values-based and inclusive culture	This capability references the critical role of our people in delivering our purpose and strategy in line with our values. We will create an environment that encourages creativity, commitment and ongoing learning through a safe, people centric and inclusive experience. This will underpin a high-performance, innovative, sustainable and customer-focused culture. We will support this through a leadership capability that is inspiring, adaptive, empathetic and curious, and through an agile and efficient organisational design that can meet the changing needs of our customers and the business.
Digital & Data Driven Leveraging data and technology, transform ESB to a data driven digital utility	This will see ESB transformed into a data driven digital utility delivering excellent customer experience (by leveraging customer insights and digital engagement channels), an enhanced people experience (by becoming a technology enabled workforce) and modern business operations and processes enabled by technology.
Financial Strength Maintain the financial performance and strength required to deliver our purpose	We will deliver on ESB's commercial mandate to provide shareholder value; growing the business while maintaining our financial strength. Consistently strong financial performance, underpinned by efficiency and investment discipline, will ensure that we can deliver appropriate shareholder returns, maintain a strong investment grade credit rating and secure optimal long-term funding to match investment plans for a net zero future.
Sustainable & Socially Responsible Step forward on social and environmental responsibility, cultivating a safe, sound and sustainable ethos in line with our values	To positively impact on the experiences of employees, customers, partners and other stakeholders, we will embed a culture that prioritises safety, environmental performance and sustainability. We will meet stakeholder expectations relating to, but not limited to, Environmental, Social and Governance (ESG) performance and safety, and we will adopt a best practice transparency and compliance framework to track and report on progress. We will achieve net zero emissions by 2040, and secure an accredited science-based carbon target for 2030. We will collaborate with stakeholders to provide thought leadership on decarbonisation policy in Ireland and Northern Ireland.

Strategic Framework

Driven to Make a Difference: Net Zero by 2040 has been developed using ESB's Strategy Framework which ensures that strategic actions and decisions are consistent with ESB's purpose and values, and that there is a clear and consistent 'line of sight' both for those within the organisation and for external stakeholders.

Our Purpose

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Supporting global goals

7	Ensure access to affordable, reliable, sustainable and modern energy for all
9	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
13	Take urgent action to combat climate change and its impacts

ESB's strategy directly supports the UN Sustainable Development Goals (SDGs) which provide a global blueprint to achieve a better and more sustainable future for all by 2030. The strategy is focused on three of the SDGs where ESB can make a lasting and tangible difference.

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Our Strategy

Strategic Objectives
Foundational Capabilities

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Our Values

Strategy (continued)

ESB's Business Environment

In December 2021, the Board adopted a new strategy - Driven to Make a Difference: Net Zero by 2040 - based on an extensive review of the internal and external factors impacting the overall strategic direction of the Group.

Since December 2021, there have been several major external developments in the broader economic, political, market and policy landscape within which ESB's strategy must be framed. 2022 has seen a dramatic change in ESB's business environment which has potential implications for ESB's strategy over the short and long-term. These developments are summarised in Figure 1.

Russia's Invasion of Ukraine

The Russian invasion of Ukraine in February, combined with a reduction in gas exports to Western Europe has created both an unprecedented escalation and volatility in gas prices and major concerns regarding security of energy supply at European and national level.

Higher Electricity Prices

The escalation of gas costs has translated into higher electricity prices with day ahead European wholesale gas prices multiples of what they were in 2021. This is leading to significant pressure on household living standards and the cost base of businesses.

Energy Policy Interventions

In response to the large-scale social and political pressures stemming from increased electricity prices, the European Union and national governments across Europe (including Ireland and the United Kingdom) have responded with significant, if varied at times, energy policy interventions including radical forms of intervention in gas and power markets (both wholesale and retail). This was combined with large-scale fiscal support for households and businesses, policies to reduce energy demand and measures to lower dependence on fossil fuels by accelerating the deployment of renewables and the use of hydrogen and increasing electrification.

Energy and Climate Policy

The long-term implications for European and national energy and climate policy of the factors above are still highly uncertain but are likely to be significant with the level of uncertainty in Ireland amplified by the additional complication of a risk to security of supply stemming from a potential imbalance between generation capacity and demand.

Macroeconomic Environment

The macroeconomic, financial and interest rate environment has deteriorated, driven in part by the issues in the energy sector described above but also by post-COVID factors (e.g. supply chain disruptions, overhang of household savings). Since the start of 2022, inflation has surged in Europe and most developed economies and Central Banks have responded with aggressive increases in interest rates. Equity market valuations and consumer confidence metrics have declined and economic growth forecasts have been revised downwards.

Digitalisation

The uptake of technologies leveraging data analytics such as machine learning and artificial intelligence continues to drive the transformation of many businesses and industries including those within the utility sector.

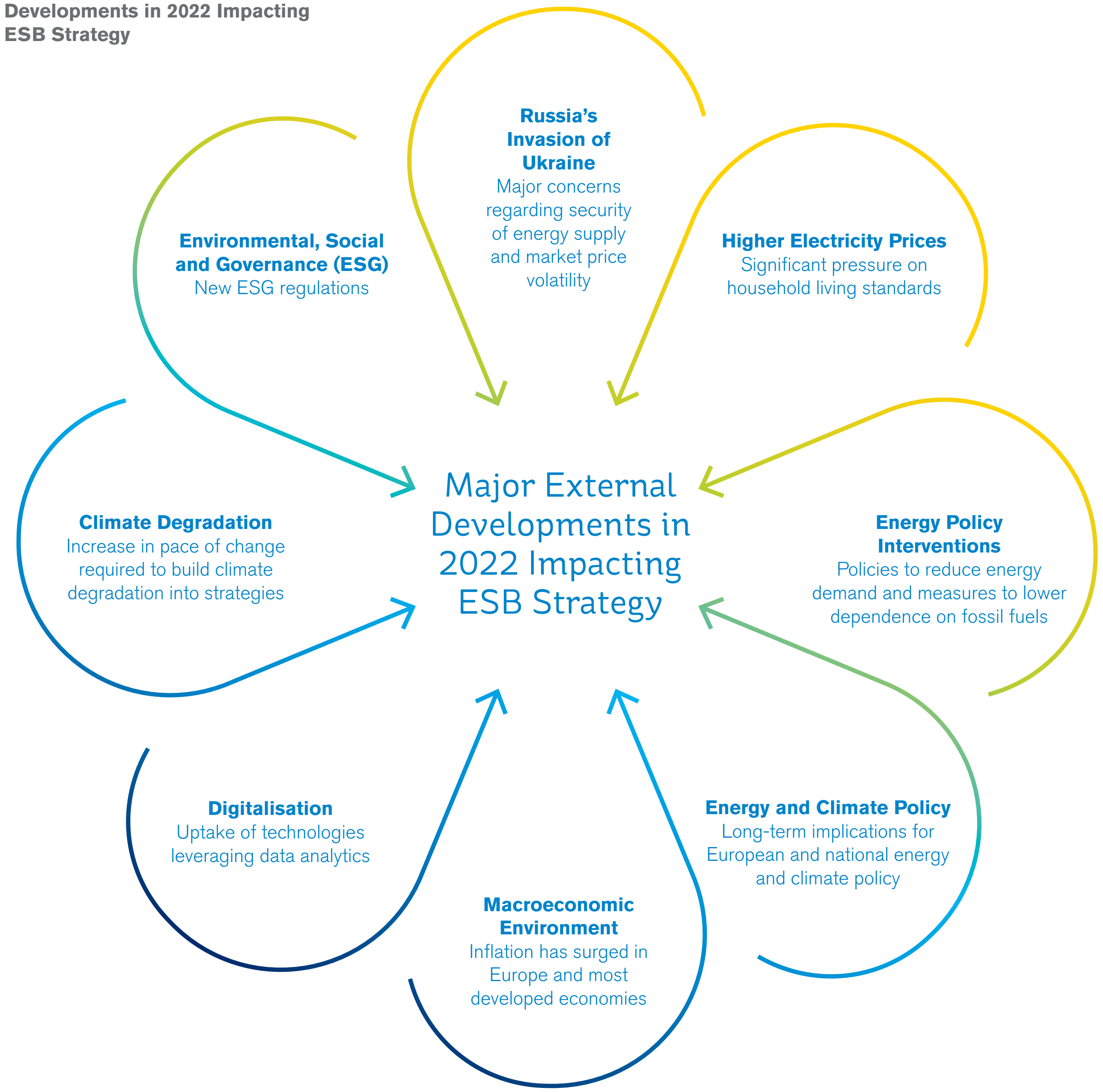
Climate Degradation

As indicated in COP27 discussions (November 2022), and as the long-term impacts of climate change begin to take hold, an increased recurrence of extreme weather events threatens business continuity and vulnerable critical infrastructure. This signals that an increase in the pace of change is required for organisations to build climate degradation into their strategies.

Environmental, Social and Governance (ESG)

New ESG regulations and increased stakeholder scrutiny mean organisations must build meaningful ESG policies into their strategies.

Figure 1 - Major External Developments in 2022 Impacting ESB Strategy



Strategy (continued)

Selected Strategic Performance Indicators (SPIs)

Strategy in Action – See pages 66 to 85 for details of progress on Strategic Objectives by Business Unit

Strategic Objectives

	Indicator	Progress as at end of 2022	2030 Target (unless otherwise stated)	SDG Contribution
Decarbonised Electricity Develop and connect renewables to decarbonise the electricity system by 2040	ESB renewable generation	923 MW	>5,000 MW	7 9 13
	Scale of low-carbon energy connected to our networks	5.4 GW in ROI 1.8 GW in NI	>15 GW in ROI 2.6 GW in NI	
	Share of ESB generation output from zero-carbon sources	15%	63%	
Resilient Infrastructure Provide resilient infrastructure for a reliable low-carbon electricity system	Networks Regulated Asset Base (RAB)	ESB Networks: €9.7bn NIE: €2.3bn	ESB Networks: €13 - 14bn NIE: €3 - 3.5bn	7 9 13
	Carbon intensity of the electricity ESB produces	419g CO_2 / kWh	140g CO_2 / kWh	
Empowered Customers Empower, enable and support customers and communities to achieve net zero	Number of smart meters installed	1.1 million	2.6 million	7 9 11 12 13
	Electrification of transport network: public EV chargers	c.2,100 (island of Ireland and GB)	3,000 (total)	
	Customer satisfaction	73% (Electric Ireland residential electricity)	>85% across all customer-facing business lines	

Foundational Capabilities

	Indicator	Progress as at end of 2022	2030 Target (unless otherwise stated)	SDG Contribution
Our People Ensure we have the people capability to deliver our strategic objectives with a strong values-based and inclusive culture	Employee engagement (Our Voice Staff Survey)	7.1 / 10	7.3 / 10	5 8 10
	Health and Wellbeing score (Our Voice Staff Survey)	7.2 /10	7.8 /10	
Digital & Data Driven* Leveraging data and technology, transform ESB to a data driven digital utility	Percentage of customer engagements that are digital	On track to be top quartile by 2026	Top quartile (by 2026)	8 9 10
Financial Strength Maintain the financial performance and strength required to deliver our purpose	Strong investment grade credit rating	Credit ratings of A- or equivalent and BBB+ on a standalone basis	BBB+ on a standalone basis	7 8 9
	Return on Capital Employed (ROCE)	6.9%	ROCE >WACC	
Sustainable & Socially Responsible Step forward on social and environmental responsibility, cultivating a safe, sound and sustainable ethos in line with our values	ESB Greenhouse Gas Emissions	Will be included in ESB's Sustainability Report which will be published in 2023	An externally accredited Science-Based Target by 2030	7 8 9 13

*This metric does not include NIE Networks or So Energy

See pages 66 to 85 for short-to-medium term priorities in the business units.

Business Model

At ESB, we're driven to make a difference. Delivering a brighter future; creating and connecting sustainable, reliable, affordable energy and supporting the customers and communities we serve to achieve net zero.

Capital Inputs

Manufactured Capital
- >5 GW of generation capacity
- Almost 240,000 km of network across ROI and NI

Financial Capital
- A-credit rating
- Total net assets €4.8 billion
- Liquidity of >€2.2 billion

Intellectual Capital
- Carbon management
- Environmental management and expertise
- Promotion of innovation - founding member of 'free electrons'
- Corporate governance structure

Human Capital
- Over 8,000 employees
- 'Our Code'
- Employee development programmes
- Diversity and inclusion strategy
- Safe and Sound transformation programme

Social and Responsible Capital
- Over 2 million customer accounts

Natural Capital
- 923 MW of renewable generation

ESB develops, operates and trades the output of ESB's electricity generation assets. The portfolio consists of over 5 GW of thermal and renewable generation assets across ROI, NI and GB.

Our Purpose is to deliver a brighter future and to support the customers and communities we serve to achieve net zero

ESB builds, manages and maintains the transmission and distribution network in ROI and NI. Almost 240,000 km of network.

Supplying electricity, gas and energy services to customers in ROI, NI and GB.

Our Values

ESB's values are deeply rooted in the organisation and encapsulate the integrity and ambition that ESB stands for. They are integral to the development and delivery of the strategy - they inform decisions and they underpin ESB's commitment to earning the trust that customers and communities place in ESB.

WE'RE COURAGEOUS
Each of us is prepared to challenge the way we've always done things, stand up for what we feel is right and try better ways of working.

WE'RE CARING
We're putting customers' current and future needs at the heart of what we do and we keep ourselves and others safe and healthy.

WE'RE DRIVEN
We bring passion and persistence to what we do every day, innovating and collaborating to meet the challenges and opportunities ahead.

WE'RE TRUSTED
We each play our part, taking ownership of our responsibilities, seeing the job through and protecting our own health and safety, as well as others.

Key Outputs

Customers
- 73% customer satisfaction
- 41% supply all-island market share
- 30% generation all island market share

Stockholders
- Dividend of almost €1.5 billion over the last decade
- Return on capital employed 6.9%
- €1.7 billion EBITDA (before exceptional items)

Economy
- Invested over €1 billion in infrastructure
- Contributed over €2.3 billion to economy
- €2.5 million disbursed to communities

Environment
- Carbon intensity reduced 37% since 2005
- CDP 'B' score

Materiality and stakeholders

Through our stakeholder engagement process, we have identified and prioritised the following key issues:

Eliminate greenhouse gases from our activities and reduce dependence on fossil fuels
We are developing and connecting renewable energy to decarbonise the electricity system and deliver net zero by 2040. We continue to heavily invest in the development of new renewable generation, including onshore and offshore wind and solar, and will significantly increase the amount of renewable generation connected to our electricity networks.

Maintain reliable and secure energy supplies for our customers
We will invest in infrastructure to maintain reliable and secure electricity supplies. This is necessary to accommodate high levels of intermittent renewable generation on the system and to support a growing dependence on electricity across all sectors of society. We will develop smarter, more resilient networks to accommodate the electrification of transport and heating that will be crucial to reducing emissions across society. We will also invest in storage assets and zero-carbon dispatchable generation that can compete to meet the need for non-intermittent sources of energy and ensure continuity of supply.

Accelerate the electrification of society and empower low-carbon living
We will empower, enable and support our customers and the communities we serve to achieve net zero. This reflects our longstanding commitment to providing the latest and most innovative infrastructure, products and services to help our customers live more efficiently and sustainably into the future.

Maintain affordable supplies of energy, protect vulnerable customers and tackle fuel poverty
Our retail brand in Ireland – Electric Ireland – is committed to delivering the best value it can for our customers and continues to offer one of the lowest standard rates in the market. Supports that Electric Ireland has put in place for customers with financial challenges include flexible payment plans, payment holidays and PAYG meters, in addition to smart meter tariffs and sharing the latest energy saving advice. Electric Ireland provides support through its long-standing partnerships with organisations such as the Money Advice and Budgeting Service (MABS) and the Society of St. Vincent de Paul (SVP), and by utilising its €5 million Customer Hardship Fund.

Operate to the highest standards of fairness, ethics and transparency
ESB is committed to the highest standards of corporate governance, business integrity and stakeholder engagement in all its activities. ESB's management team and staff strictly adhere to our Code of Ethics and Group policies, comply in all material respects with the Code of Practice for the Governance of State Bodies and publish all relevant documents on our website for transparency.

Risk Report

Approach to Risk Management

The effective management of risks and the pursuit of opportunities supports the development and implementation of ESB's strategy while protecting the interests of its stakeholders and stockholders.

ESB is exposed to a number of risks and opportunities which could have a material impact on its performance and long-term development. The effective identification, management and mitigation of these risks and opportunities is a core focus of ESB Group.

How ESB Manages Risk

The Board has overall responsibility and accountability for risk management and internal control. The current UK Corporate Governance Code 2018 (the UK code) (Clauses 28, 29 and 31) and related guidance sets out the Board's responsibility for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Code of Practice for the Governance of State Bodies (Section 7.2) also refers to the Board's oversight of risk management including the requirement to *"approve the risk management plan and risk register at least annually"*.

The Board ensures that the Group's risk exposure is proportional to the pursuit of its strategic objectives and creation of longer-term stockholder value. It has adopted a Risk Management Policy and Governance Framework to support its oversight of risk throughout the Group.

The Board delegates responsibility for oversight of its principal and emerging risks to Board Committees in accordance with the Committees' Terms of Reference and their respective areas of expertise. The Committee Chairs report to the full Board on key developments and matters requiring further discussion and consideration. The Audit and Risk Committee has overall responsibility for ensuring that enterprise risks and opportunities are properly identified, assessed, reported and controlled on behalf of the Board. The Audit and Risk Committee advises the Board on its consideration of the overall risk appetite, risk tolerance and risk strategy of the Group.

The details of the activities undertaken by the Board and the Audit and Risk Committee during 2022 in respect of their risk responsibilities are outlined on page 140.

ESB's approach combines a top-down strategic assessment of risk and risk appetite, which takes account of the external business environment and any changes to the business model, along with a bottom-up identification and reporting process arising from a review and assessment of business unit operational risk registers.

Risk Oversight Activities During 2022

In early 2022, the Audit and Risk Committee reviewed and recommended to the Board the Group Risk Plan for 2022 which set out the Principal and Emerging Risks facing the Group, including the controls and mitigating actions proposed to manage the risks over 2022. The Committee was provided with quarterly reports which considered the status and impact of implementing the identified controls and mitigating actions which provided assurance to the Committee of a robust risk management process.

The Group Risk Plan also included a comprehensive work plan for the Committee detailing its risk oversight activities for the year. The Committee identified climate physical risk as a major component of ESB's risk environment and an area they wished to focus on during the year. The Committee wanted to understand developments in this area as a whole including potential climate risk impacts, ESB's preparations and approach to managing impacts, understanding of key external developments and consideration of the climate science perspective. Invited speakers provided an external perspective to the Committee on this topic.

In addition, to facilitate the Committee in remaining up to date with movements in the risk landscape that are relevant to ESB, a range of additional publications and papers on key risk topics were provided to the Committee over the year. These considered topics such as the National Risk Assessment 2021/2022 – Overview of Strategic Risks[1] report and The World Economic Forum's Global Risk Report 2022, in addition to reviews of material external incidents and developments relevant to ESB, such as the ongoing impact of the COVID-19 pandemic, the Russian invasion of Ukraine, escalation of gas and electricity prices and related energy policy interventions, energy and climate policy, macro-economic environment (including increasing inflation and interest rates), climate degradation and development in the area of Environmental, Social and Governance (ESG).

During 2022, ESB identified and reported on a range of key performance indicators for the Committee to aid them in monitoring the efficiency and effectiveness of their risk oversight activities.

ESB also identifies and seeks to mitigate a range of High Impact Low Probability (HILP) risks relevant to the Group. HILPs are a class of risks with the potential to cause long-term, catastrophic damage to the business. A full review of HILPs is completed on a biennial cycle. A review was undertaken in September 2022 in order to identify any changes to the overall risk outlook.

Group Risk, Group Internal Audit, Group Finance and a number of other key second line functions met regularly during the year in relation to internal control and risk management matters. This ensures alignment between the functions, better information-sharing and opportunities to identify areas for improvement in the overall internal control framework.

Under the Code of Practice for State Bodies and ESB's own Risk Policy and Framework, ESB is required to conduct periodic external reviews of the effectiveness of its Enterprise Risk Management (ERM) framework and processes. The last external review took place in 2021 and implementation of actions arising has progressed during 2022.

Risk Culture

ESB's risk culture determines the way in which employees identify, understand, discuss and act on the risks they take and are faced with on a daily basis.

To enhance risk awareness, ESB's values continue to be a focus for discussions with all employees to ensure there is a clear and consistent understanding of how we work. To support the embedding of risk culture, ESB has adopted policies (such as ESB's code of ethics, "Our Code") which facilitate and encourage an environment where people can feel comfortable raising issues and where management treat concerns seriously, professionally and in accordance with legal obligations that apply under the Protected Disclosures Act 2014.

Decision making is supported by having clear authority levels, the conduct of risk analysis as part of business/project planning and consideration of the alignment between investments and ESB's risk appetite detailed for all Board approved submissions. Specific training is provided for high-risk activities including health, safety and wellbeing, cyber risk awareness, network operations, data privacy and energy trading activities. This approach has ensured that risks and uncertainties are highlighted at an early stage so that prompt action can be taken to minimise any impact they might have on employees and other stakeholders.

The Board is ultimately responsible for setting the tone at the top of the organisation. The approaches outlined have provided the Board with assurance that the risk culture supports the effective management of enterprise risk. A Culture Dashboard provides updates to the Board, through the Safety, Sustainability and Culture Committee on the effectiveness with which the desired culture, aligned to ESB's values, has been embedded throughout the organisation.

Risk Appetite

ESB's Risk Appetite Framework is focussed on setting the risk appetite at the Group level across the major sources of risk faced by the company in the delivery of its purpose and strategic objectives (i.e. ESB's Risk Universe) and provides the basis for communicating risk appetite down through the organisation. Risk appetite guides the annual business planning process by defining the desired forward-looking risk profile of the Group in achieving strategic objectives. It is embedded in day-to-day risk management decisions through the use of risk tolerances and limits for material risk types (e.g. energy trading and treasury operations). This ensures the risk profile remains aligned with risk appetite by balancing risk and returns.

The Group Risk Appetite Statement is approved by the Board on the advice of the Audit and Risk Committee. ESB's strategy is consistent with the Risk Appetite Statement approved by the Board. The principal risks continued to be monitored by reference to the approved Risk Appetite Statement throughout 2022.

During 2022, a full review of ESB's risk appetite, aligned with, and informed by, ESB's Net Zero by 2040 Strategy was completed by the Board. The Risk Appetite Statement reflects ESB's appetite for risk under each of the six risk categories identified under ESB's Risk Universe – 1. Strategic, 2. Financial, 3. Environment, Social and Governance (ESG)/Climate, 4. Culture, People-Related and Safety, 5. Compliance, and 6. Operational and Technology.

Group Principal Risks in 2022

The 2022 Group Risk Plan takes as its starting point ESB's strategy. Additional considerations include external market developments and other legal and regulatory considerations that can impact the business model. Emerging Risks are included, insofar as this is possible, for the period 2023 to 2026, to help identify exposures as early as possible. This is augmented by a 'bottom up' review of operational risk registers.

The Principal Risks for 2022 are set out on page 29. These risks are considered material to understanding how ESB creates value. A number of Principal Risks remained constant over 2022. Other Principal Risks, as detailed below, increased during the year.

As part of the Mid-Year Risk Review process, a number of changes were made to the principal risks. The impact of Russia's invasion of Ukraine, shocks to supply chains and Central Bank actions on interest rates to counteract inflation led to a worsening economic outlook for European economies in 2022. In addition, during early 2022, the roll-out of vaccines reduced the impact of the COVID-19 pandemic. Against this backdrop, a number of key updates to ESB's Principal Risks were made as part of the Mid-Year Risk Review process as follows:

- Expansion of the existing Principal Risk covering Security of Supply to include access to gas and coal supply
- Inclusion of a new Principal Risk covering Energy Affordability
- Replacement of the Principal Risk covering Geopolitical/Economic Environment with a Principal Risk covering Macroeconomic Downturn
- Removal of the Principal Risks relating to COVID-19 and the industrial relations environment in light of developments in the first half of 2022

As with ESB's well established process for the assessment of Principal Risks, the Mid-Year Risk Review was an inclusive and robust exercise that delivered a range of considered and objective outputs. Risks were identified and measured, and appropriate controls and risk mitigations to reduce the probability of risks emerging and recovery mechanisms to reduce the impact of an event are in place. Reviews were also conducted by the relevant oversight committees.

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[1] Published by Department of Defence December 2021

Risk Report (continued)

The Group Risk Plan for 2022 was designed to provide adequate assurance that:

- specific consideration has been given to the risk of not achieving ESB's strategic objectives
- risks have been properly identified and assessed on a bottom-up basis by the businesses and key functions and also adequately challenged and reviewed on a top-down basis by Group Risk, the Risk Management Committee and the Executive Committee Risk Forum. Risks have also been challenged and reviewed by the Audit and Risk Committee and Board
- risks and risk appetite have been aligned
- appropriate controls and risk mitigations to reduce the probability of risks emerging and recovery mechanisms to reduce the impact of an event are in place
- emerging risk developments over time are being tracked
- management preparedness to manage risk is understood
- responsibility for risk is allocated to ensure accountability
- a communications plan is in place to apprise the Board and the relevant sub-committees on key risk topics throughout the year

Financial Risks

The main financial risks faced by the Group relate to liquidity, foreign exchange, interest rate, capital intensity (capital expenditure relative to EBITDA), commodity (electricity and fuel) price volatility/movements and delivering appropriate returns on the capital expenditure invested. Policies to protect the Group from these risks and other risk areas, such as credit risk, are regularly reviewed, revised and approved by the Board (and the details are outlined in note 29 of the financial statements).

Climate Risk

ESB has identified the main transitional (e.g. impact on ESB of policies designed to avert global warming) and physical climate risks and opportunities across the Group as set out in the Environment and Sustainability section on page 105. Climate risks – both transition and physical - were identified as 2022 Principal Risks for ESB as set out on pages 32 and 38.

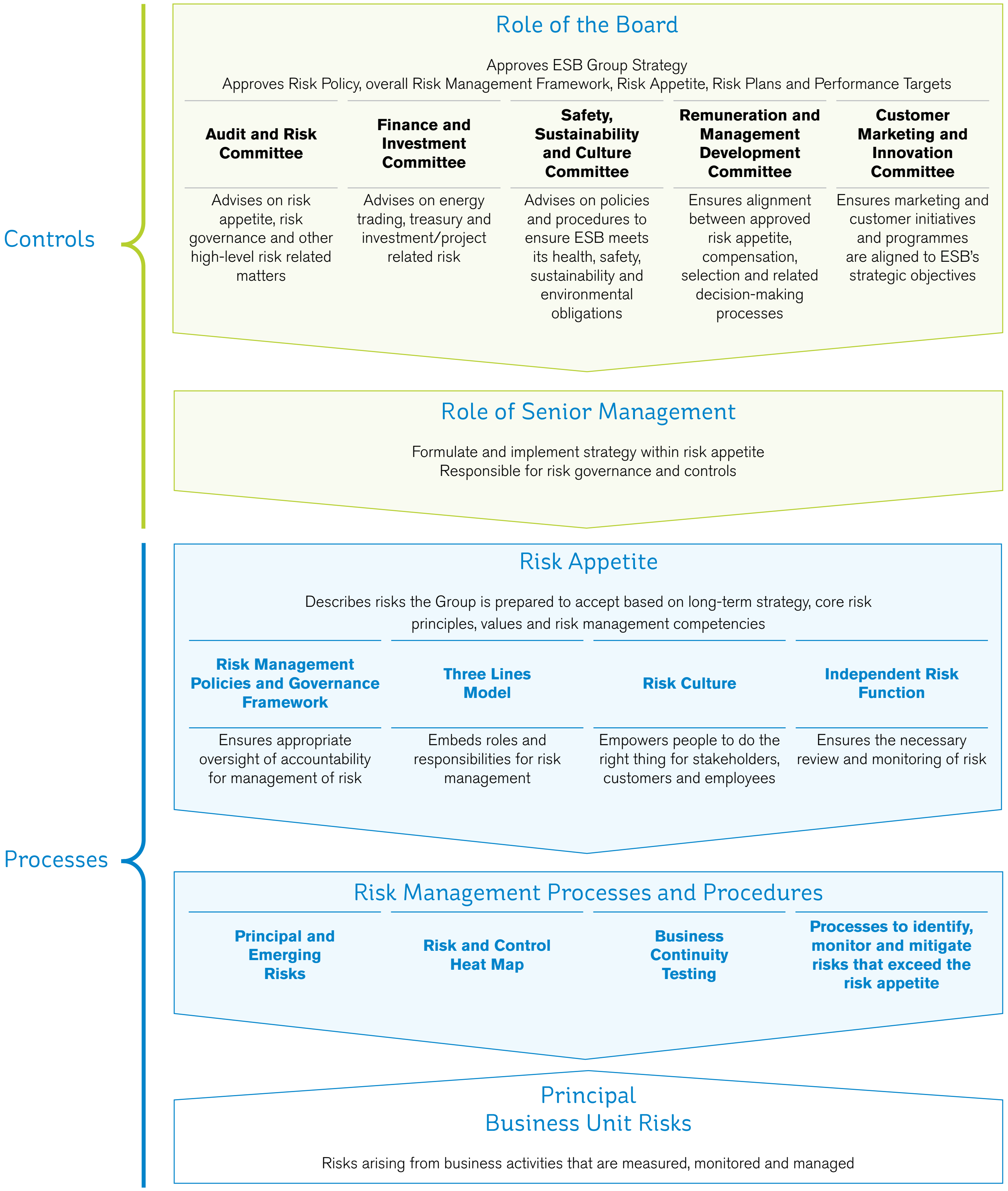
Emerging Risks

The risk management framework enables the Group to identify, analyse and manage emerging risks to help identify potential exposures as soon as possible. This is managed as part of the same process that identifies the Principal Risks. These are reviewed in conjunction with Principal Risks.

Business Continuity

ESB is responsible for the provision of critical infrastructure and disruptions to certain services and operations are potentially damaging to the economy, to society and to ESB's business. ESB has in place a robust set of business continuity plans and processes to ensure that ESB's response is well managed and executed. A number of these plans are exercised as part of an annual test plan, based on scenarios that could adversely impact ESB and assess the degree to which these risks can be mitigated. Results and lessons learned arising from the annual review and testing programme are reported to the Audit and Risk Committee.

Risk Management Framework



Controls

Role of the Board

Approves ESB Group Strategy
Approves Risk Policy, overall Risk Management Framework, Risk Appetite, Risk Plans and Performance Targets

Audit and Risk Committee	Finance and Investment Committee	Safety, Sustainability and Culture Committee	Remuneration and Management Development Committee	Customer Marketing and Innovation Committee
Advises on risk appetite, risk governance and other high-level risk related matters	Advises on energy trading, treasury and investment/project related risk	Advises on policies and procedures to ensure ESB meets its health, safety, sustainability and environmental obligations	Ensures alignment between approved risk appetite, compensation, selection and related decision-making processes	Ensures marketing and customer initiatives and programmes are aligned to ESB's strategic objectives

Role of Senior Management

Formulate and implement strategy within risk appetite
Responsible for risk governance and controls

Processes

Risk Appetite

Describes risks the Group is prepared to accept based on long-term strategy, core risk principles, values and risk management competencies

Risk Management Policies and Governance Framework	Three Lines Model	Risk Culture	Independent Risk Function
Ensures appropriate oversight of accountability for management of risk	Embeds roles and responsibilities for risk management	Empowers people to do the right thing for stakeholders, customers and employees	Ensures the necessary review and monitoring of risk

Risk Management Processes and Procedures

Principal and Emerging Risks

Risk and Control Heat Map

Business Continuity Testing

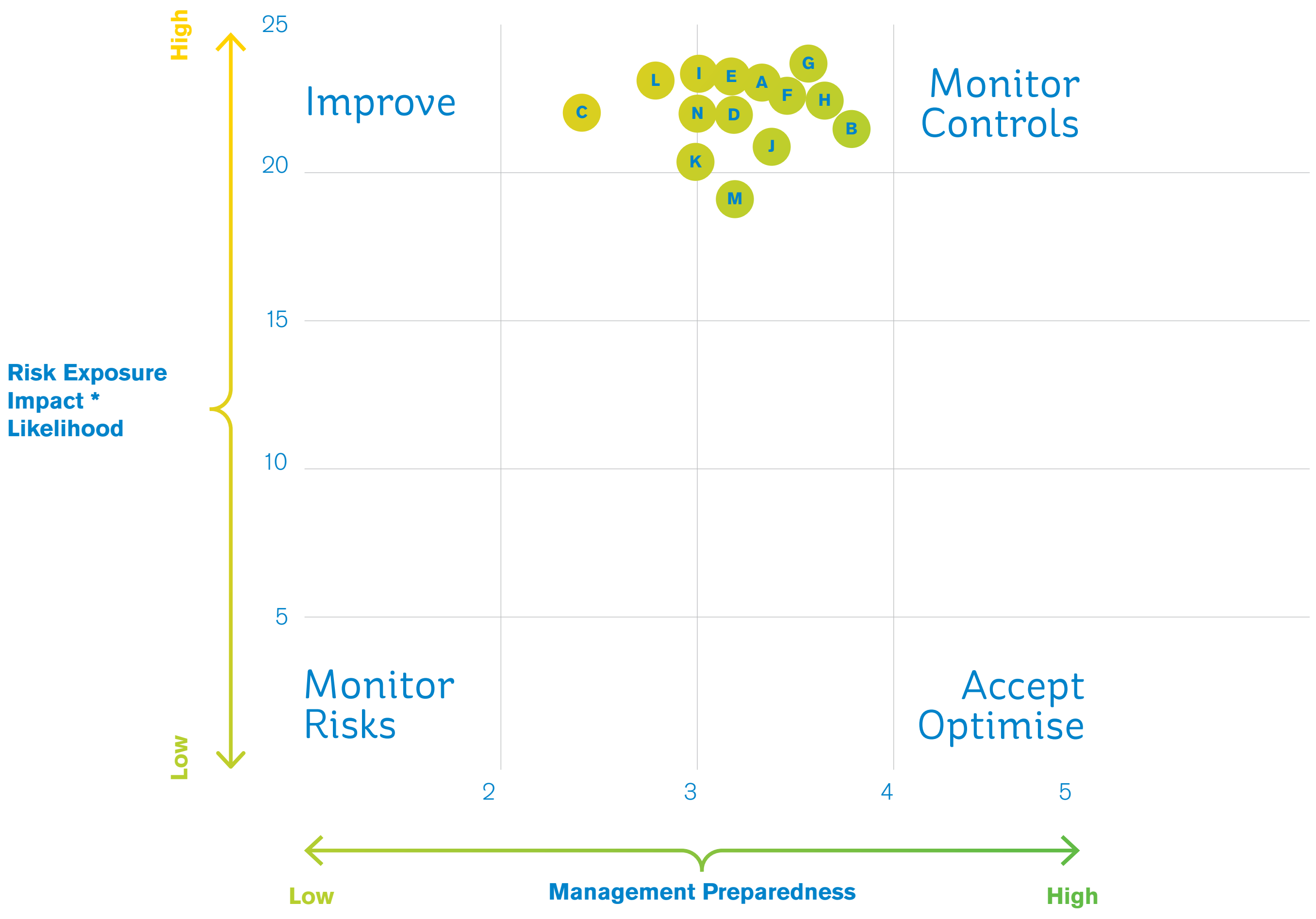
Processes to identify, monitor and mitigate risks that exceed the risk appetite

Principal Business Unit Risks

Risks arising from business activities that are measured, monitored and managed

Risk Report (continued)

Risk and Control Heat Map



A. Financial Strength
B. System Outage/Cyber Attack/Data Leakage
C. Compliance Failure
D. Climate Transition Risk
E. Delivery Of Complex Networks Infrastructures And Systems
F. Security Of Supply
G. Energy Market Volatility/Competition/Supply Chain
H. Energy Affordability
I. Delivery Of Renewable Pipeline, Including Project Quality Management
J. Climate Physical Risk
K. Resourcing/Capability
L. Macroeconomic (Downturn)
M. Health, Safety And Wellbeing
N. Brand Or Reputation

Strategic Objectives (SO)

- Decarbonised Electricity
- Resilient Infrastructure
- Empowered Customers

Foundational Capabilities (FC)

- Our People
- Digital & Data Driven
- Financial Strength
- Sustainable & Socially Responsible

Principal Risks

The principal risks and opportunities that have the potential to significantly impact the Group's strategic objectives are set out below, together with an indication of the current strategic objective(s) to which they relate, any change in the risk climate during the year, who is responsible for monitoring the risk, the principal mitigations, developments in relation to the risk during 2022 and the areas of focus for 2023. The risks are not listed in order of importance or priority.

A. Financial Strength

FC

Risk Climate ▲

What is the risk?

Failing to maintain ESB's financial strength, due to under delivery of required performance, including ESG, low investment returns, negative external developments and growing capital intensity

Risk drivers

- The failure to deliver the Capex and Opex within the allowed regulatory allowances
- The failure to deliver Group performance improvement targets
- Continued volatility in wider energy markets impacting on margins
- Increases in the competitive environment in supply businesses in Ireland and GB
- Failure to secure an adequate renewable development project pipeline (with acceptable risk/return profile)
- Reputational ESG perspective and potential to limit ESB access to funds

Mitigations

To prevent the risk materialising:

- Implement appropriate hedging strategies to safeguard the business
- Ensure that a robust trading and risk management framework is in place
- Continue thorough and comprehensive monitoring of market developments for low-carbon generation acquisition opportunities
- Continue ongoing engagement with policy makers, regulators, investors and others
- Proactive engagement with relevant stakeholders in preparation for NIE's RP7 submission
- Dedicated ESG programme in place

If the risk materialises:

- Defer/reduce planned capex if needed
- Implement financial flexibility measures to re-position capital in more attractive investment opportunities
- Implement cost reduction programmes to restore competitiveness if required
- Consider alternative funding and financial partnership options to deliver capital intensive projects (as required)

Developments in 2022

- Significant volatility in financial markets and energy prices in part due to the war in Ukraine
- Escalation of gas costs has translated into higher electricity prices, leading to pressure on the cost structure base of a number of businesses
- In response to the large-scale social and political pressures stemming from electricity prices, the EU, national governments across Europe (including Ireland and the United Kingdom) have responded with significant energy policy interventions
- Inflation has risen dramatically across global markets which has led to a number of interest rate increases by Central Banks

Oversight: Finance and Investment Committee

2023 Area of Focus

- Performance improvement and flexibility in ESB's cost base
- Continued access to funding and liquidity
- Investment returns
- Monitor market/government interventions
- Environmental, Social and Governance (ESG) performance/reporting requirements

Risk Report (continued)

B. System Outage/Cyber Attack/Data Leakage

SO FC

Risk Climate ▲

What is the risk?

Extended outage of critical IT/OT systems arising from non-malicious infrastructure failures or successful cyber attacks and/or significant data leakage

Risk drivers

- Successful cyber attack, including ransomware or phishing attack
- Malicious or non-malicious breach of personal or commercially sensitive data
- Significant hardware issue, software error or networking failure, resulting in failure of IT or OT infrastructure/systems affecting critical business processes
- Inadequate process and controls in place to manage the IT/OT risks appropriately across ESB (internal and with 3rd party providers)
- Increased threats following COVID-19 and extent of remote working

Mitigations

To prevent the risk materialising:

- Cyber policies, strategy and governance model in place and continued development of Cyber IT/OT Operating Model
- The Cyber Operating Model in place to manage first line, second line of defence for IT and OT
- Data Protection Policies and operating model in place across the organisation
- Cyber security training has been rolled out across the organisation
- Regular testing and simulation exercises for Critical Response Plans test the organisations readiness

If the risk materialises:

- Crisis Management and Business Continuity Plans are in place
- Cyber Incident Response and Disaster Recovery Plans have been developed
- Breach management process, including trend and root cause analysis, in place for data protection incidents
- ESB continues to strengthen cyber IT and OT response and recovery capability, including developing responses to new threats
- IT Incident Management Process is now in place including incident review and lessons learned

Developments in 2022

- Critical IT System availability targets of 99.9% were reached throughout 2022
- Awareness of phishing threat has increased
- A cyber security simulation exercise involving key groups across ESB was carried out in 2022
- Significant cyber security campaign for awareness and training programmes completed in 2022
- Integrated Security Council now in place and established covering cyber, physical and Human Resources security

Oversight: Audit and Risk Committee

2023 Area of Focus

- Continue to meet requirements to be compliant with the NIS Directive regulation (the directive on security of network and information systems)
- Continue to enhance awareness and training programmes, building on success of 2022
- Cyber security maturity assessments planned to be completed in 2023
- Completion of cyber security simulation exercise(s), with response partners and completion of communication exercises

Strategic Objectives (SO)

Decarbonised Electricity
Resilient Infrastructure
Empowered Customers

Foundational Capabilities (FC)

Our People
Digital & Data Driven
Financial Strength
Sustainable & Socially Responsible

C. Compliance Failure

SO FC

Risk Climate ◀▶

What is the risk?

Failure to comply with applicable legal obligations whether imposed by law, regulation or licence

Risk drivers

- Increasing levels of legal obligations - volume, complexity, and interconnectivity
- Increasing expectations regarding compliance standards by regulatory authorities
- Policy framework fails to keep up with pace of change
- Human factors leading to inadvertent breach of regulations
- Compliance fatigue increases likelihood of governance failure
- Inadequate competence due to lack of training and awareness of obligations
- Potential failure of ageing assets (process, workplace, tools and plant and equipment)

Mitigations

To prevent the risk materialising:

- A separate Compliance Function established and resourced appropriately
- The Framework for Group Policies will be enhanced and supported by the Compliance Function and overseen by the Ethics and Policy Management Committee
- Continued and ongoing engagement with relevant external stakeholders, including regulatory authorities
- Confidential reporting mechanisms and investigation procedures in place within the organisation

If the risk materialises:

- Regulatory Inspections Manual in place, investigation teams identified
- Ongoing monitoring of reportable incidents for patterns of events that may signify an underlying issue or exposure
- Formal investigation of any breaches, including lessons learned review
- Engagement with relevant external stakeholders, including regulatory authorities
- Incident management and response procedure in place
- Business continuity processes in place
- Lessons learned and shared after any incident

Developments in 2022

- External scrutiny and monitoring in this area has continued to increase
- Core to mitigating this risk is successful delivery of the Governance/Risk/Compliance (GRC) Review strategic initiative which was mobilised during 2022
- ESG Programme in place to develop capability

Oversight: Board

2023 Area of Focus

- Growing scrutiny and increasing external requirements and expectations in this area are likely to continue
- Continue to evolve and strengthen its compliance arrangements to ensure they are sufficiently robust to meet current and emerging obligations
- Continue to monitor this area with a view to ensuring ESB continues to meet its legal obligations, engaging with stakeholders as appropriate

Risk Report (continued)

D. Climate Transition Risk

SO FC

Risk Climate ▲

What is the risk?

Inadequate ESB response to capture opportunities and manage challenges presented by policy measures to address climate change along with growing public, customer and investor concerns

Risk drivers

- Failure to achieve early market position due to lack of appropriate regulatory or policy regime change/clarity
- Lack of progress in implementing the Climate Action Plan
- Adverse external decisions (regulatory, economic, financial, environmental) that negatively impact market rules
- Failure to track and monitor changes in EU and national legislation, regulation in response to climate change
- General planning and legal issues can delay the delivery of necessary low-carbon infrastructure

Mitigations

To prevent the risk materialising:

- Keep up to date with EU and national policy, regulatory and legislation developments
- Maintain a stakeholder engagement plan with policymakers and regulatory authorities
- Maintain the group list of climate risks and opportunities and regularly review and track indicators
- Maintain strong strategic intelligence through external information sources
- Seek to lead or at least be heavily involved in the conversation on the net-zero power system

If the risk materialises:

- Reassess and improve ESB's scanning of the external business and policy environment
- Critically assess success or lack of progress on key strategic objectives
- React swiftly to decisions negative to ESB. Inform policy makers of best available options
- Reassess progress on digital and seek to expedite key initiatives
- Seek to be a class leader in community engagement and successful project permitting

Developments in 2022

- The war in Ukraine took focus from climate action and implementation of required policies with the focus shifting to the cost of living crisis and security of supply issues
- EU policy development continues through the Fit for 55 package and almost all of the EU legislative instruments are under review with a view to increasing ambition
- EU policy development also continues through RePower EU which is a plan to reduce dependence on Russian fossil fuel and accelerate the green transition
- ESB continued to monitor industry and peer developments nationally and internationally

Oversight: Audit and Risk Committee

2023 Area of Focus

- The focus needs to remain on policy implementation in 2023
- 2023 will see a continuation of the core measures monitored in 2022
- Monitoring of the Climate Action Plan and Northern Ireland's energy strategy will be important to follow
- The EU's Fit for 55 legislative package will continue to progress in 2023 and this will require monitoring by ESB
- Consideration is being given to ESB's own pathway to net-zero emissions including the setting of a science-based target for 2030 and ESB's Net Zero Pathway Report due to issue in 2023

Strategic Objectives (SO)

Decarbonised Electricity
Resilient Infrastructure
Empowered Customers

Foundational Capabilities (FC)

Our People
Digital & Data Driven
Financial Strength
Sustainable & Socially Responsible

E. Delivery of Complex Network Infrastructures and Systems

SO FC

Risk Climate ▲

What is the risk?

Failing to deliver the growing and increasingly complex network infrastructures and systems required to meet future customer and societal needs of accommodating more renewables, supporting wholescale electrification and distributed energy services

Risk drivers

- Lack of available resources and capability needed to plan and deliver required works
- Requirement for meeting Enduring Connections Policy (ECP) deadlines for grid connection offers as well as accelerated delivery of grid connections as a result of the RESS auctions
- A possible lack of capacity on the low-voltage network to accommodate the large scale up-take of wholescale electrification
- Increasing lead times on materials; supply chain
- Security of supply preventing TSO and DSO giving outages to deliver works
- Not implementing the right systems and processes to efficiently deliver major projects and engineering solutions

Mitigations

To prevent the risk materialising:

- Integrated Business Planning, which informs Strategic Resource Plan and succession planning
- Contractor Strategy and Procurement Strategy
- Implementation of ESB Project Management Methodology to efficiently deliver all major projects
- Stakeholder management plans prepared and early local and national interaction with key stakeholders
- Low voltage (LV) system development - proactive management of the LV network to ensure ready for wholescale electrification

If the risk materialises:

- Short term redeployment of resources to critical roles and projects
- Review options for short term resourcing
- Stakeholder engagement
- Critical incident management procedures and incident investigation procedures for any safety or environmental issues

Developments in 2022

- Russia's invasion of Ukraine has negatively impacted supply chain in terms of prices and lead times for key materials
- The latest winter forecast issued by the system operator has restated the heightened security of supply risk that will continue into 2023
- Underlying system-wide generation capacity issues remain and seasonal factors have meant that the system remains tight and risk of outages remains

Oversight: Audit and Risk Committee

2023 Area of Focus

- The growing and strong demand for network infrastructure and systems will likely continue
- ESB will continue to proactively monitor and manage developments throughout 2023
- Focus areas will include obtaining the necessary transmission outages and continued engagement with contractors and suppliers

Risk Report (continued)

Strategic Objectives (SO)

- Decarbonised Electricity
- Resilient Infrastructure
- Empowered Customers

Foundational Capabilities (FC)

- Our People
- Digital & Data Driven
- Financial Strength
- Sustainable & Socially Responsible

F. Security of Supply

SO FC

Risk Climate ▲

What is the risk?

Electricity generation capacity shortfall and/or fuel supply issues leading to potential demand management measures which will have a negative impact on ESB's reputation

Risk drivers

- Increased demand due to:
  - Organic economic growth in a post COVID environment
  - Addition of new data centres to the system
  - Ongoing electrification of transport/heat
- Potential lack of firm generation capacity in the market - particularly at times of low wind and low interconnection availability
- Distribution system response to an emergency event does not proceed per plan

Mitigations

To prevent the risk materialising:

- DSO Load Shedding Plan as approved by CRU
- Engagement by ESB Networks with large distribution connected customers (transmission connected customers by the Transmission System Operator (TSO)) and critical infrastructure customers e.g. HSE, Irish Water, Irish Rail
- Mandatory Demand Curtailment Methodology applied to customers
- Engagement with stakeholders
- Familiarisation and implementation of the mitigations within the Severe Weather Response Plan
- Continued use of ESB's Project Management System to manage outage duration(s)
- CRU Security of Supply Programme of Actions, including temporary emergency generation and ESB Networks' Beat the Peak Plan

If the risk materialises:

- Clear, prompt and effective stakeholder communications
- ESB Networks' Emergency Response Plan implemented
- Joint communications plan agreed with the TSO implemented
- Measures under the Severe Weather Response Plan implemented

Developments in 2022

- The latest winter forecast issued by the system operator has restated the heightened security of supply risk that will continue into 2023
- Underlying capacity issues remain and seasonal factors have meant that the system remains tight and risk of outages remains
- The war in Ukraine continues to have an impact on the risk of a security of supply issue
- A range of stakeholder engagements have taken place, including close engagement with the TSO on network and communication issues including workshops and simulation exercises
- Work on temporary emergency generation and ESB Networks' Beat the Peak Plan

Oversight: Audit and Risk Committee

2023 Area of Focus

- Continued engagement with transmission system operators in ROI and NI
- Continued focus on the severe weather response plan and winter readiness planning
- Continued focus on Long Term Asset Planning, investments and performance drivers
- Continue with work on temporary emergency generation and ESB Networks' Beat the Peak Plan

G. Energy Market Volatility/ Competition/Supply Chain

SO FC

Risk Climate ▲

What is the risk?

Exposure to volatility and competition in the energy markets and the impact of the global commodity crisis (energy and non-energy related) on supply chain, counterparties, customers and financial performance

Risk drivers

- Potential for significant gas supply interruption followed by inevitable power supply disruption - driven by geopolitical upheaval with the Russian war in Ukraine
- Increased wholesale electricity costs - due to increases in commodity (gas/carbon) prices
- Increases in manufacturing/product costs driven by supply/demand pressures and increases in energy costs
- Regulatory action and intervention
- Suppliers becoming financially distressed or failing

Mitigations

To prevent the risk materialising:

- Consideration to more frequent price changes, ultimately moving to more dynamic pricing model once systems/process allow
- Proactive regulatory, political, customer and media engagement during the period of market volatility
- Continued and enhanced levels of monitoring of supply chain disruptions/forecasts
- Appropriate approved hedging strategies to reduce to impact of volatility

If the risk materialises:

- Defer/reduce planned investment if required
- Explore benefits and ability to utilise partnership models and/or acquisitions
- Adhere to ESB Treasury and ESB Trading hedging strategies

Developments in 2022

- The Ukraine war, the emerging energy crisis in Europe, on-going COVID-19 related lockdowns in China, together with resulting impacts on ESB's wider value chain have increased supply chain risk. The situation remained volatile in 2022
- Energy market prices surged and were highly volatile over the course of 2022
- In SEM, competition has been impacted a number of supply companies having exited the market
- In GB high energy costs, price cap impacts and regulatory reform have significantly reduced competition and increased energy retail sector barriers to entry

Oversight: Audit and Risk Committee

2023 Area of Focus

- The ongoing monitoring of business critical and strategically important suppliers and contractors
- Advance ordering of key items of equipment and consumables
- Continued focus on trading position to manage price and financial volatility

Risk Report (continued)

H. Energy Affordability

Risk Climate ▲

What is the risk?

Risk of increasing fuel and other costs negatively impact the affordability of ESB's products and services, impacting ESB's customers and giving rise to negative political or regulatory intervention

Risk drivers

- Cost of living crisis, energy price rises and high winter bills
- Potential Supplier of Last Resort (SOLR) implications - e.g. suppliers exiting market could lead to new unhedged customers moving to ESB as SOLR
- Increased levels of fuel poverty and high prices may lead to sustained negative traditional and social media coverage
- Increased likelihood of businesses failing due to increased energy costs
- Increased political, social and regulatory concerns

Mitigations

To prevent the risk materialising:

- Measures in place to support customers
- Communications and stakeholder engagement plans in place
- Implementation of Government measures to assist with the high cost of energy
- Constant review to ensure resources allocated to manage the cost of energy crisis are sufficient

If the risk materialises:

- Stakeholder engagement plan in place

Developments in 2022

- Energy prices increased a number of times
- The Irish and UK Governments have responded with a number of supports for domestic and business customers
- ESB has also responded with a number of supports for customers, including an additional €3 million added to the hardship fund on top of the €2 million announced in 2021
- ESB also announced Electric Ireland's residential customers in the Republic of Ireland can each expect to receive €50 credit early in 2023

Oversight: Audit and Risk Committee

2023 Area of Focus

- Continued monitoring of the business environment, political climate and ESB/Electric Ireland supports
- Continued monitoring on the importance of Ireland's delivery of the Climate Action Plan

Strategic Objectives (SO)

Decarbonised Electricity
Resilient Infrastructure
Empowered Customers

Foundational Capabilities (FC)

Our People
Digital & Data Driven
Financial Strength
Sustainable & Socially Responsible

I. Delivery of Renewable Pipeline, including Project Quality Management

Risk Climate ▲

What is the risk?

ESB fails to deliver the scale and manage the project quality of renewable generation assets required to meet market and societal needs and achieve strategic objectives

Risk drivers

- Failure to secure stakeholder/regulatory support for ESB's renewable generation strategy
- Growing competition from adjacent sectors (e.g. oil/gas)
- Selection of incorrect technology choices for renewable generation
- Failure to secure key contracts for project delivery
- An underdeveloped grid infrastructure to accommodate increase in renewables
- Growing prevalence of different business models incorporating JV/partnership
- Increased public resistance to infrastructure
- Potential for delays to enabling policies for offshore wind (e.g. seabed allocation)

Mitigations

To prevent the risk materialising:

- Alignment of ESB strategic goals with Government Climate Action Plan goals
- Stakeholder engagement to build support for ESB's renewable generation strategy
- Secure strategic technical resource/capability partners to complement ESB's capability and experience
- Carry out suitable and sufficient surveying, site investigations, wind monitoring, etc.
- Build and retain engineering and project management skills base

If the risk materialises:

- Explore benefits and ability for partnership models and/or acquisitions
- Review target markets to identify wider market investment opportunities

Developments in 2022

- Regulatory progress on RESS roll out in Ireland continues at a slow place as some external stakeholder resources have been diverted to shorter term issues such as energy prices and security of supply
- GT renewables pipeline continues to grow strongly
- ESB has further expanded its position in offshore projects in GB
- The Irish portfolio of projects has evolved during 2022 with key work streams progressing
- ESB staff seconded into key roles on projects
- Work continued through GT Community Outreach Programme

Oversight: Audit and Risk Committee

2023 Area of Focus

- Engage relevant stakeholders in relation to achievement of ESB's pathway to net zero
- Continue to build ESB's development pipeline with a focus on bringing assets to market
- Continue to strongly build ESB's capability and capacity to ensure ESB can deliver on the pipeline of projects

Risk Report (continued)

J. Climate Physical Risk

FC

Risk Climate ▲

What is the risk?

Increased damage to ESB's assets and disruption to operations from the physical effects of climate change

Risk drivers

- Increased frequency of asset damage due to severe weather events
- Increased cost of maintaining networks assets. Risk of reduced asset lifetime leading to increased maintenance and replacement costs
- Increased loss of customer supply/reduced network reliability
- Water: heavy rain, causing damage and/or leading to localised flooding. General rises in sea and river levels and flow rates. Impact on hydro generation
- Temperature: changes in duration and timing of seasons (reduced predictability)

Mitigations

To prevent the risk materialising:

- Review maintenance policies and standards and materials to ensure assets are fit for purpose
- Long-term scenario planning taking climate impact on assets into consideration
- Ensure all relevant policies/standards and procedures are in place
- Water management procedures/flood response plan in place
- Review/adapt plant emergency procedures
- Consider resilience options for new construction

If the risk materialises:

- Ensure asset performance Key Performance Indicators are managed and tracked
- Track compliance with internal and external requirements
- Engage with all relevant stakeholders to ensure aligned policy to manage impacts of climate risk
- Communication/public relations to ensure that all reputational impact to ESB is minimised/neutralised
- Hydro Operations Management Plan implemented

Developments in 2022

- Awareness and adaptation planning have advanced
- ESB continued to evaluate the climate impact on assets and to consider these impacts on condition and resilience
- ESB continued to ensure that new projects take account of climate impacts

Oversight: Audit and Risk Committee

2023 Area of Focus

- Continuation of work on resilience in response to projected impacts in affected areas of ESB
- Increased focus on physical and financial impact on assets, on resilience and on continuity of supply is key for 2023
- Continued focus on new business cases ensuring climate impacts are taken into account

Strategic Objectives (SO)

- Decarbonised Electricity
- Resilient Infrastructure
- Empowered Customers

Foundational Capabilities (FC)

- Our People
- Digital & Data Driven
- Financial Strength
- Sustainable & Socially Responsible

K. Resourcing/Capability

SO FC

Risk Climate ◀▶

What is the risk?

Failing to embed the resourcing and capability required to deliver ESB's strategy

Risk drivers

- Failure to attract and retain key capabilities specifically in engineering (e.g. renewables), IT and Finance
- Failure to continuously develop ESB's capability to keep abreast of the changing business needs
- Failure to embed a hybrid working model in a post-COVID working environment

Mitigations

To prevent the risk materialising:

- Maintain strategic focus on future workforce trends
- Delivering people capability review initiatives and focusing on ESB's attraction and retention strategy
- Appropriate resourcing model (total workforce) in place to ensure delivery of strategic intent
- Embed the hybrid working model using positive experience of Smart Working and Team Charters

If the risk materialises:

- Define changing people/capability requirements and gain an understanding of changing market and industry trends
- Utilise appropriate trends and metrics available
- Monitor and move at a fast pace to keep up with changing talent needs
- Continue to deliver flexible total workforce solutions

Developments in 2022

- Increased resourcing and capability mix achieved to meet increased resourcing requirements
- Announcement of the recruitment of 1,000 people over next 3 years
- ESB continued its Smart Working approach throughout 2022

Oversight: Audit and Risk Committee

2023 Area of Focus

- There is a need to focus on and secure specific skill sets/ expertise across a number of key areas for strategy delivery
- Capability and leadership development at all levels is a priority focus for 2023
- Focus on delivery of commitment for 1,500 jobs in the next 5 years per ESB Networks' strategy

Risk Report (continued)

L. Macroeconomic (Downturn)

SO FC

Risk Climate ▲

What is the risk?

Risk that a macroeconomic downturn could negatively impact ESB revenues, access to and cost of funding

Risk drivers

- Increased global sanctions on Russia if the Ukraine war continues, gas prices stay very high, regularly spiking on new political news
- Supply chains remain stretched with COVID-19 fallout still evident
- Unstable political environment in UK e.g. potential impacts on trade with EU
- Retail prices for households and businesses continue to significantly increase
- Inflation and interest rates increase at an accelerated pace

Mitigations

To prevent the risk materialising:

- Monitor economic developments closely
- Provide regular updates to stakeholders and regulators to support understanding of the severity of important issues (e.g. liquidity, supplier of last resort risks)
- Stress test working capital facilities
- Ensure access to a variety of funding sources

If the risk materialises:

- Key involvement in industry wide initiatives which might be brought forward nationally or by the EU to address financial issues
- Implement regular strategic reviews taking macroeconomic climate into account. Respond strategically and operationally as required
- Stakeholders and regulators kept aware of serious issues facing ESB or the energy market
- React swiftly to decisions which negatively impact ESB

Developments in 2022

- The macroeconomic, financial and interest rate environment deteriorated, driven in part by issues in the energy sector (Russia's invasion of Ukraine, higher electricity prices, energy policy interventions) but also by post-COVID factors
- Inflation has surged in Europe and most developed economies and Central Banks have responded with aggressive increases in interest rates
- Equity market valuations and consumer confidence metrics have declined and economic growth forecasts are being revised downwards

Oversight: Audit and Risk Committee

2023 Area of Focus

- ESB will continue to proactively monitor economic developments over 2023 in order to ensure that ESB is positioned to mitigate any risk that materialises and leverage any related opportunities
- Key focus areas are likely to include Russia's invasion of Ukraine, electricity prices, energy policy interventions, inflation and interest rates

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Strategic Objectives (SO)

Decarbonised Electricity

Resilient Infrastructure

Empowered Customers

Foundational Capabilities (FC)

Our People

Digital & Data Driven

Financial Strength

Sustainable & Socially Responsible

M. Health, Safety and Wellbeing

SO FC

Risk Climate ◀▶

What is the risk?

Serious harm to the safety, health or wellbeing of employees, contractors or the public resulting from ESB's operations

Risk drivers

- Inadequate policies and procedures
- Inadequate competence (training, knowledge and experience)
- Lack of compliance with standards and procedures
- Lack of maintenance (process and workplace, tools, plant and equipment)
- Lack of awareness, knowledge or due care and attention by a member of the public

Mitigations

To prevent the risk materialising:

- Adaptive leadership/open culture
- Risk assessments, safe systems of work including safety rules, supervision
- Contractor safety management processes
- Maintenance Management Systems, equipment inspection and certification, statutory inspections
- Assurance and audit process (external and internal)
- Critical incident management and response procedure and scenario testing

If the risk materialises:

- Critical incident management and response
- Crisis management process, pandemic response
- Business continuity processes
- Occupational health and wellbeing services
- Incident investigation standards, procedures
- Monitoring, tracking and reporting of serious incident action completions
- Feedback and resolution to support continuous improvement and learning

Developments in 2022

- Safety: Lost time injuries (both minor and serious) have reduced on previous years
- Investigation and closure of actions associated with P1 incidents was on target
- Safety Management Systems certification to ISO 45001 standard were maintained across ESB
- Mental health first aid training has been delivered to c.240 ESB employees

Oversight: Safety, Sustainability and Culture Committee

2023 Area of Focus

- Health and Safety will continue to be a central focus for the Group in 2023 and ESB strives to embed a high-performance culture as part of ESB's strategy
- Maintain focus on safety and wellbeing, in particular the risks associated with human factors, asset integrity and systems of work
- ESB will maintain its focus on health risk areas while supporting employees during times of ill health or distress

Risk Report (continued)

N. Brand or Reputation

SO FC

Risk Climate ▲

What is the risk?

Damage to brand or reputation

Risk drivers

- Failure to understand and respond to stakeholder and customer expectations (relating to material issues) or to manage expectations (relating to issues that are outside of ESB's control
- Failure to effectively manage communications with customers and stakeholders in a crisis
- Risk of damage to brand arising from significant energy price increases
- Failure to innovate resulting in inability to meet customer needs or deliver strategic outcomes
- Failure to proactively engage with politicians, policymakers and other key stakeholders/inappropriate engagement with politicians on relevant issues

Mitigations

To prevent the risk materialising:

- Steering committee to coordinate messaging, identify reputation risks and oversee brand governance
- Stakeholder forum to coordinate and drive stakeholder engagement
- Media relations strategy in place. Press office and support in place to proactively manage media relations
- Regular brand tracking, media monitoring and social listening tools in place to identify emerging issues
- Brand and sponsorship programmes in place to drive community support

If the risk materialises:

- Activate relevant emergency plans, storm action plans, crisis and stakeholder management/communications plans, as appropriate
- Supplement resources of Corporate Communications Team in a crisis situation, if required
- Timely, accurate response to issues with the fullest information possible
- Ensure response to any crisis is consistent with Our Purpose and values

Developments in 2022

- Unprecedented price hikes for customers driven by the war in Ukraine
- Ongoing security of supply concerns have also presented new risks
- ESB Networks also launched the "Beat the Peak" pilot campaign encouraging customers to think about efficient times to use electricity
- There was continued focus on the launch and engagement on ESB's new strategy
- ESB sponsorship of key events/ initiatives continued - e.g. ESB Science Blast, Darkness into Light and the Brighter Future Arts Fund
- Positive Reptrak score

Oversight: Customer, Marketing And Innovation Committee

2023 Area of Focus

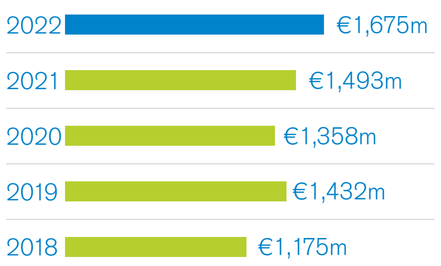
- ESB will strive to further enhance its reputation in 2023 through: continued investment in brand and sponsorship initiatives, leading the conversation about the transition to a low-carbon energy future and further developing excellence in stakeholder engagement
- External focus on energy pricing/ costs, security of supply in SEM and climate is likely to continue
- A proactive approach to climate and ESB deliverables is required

Key Performance Indicators (KPIs)

In addition to the Strategic Performance Indicators outlined on page 20 ESB employs financial and non-financial key performance indicators (KPIs), which signify progress towards the achievement of ESB's strategy. Each business unit has their own KPIs, which are in direct alignment with those of the Group.

Financial

EBITDA before exceptional items



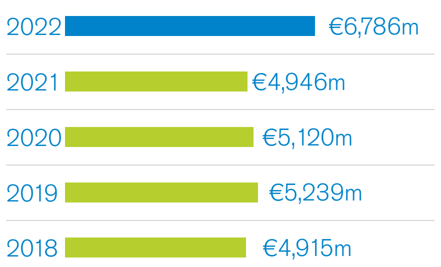
Definition
Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions.

Strategic Relevance
EBITDA is a key measure of the cash generated in the Group during the year which is then available for strategic investments, repayment of debt and dividend payments.

Performance
The increase in EBITDA is driven primarily by increased energy margins. For further detail see Financial Review on page 58.

Foundational Capabilities Financial Strength

Net Debt



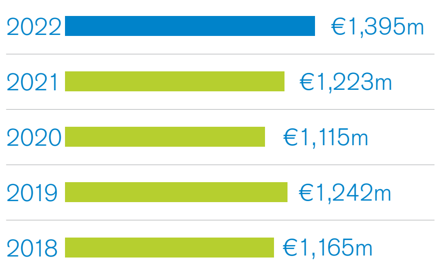
Definition
Borrowings and other net debt of cash and cash equivalents (excluding restricted cash). 2018 does not include the impact of IFRS 16 Leases which became effective 1 January 2019.

Strategic Relevance
Net debt is a measure of how leveraged the Group is and if it is line with its key covenants. Net debt will continue to grow as ESB partly funds its capital investment programmes with borrowings.

Performance
Net debt has increased reflecting lower collateral cash on hand at year end, continued capital investment, finance costs, dividends and tax payments offset by the impact of weakening of GBP on sterling denominated debt and positive EBITDA. For further detail see Financial Review on page 58.

Foundational Capabilities Financial Strength

Capital Expenditure



Definition
Additions for property, plant and equipment, intangible assets and financial asset investments.

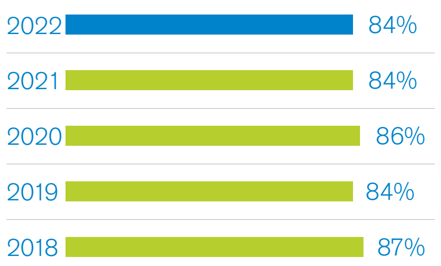
Strategic Relevance
ESB is in a period of significant capital investment for both its networks businesses and Generation and Trading (GT).

Performance
The increase in capital expenditure primarily reflects significant capital investment in the networks and GT businesses. For further detail see Financial Review on page 58.

Strategic Objectives Decarbonised Electricity Resilient Infrastructure **Foundational Capabilities** Financial Strength

Operational

Plant Availability



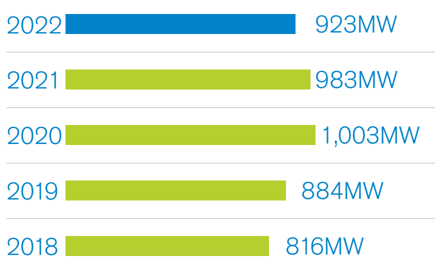
Definition
Percentage of the time in the year that generation plant was available to produce electricity, whether they generated or not.

Strategic Relevance
Delivering strong operational performance across ESB's generation plant through best practice operations and maintenance and timely completion of overhauls is critical to ESBs commercial performance.

Performance
Plant availability in 2022 is consistent with 2021. For further detail see GT business unit section page 74.

Strategic Objectives Resilient Infrastructure

MW Renewable Operational



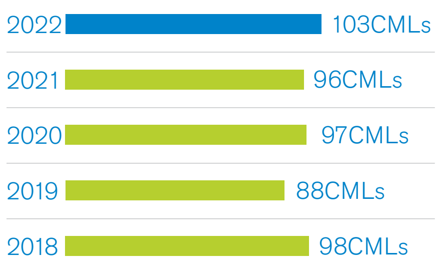
Definition
Total MWs of renewable generation where the assets have reached their commercial operation date includes wind, hydro and solar.

Strategic Relevance
Renewable generation is key to ESB's objective to reduce the carbon intensity of its generation fleet.

Performance
The decrease primarily relates to the closure of Derrybrien wind farm in 2022.

Strategic Objectives Decarbonised Electricity **Foundational Capabilities** Sustainable & Socially Responsible

Customer Minutes Lost (CMLs) ESB Networks



Definition
The average duration of unplanned interruptions for all customers during the year.

Strategic Relevance
The reliability of the grid and minimising interruptions to customers is of key importance to ESB.

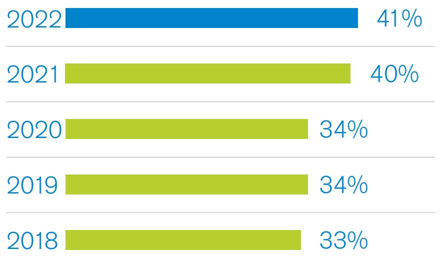
Performance
There has been a deterioration in CMLs in 2022 driven by HV station faults, uncut vegetation, and in some urban areas, networks operating beyond its reliable capacity. Specific Continuity Improvement Plans are in place for each Customer Area from 2023. These issues are priority areas of focus in these plans. For further detail see ESB Networks business unit section on page 66.

Strategic Objectives Resilient Infrastructure

Key Performance Indicators (KPIs) (continued)

Customer and Market

Retail Market Share



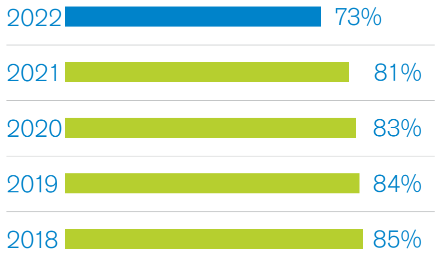
Definition
Total Single Electricity Market (SEM) all-island market share.

Strategic Relevance
Retention and growth of market share is key to ESB so that it can compete within the all-island competitive environment.

Performance
Overall market share has increased marginally above 2021 levels driven by supplier exits from the market. For further detail, see Customer Solutions business unit on page 78.

Strategic Objectives Empowered Customers

Residential Customer Satisfaction



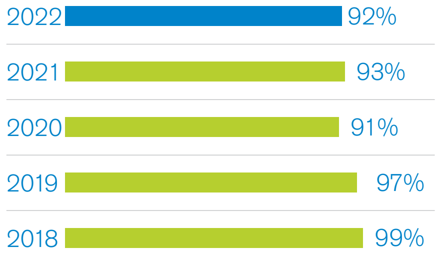
Definition
Provides a measure of residential customer satisfaction (Source: Research Perspective/ B&A Monthly survey).

Strategic Relevance
ESB strive to provide excellent customer service and introduce new initiatives to improve the customer experience in order to retain market share.

Performance
Residential customer satisfaction reduced over the course of 2022 as the energy crisis impacted on energy suppliers and customers. Customer service channels came under very significant pressure as anxiety about rising energy bills prompted a huge increase in contact centre traffic. A range of measures have been put in place to help mitigate these impacts and support customers. Despite these challenges, Electric Ireland continues to maintain a strong competitive position in 2022.

Strategic Objectives Empowered Customers

Brand Awareness



Definition
Awareness of Electric Ireland as an energy supplier (Source: Amarach Research Monthly Brand and Advertising Tracker).

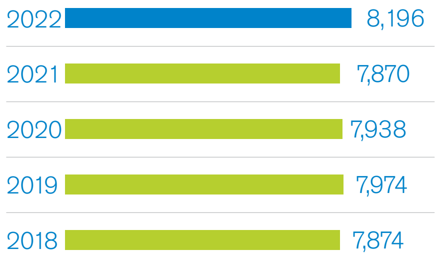
Strategic Relevance
Maintain the Electric Ireland brand as the leading energy supply brand in Ireland.

Performance
Awareness of the Electric Ireland brand stands at 92% in 2022 and continues to be one of the most recognisable brands in Ireland. Strong brand and marketing campaigns continue to promote Electric Ireland products and services including smart meter tariffs and time of use products in addition to sponsorship activities including Darkness into Light for Pieta House and the GAA All Ireland Minor Championships. These advertising and sponsorship campaigns are well recognised by target audiences.

Strategic Objectives Empowered Customers **Foundational Capabilities** Sustainable & Socially Responsible

People

Headcount



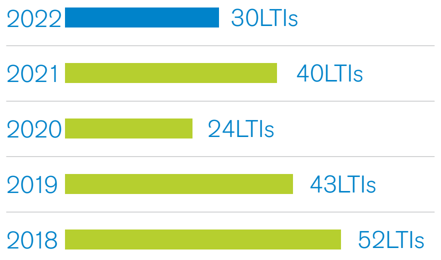
Definition
Average number of employees in the year including temporary employees employed by ESB.

Strategic Relevance
The delivery of the strategy will require an organisation that is of a certain scale and is flexible, highly motivated and adaptable.

Performance
Headcount has increased in 2022 due to staff hires across all business units and disciplines to support the delivery of the Net Zero by 2040 Strategy. For further detail, see note 10 of the financial statements.

Strategic Objectives Our People

Employee LTIs



Definition
Employee LTIs are work-related injuries that involve an absence of at least one day (not including the day the injury occurred).

Strategic Relevance
Safety is at the centre of what we do. ESB continues to focus on reducing risks in the business that gives rise to injurious incidents. For further detail, see safety on page 93.

Performance
In 2022 the total number of employee Lost Time Injuries (LTI) was 30. This is a decrease on 2021 of 10. The most prevalent cause of LTI was slips and trips on the level, followed by movements of the body including manual handling.

Strategic Objectives Our People

Regular monitoring of Strategic Performance Indicators as well as Environmental, Social and Governance measures are included within the strategy section on page 20 and ESB's Sustainability Report which can be found on the ESB website.

Operating and Financial Review

Executive Committee

The Executive Committee focuses on the execution of the ESB strategy, technological and commercial developments, programme execution, financial and competitive performance, people development, governance, organisational development and Group-wide policies.

Paddy Hayes

Chief Executive

Appointed: August 2021
Career experience: Paddy Hayes was appointed Chief Executive in August 2021. Prior to his current role, Paddy had been Managing Director of ESB Networks and Executive Director of ESB's Generation and Wholesale Markets business. A Chartered Engineer, he holds a Masters degree in engineering from University College Dublin (UCD) and an MBA from the University of Warwick. Paddy is also on the Board of Directors of EPRI, the Electric Power Research Institute.

Marguerite Sayers

Deputy Chief Executive

Appointed: November 2014
Career experience: Marguerite Sayers was appointed ESB Deputy Chief Executive in July 2022. Immediately prior to this, she held the role of Executive Director, Customer Solutions since 2018. She has worked in various technical and managerial positions in ESB for over 30 years, including Generation Manager, Head of Asset Management for ESB Networks and Managing Director of ESB Networks DAC. She has a degree in Electrical Engineering from University College Cork (UCC). She is a Chartered Engineer, a Fellow and Past President of Engineers Ireland, a Fellow of the Academy of Engineers, a member of the Board of Energy UK and a Governor of the Irish Times Trust.

Jim Dollard

Executive Director Generation and Trading

Appointed: July 2013
Career experience: Jim Dollard was appointed to the position of Executive Director, Generation & Trading in May 2018. Prior to this he held the position of Executive Director for Business Service Centre (BSC) and Electric Ireland for five years. An accountant, he began his career in ESB in 1992 and has held a number of senior management positions throughout the Group in both financial and managerial roles. Jim holds a B. Comm and a Masters in Business Studies from UCD.

Pat Fenlon

Executive Director Customer Solutions

Appointed: July 2016
Career experience: Pat Fenlon was appointed Executive Director, Customer Solutions in September 2022. Prior to his current role, Pat held the role of Executive Director, Group Finance and Commercial. He previously held a number of senior financial and general management positions across ESB including General Manager of Electric Ireland, Corporate Change Manager and Group Finance and Commercial Manager. He is a fellow of Chartered Accountants Ireland and worked with PwC in Dublin before joining ESB in 1993.

Geraldine Heavey

Executive Director Enterprise Services

Appointed: June 2018
Career experience: Geraldine Heavey was appointed to the position of Executive Director, Enterprise Services in June 2018. Prior to this she held the role of Group Finance and Commercial Manager. She has worked in various finance and managerial positions in ESB since 1993, including Financial Controller, BSC and Electric Ireland, Manager, ESB Trading and Financial Controller, ESB Power Generation. She is an accountant and holds a Masters degree in Business Administration from Dublin City University (DCU). Geraldine is an external member of DCU's Commercial Board and chairs its Audit Committee.

Sinéad Kilkelly

Executive Director People and Organisation Development

Appointed: April 2022
Career experience: Sinéad Kilkelly joined ESB in April 2022 as Executive Director, People and Organisation Development. Prior to this Sinéad was Chief People Officer with Bus Éireann, a position she held since 2018. Previously she held a number of senior leadership roles in Ireland and overseas including Vice President People Services at Etihad Aviation Group in Abu Dhabi, where her responsibility included leading major organisational change programmes. She also held senior HR roles in Ulster Bank and Intel Ireland. Sinéad has a B.Sc (Management) and an MBA from Trinity College Dublin (TCD) and is a Chartered Fellow with CIPD.

Marie Sinnott

Company Secretary

Appointed: August 2019
Career experience: Marie Sinnott is Group Company Secretary of ESB. Prior to her appointment in 2019, Marie was ESB's Group Head of Compliance and Enterprise Risk Management and previously held a number of senior management roles across the organisation. A UCD commerce graduate, she holds an MSc in Economic Policy Studies from TCD and a Postgraduate Diploma in Corporate Governance from UCD Michael Smurfit Graduate Business School. Marie is a member of the DCU Governing Authority and a Director and Company Secretary of the board of the Institute of International & European Affairs.

Paul Smith

Executive Director Engineering and Major Projects

Appointed: January 2022
Career experience: Paul Smith was appointed to the position of Executive Director, Engineering and Major Projects in January 2022. Prior to this Paul held a number of senior management roles in ESB including Manager of Generation Operations and, more recently, Head of Asset Development where he led the expansion of ESB's renewables portfolio in Ireland and the UK. He joined ESB in 1992 and holds a B.Eng. in Electrical and Electronics Engineering from Queen's University Belfast and an MBA from UCD Michael Smurfit Graduate Business School. He is a Council Member of the Irish Management Institute.

Paul Stapleton

Executive Director Group Finance and Commercial

Appointed: October 2022
Career experience: Paul Stapleton was appointed Executive Director, Group Finance and Commercial in October 2022. Prior to his current role, Paul was Managing Director of Northern Ireland Electricity (NIE) Networks, an independent subsidiary of ESB. He joined ESB in 1991 and has worked in various roles in finance and managerial positions across the Group including General Manager of Electric Ireland, ESB Group Treasurer and Financial Controller of ESB Networks. He is a member of the Chartered Institute of Management Accountants and an IOD Chartered Director.

Nicholas Tarrant

Managing Director ESB Networks DAC

Appointed: June 2018
Career experience: Nicholas Tarrant was appointed Managing Director of ESB Networks in September 2021. Prior to this he held the positions of Executive Director, Engineering and Major Projects and Managing Director, NIE Networks. He has held a number of senior management positions including Generation Manager with responsibility for ESB's generation portfolio. He is a chartered engineer at the Institute of Engineers of Ireland, a Chartered Director and holds an MSc (management) from TCD.

Market Structure and Operating Environment 2022

1. Market Structure

1.(a) Overview of the Electricity Markets Structure in the Republic of Ireland (ROI) and Northern Ireland (NI)

The structure of the electricity market in ROI and NI can be divided into four segments: generation, transmission, distribution and supply. Electricity generation and supply are open to full competition throughout ROI and NI. Electricity transmission and distribution are regulated monopolies in ROI and NI, with the respective regulator determining the allowed revenue for the price review period.

Energy policies are set by the Minister for the Environment, Climate and Communications in ROI and the Department for the Economy in NI. Energy policy and regulation are heavily influenced by European Union (EU) law. The Commission for Regulation of Utilities (CRU) is the independent regulator of the energy market in ROI. The Utility Regulator (UR) is the independent regulator of the energy market in NI.

Electricity Networks

The electricity transmission system is a high-voltage network for the transmission of bulk electricity supplies at 110kV or higher voltages. The distribution system delivers electricity to individual customers at 110kV or lower. In ROI, ESB owns the transmission and distribution system network and operates the electricity distribution system network, while EirGrid operates the transmission system network. In NI, NIE Networks, owned by ESB, owns the electricity transmission and distribution system network and operates the electricity distribution system network. The System Operator for Northern Ireland (SONI) operates the transmission system network.

Single Electricity Market (SEM/I-SEM)

The Integrated Single Electricity Market (I-SEM) is the wholesale electricity market in ROI and NI. The I-SEM market arrangements incorporate Day-Ahead, Intraday and Balancing Markets (BM) as well as a competitive capacity remuneration mechanism and comply with EU harmonised arrangements for cross-border trading of wholesale energy across Europe and with EU State Aid guidelines for capacity remuneration. The process for remunerating capacity in I-SEM involves an auction where generators compete for capacity contracts and also imposes reliability penalties on the holders of those contracts (if called upon to deliver capacity and are unable to do so). Generators primarily compete for Reliability Options on a four (T-4) year ahead basis with additional adjustment auctions occurring on a one (T-1), two (T-2) and three (T-3) year ahead basis as necessary.

T-3 auction results for delivery in October 2024 were announced in March 2022. The clearing price was €149.92/kW, with 1,447 MW of de-rated capacity awards over 41 units. Five new ESB units entered into the auction and were awarded 10-year contracts. This comprised two 75 MW batteries in Aghada, and three gas flexible generation units located at Ringsend, Poolbeg and Corduff totalling 190 MW. No existing ESB units had capacity to offer into the auction.

T-4 auction results for delivery in October 2026 were announced in May 2022. The clearing price was €46/kW. All ESB units that were eligible to bid into the auction were awarded contracts. Moneypoint units were not eligible to bid due to emissions criteria. A total of 6,484 MW of de-rated capacity was awarded, with 687 MW of that being new capacity.

Renewable Electricity Support Scheme (RESS)

The Irish Government has in place a Renewable Electricity Support Scheme (RESS) with the aim of achieving 80% renewable electricity by 2030 (similar targets have also been announced in the Climate Change Act for NI). Successful participants in the various RESS auctions will secure 15-year contracts.

RESS-2 auction results were published in June 2022, with 414 MW of onshore wind and 1,534 MW of solar projects successful at an average strike price of €97.87/MWh across all projects. This is over 1.9 GW in total and an increase over the 1.2 GW awarded in RESS-1.

The Irish Government finalised the terms and conditions for the first offshore wind auction (ORESS-1) in November 2022, with the final auction results expected in June 2023. It is expected that up to 2.5 GW of offshore wind will be awarded contracts in this auction.

Electricity Generation

The I-SEM generation capacity is approximately 16 GW and connected to the system on an all-island basis. The capacity connected to the system includes a mix of older generation plants alongside modern gas fired Combined Cycle Gas Turbine (CCGT) plants and renewable energy sources such as wind power. These stations generate electricity from fuels such as gas, coal and oil as well as indigenous resources including hydro, wind, peat and biomass. I-SEM has c.6 GW of wind installed, with plans to expand on both this and solar power as part of the aim to have up to 80% of electricity generation from renewable sources by 2030.

Wind contributed 33% of generation in 2022 (30%: 2021). ESB had a 30% generation market share in I-SEM in 2022, slightly down on the 2021 generation market share of 33%[1].

2022 saw 73% availability of baseload thermal generation in I-SEM. While gas was the primary fuel in the market, coal remained relevant given the high gas prices and tight margins in the system.

Interconnection

For geographical reasons, the electricity transmission systems on the island of Ireland are isolated compared to systems in mainland Europe and Great Britain (GB). The Moyle Interconnector links the electricity grids of NI and Scotland. The East-West Interconnector (EWIC) links the electricity transmission system in ROI to the electricity transmission system in Wales. The total interconnection capacity with GB is approximately 1,000 MW. The Greenlink Interconnector, with a capacity of 500 MW, between Ireland and Wales is proposed to come online in 2024, while the Celtic Interconnector between Ireland and France with a capacity of 700 MW is due to be complete by 2026.

In 2022, SEM was a net exporter of electricity to GB as poor nuclear plant availability in France drove flows to France from GB (and indirectly from SEM to GB).

1.(b) Overview of the Electricity Markets Structure in Great Britain (GB)

In GB, electricity generation and supply are open to full competition. Electricity transmission and distribution are regulated monopolies in GB, with the Office of Gas and Electricity Markets (OFGEM) determining the allowed revenue for the price review period. Energy policies are set by the Secretary of State for Business, Energy and Industrial Strategy (BEIS). OFGEM is the regulator of the energy market in GB.

British Electricity Trading and Transmission Arrangement (BETTA)

BETTA is the wholesale electricity market operating in GB. Unlike I-SEM, trading can take place between generators and suppliers either bilaterally or through exchanges, and both physical and financial contracts can be struck to manage price volatility, for time scales ranging from several years ahead to intra-day trading markets. National Grid, acting as the Electricity System Operator (ESO) is responsible for balancing supply and demand in real time, by utilising the BM and other system services. BETTA operates a capacity remuneration scheme, where generators are awarded capacity contracts based on the outcome of an auction, that enable them to receive payments for the provision of generation capacity while also incurring penalties for non-delivery during scarcity events.

Contracts for Difference (CfD) Scheme

The main support mechanism for low-carbon technologies is with CfDs; awarded through competitive auctions (Allocation Rounds (AR)). The fourth round of allocation (AR4) took place in 2022 with more projects being awarded capacity contracts in this round than the three previous rounds combined. AR4 also saw the introduction of tidal stream and floating offshore wind projects. Offshore wind has dominated the CfD auctions, with a capacity of about 7 GW awarded in AR4. In contrast, only c.900 MW of onshore wind and just over 2.2 GW of solar PV were awarded capacity contracts in AR4. This is the first time since 2015 that established technologies, including solar PV and onshore wind, were able to compete in a CfD allocation round again. Offshore wind auction clearing prices have dropped significantly, from c.£115/MWh in the first auction (AR1), to c.£37/MWh in AR4. The process for the next CfD auction, AR5, will commence in early 2023.

Electricity Networks

In GB, the transmission network is owned by Scottish Hydro Electricity Transmission Limited (SHETL), Scottish Power Transmission (SPT) and National Grid Electricity Transmission (NGET). However, the entire transmission network is operated by one national electricity transmission system operator called the Electricity System Operator (ESO). The statutory obligation of the ESO is to economically balance supply and demand at near and at real time. At distribution network level, the network is owned and operated by various regional distribution companies.

Interconnection

In addition to interconnection with Ireland, GB is interconnected with France, Belgium, the Netherlands and more recently with Norway with the total GB import/export capacity at approximately 8,400 MW. A new 1,000 MW interconnector to France went live in May 2022 bringing the total connection to France up to 4 GW. Despite Brexit, a significant number of new interconnector projects are being planned, including further interconnections with France, Ireland and Norway, as well as new interconnections with Denmark and Germany.

2. Operating Environment

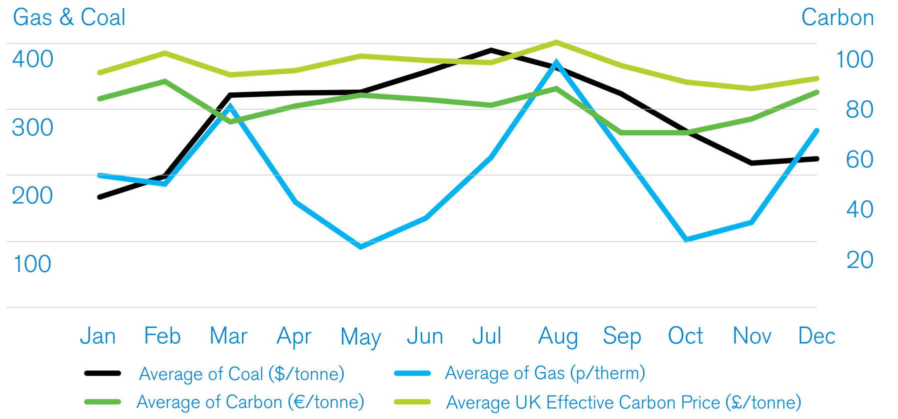
2.(a) Commodities - the Global Energy Markets

Commodity prices and energy markets overall were severely impacted by geopolitical issues in 2022. The cost of the underlying fuels used to generate electricity is critical to both and is driven by international markets which are discussed below.

Gas Prices

Gas prices were already high at the start of the year due to lower than usual flows from Russia and historically low levels of storage in the EU. Following the Russian invasion of Ukraine in February, gas prices once again spiked due to fears of supply interruption. The Baltic Sea gas pipeline, Nordstream, was flowing at 40% capacity in June, returning at 20% capacity in July, before finally going on outage in late August, and not returning – with no return date set. The EU has taken a number of measures to address this energy crisis in terms of supply and high prices. Prices were very volatile in 2022. The annual average gas price was 201p/therm, significantly up from 114p/therm in 2021. The lowest monthly average price was 91p/therm in May, while the highest was 371p/therm in August.

Figure 1: Gas, Coal And Carbon Prices



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[1] Wind share of generation is defined as total wind generation as a percentage of positive metered generation and an estimated 2 TWhrs embedded generation. ESB Market share in I-SEM is being defined in terms of positive metered generation from ESB generation plant only (i.e. no reduction in the figures to account for pumping at Turlough Hill), as a percentage of Total SEM Demand, where Total SEM Demand is based on demand values from EirGrid, plus an estimated 2 TWhrs of embedded generation. The 33% figure stated is different to Figure 3 on page 54 which is inclusive of interconnectors imports (if any) and includes SEM market participants only.

Market Structure and Operating Environment 2022 (continued)

Coal Prices

Coal prices rose sharply in 2022 in line with the geopolitical crisis and concerns around energy security. Prices averaged $291/tonne in 2022, significantly up from $121/tonne in 2021. The lowest monthly average was $167/tonne in January, while the highest monthly average was $390/tonne in July.

Carbon Prices

Within the EU Emissions Trading Scheme (EU ETS), generators are required to buy carbon allowances for the carbon that they emit while generating electricity. Carbon prices were less volatile than gas and coal prices in 2022. The annual average carbon price for 2022 was €81/tonne, up significantly from €53/tonne in 2021. The lowest monthly average was €71/tonne in September, while the highest monthly average was €91/tonne in February.

A UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the EU ETS on 1 January 2021. The UK carbon price, plus the Carbon Price Support (CPS) tax, currently set at £18/tonne, is the effective carbon price for electricity generator.

2.(b) Operating Environment - SEM

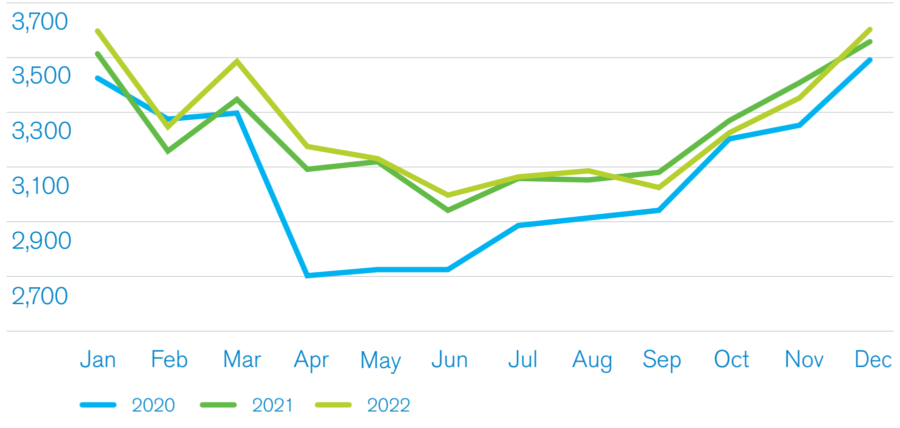
Market Interventions

This year, there was an agreement at EU level for emergency intervention in the energy sector, with it being left to a national level for how this could be implemented. In November 2022, the Irish Government agreed a cap on all market revenues of non-gas electricity generators, comprising a cap of €120/MWh for wind and solar, at least €180/MWh for oil and coal fired generation, and €180/MWh for all other technologies. This cap will be in effect from December 2022 until June 2023.

Security of Supply

There was increased system tightness in SEM this year, with eight system alerts issued (previously amber alerts issued when a single event would give rise to a reasonable possibility of failure to meet the power system demand). An increase in demand, along with the switch from being a net importer over the interconnectors last year to being a net exporter this year contributed to this. This increased risk has led to EirGrid seeking an extra 200 MW of emergency generation, originally targeted for winter 2022, but most likely to be delivered in the final quarter of 2023.

Figure 2: 2022 v 2021 v 2020 I-SEM Demand Changes (GWh)



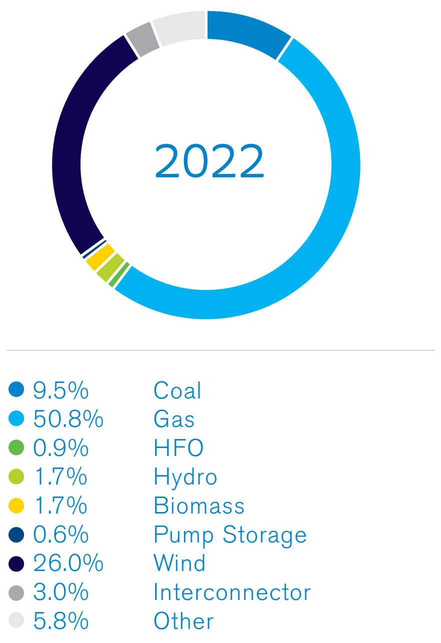
Demand

Demand started the year strongly with significant growth on the previous year, until the geopolitical crisis emerged impacting both energy markets and the wider economy. Higher prices and policy measures at EU level which include a 15% reduction in gas demand, and an obligation to reduce electricity demand by 5% during peak price hours and gas storage levels of 85% by the end of 2022 all contributed to bring demand back to levels seen in 2021. Overall, demand was 1% higher in 2022 than 2021.

I-SEM Wholesale Electricity Market

In 2022, 63% of metered generation (Figure 3) in I-SEM was met by fossil fuels. Wind generation increased to 26% of I-SEM volume in 2022, and despite the increase in gas prices, generation from gas plants rose to almost 51% of the generation on the system. The electricity price has historically been closely linked to the wholesale gas price, and under I-SEM the Day-Ahead Market (DAM) price on average has not shown any notable change in this behaviour and is still fundamentally driven by the gas price, as can be seen from Figure 4, which shows how the monthly average DAM price has tracked gas prices across the year. Although, on a day-by-day basis much greater variability between DAM price and gas price can be observed, depending on factor such as high wind and/or low demand.

Figure 3: Electricity Generation In I-SEM by Fuel Type[2]



Year on year, the DAM price has increased by 66% to an average value of €226/MWh, from €136/MWh in 2021. This was driven by high commodity prices. The DAM price generally followed the volatile prices in the gas market, with some slight deviations depending on the level of wind penetration during the month. The lowest monthly average DAM price was €136/MWh in October with a monthly average high of €388/MWh in August.

I-SEM Balancing Market

While volatility continued to be a feature of the balancing market in 2022, it is less obvious than in previous years when looking at daily average BM prices in comparison to DAM prices as per Figure 5. During individual half-hourly periods prices reached a low of minus €456/MWh and high of over €827/MWh, compared to a low of minus €30/MWh and a high of 705/MWh in the DAM.

Figure 4: Average of DAM (€/MWh) and Gas (p/therm)

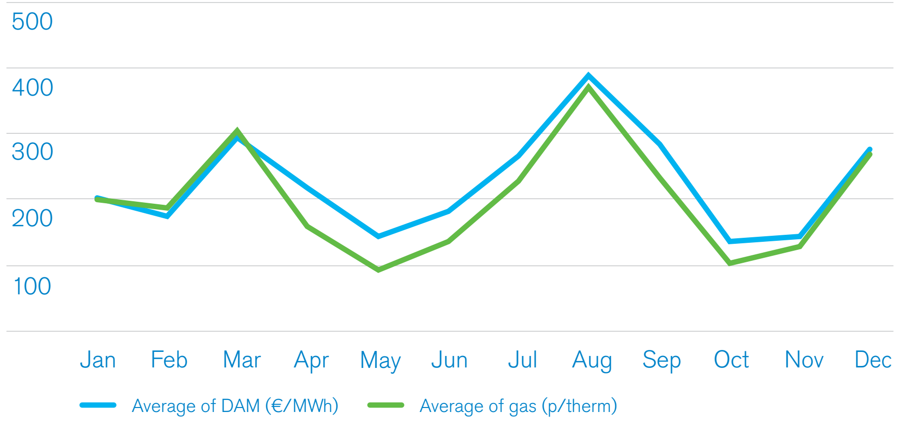
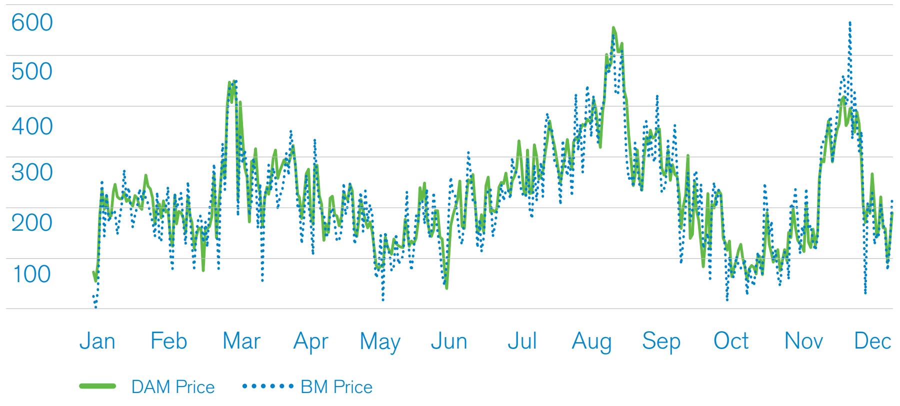


Figure 5: Day Ahead Versus Balancing Market Price (€/MWh)



2.(c) GB Electricity Market and Prices

Market Interventions

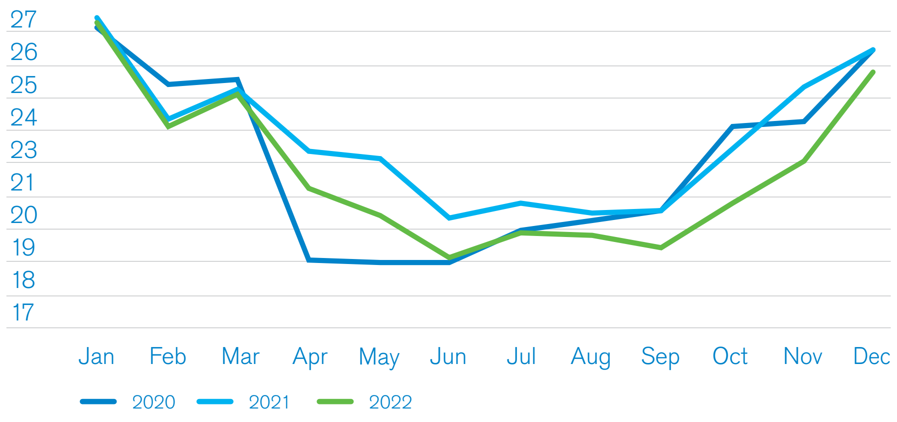
In the Autumn Statement, the UK revealed their plans for windfall taxes. From 1 January 2023 until 31 March 2028, there will be a 45% tax on revenues over £75/MWh for renewable and nuclear generators, with renewable energy sold under CfDs excluded. Gas fired plants are exempt.

Demand

Demand on the transmission system at market level in GB is significantly lower in 2022, especially since April due to the difficult economic climate.

The total annual demand in 2022 is c.4% lower than 2021, and lower than any of the last three years. Figure 6 presents the 2022 GB electricity demand compared to the previous two years.

Figure 6: GB Electricity Demand (TWh)



Generation Mix

Figure 7 shows the GB generation mix in 2022, with over 33% of generation coming from wind and solar. Wind and solar generation output in 2022 has been higher than the previous two years. Wind generation in 2022 was c.24% higher than 2021. Similarly, 2022 saw total solar generation increase by 7%.

Gas-fired generation contributed 41% of overall generation in 2022, up slightly from 38% in 2021. This was mainly driven by the supply tightness which required more gas-fired plants to operate to meet demand. Although GB demand

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[2] Electricity generation in I-SEM by fuel type is defined as the percentage of generation by units in the market grouped by fuel type, including interconnectors as a distinct group. The 26% referenced in Figure 3 above is inclusive of interconnectors and SEM market participants only. The 33% referenced on page 52 is inclusive of both market and non-market wind generators and also 2 TWhrs of embedded generation.

Market Structure and Operating Environment 2022 (continued)

Figure 7: GB Generation Mix

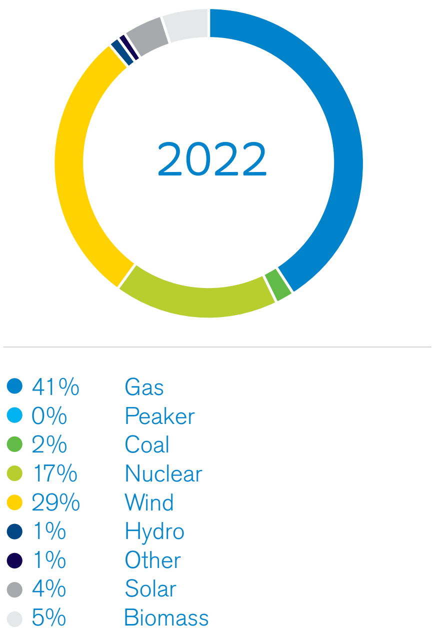


Figure 8: GB Net Monthly Power Exchange 2022 (GWh)

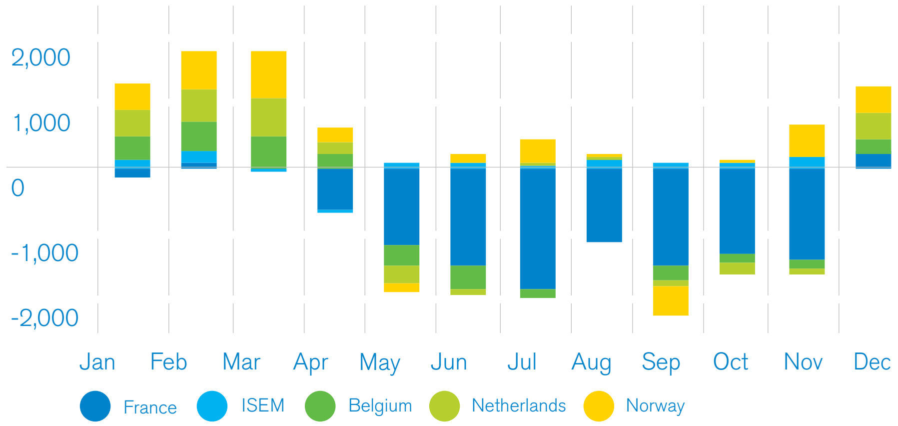
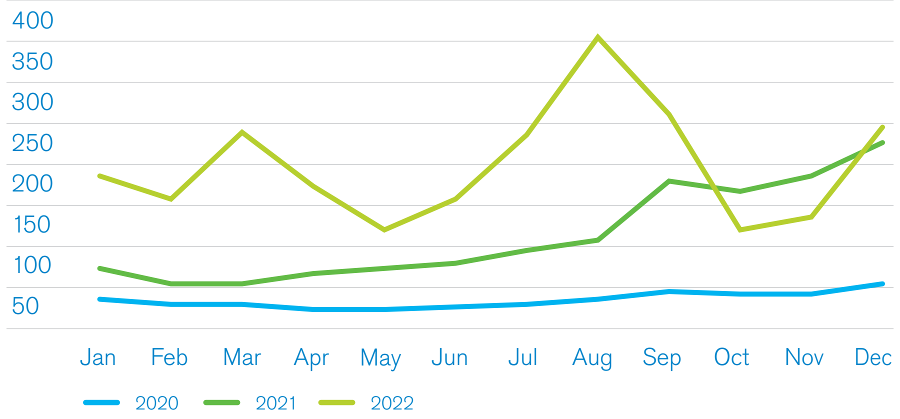


Figure 9: GB Baseload Power Prices (£/MWh)



has decreased this year, generation from BETTA did not decrease overall, due to the change in net flow on the interconnector for the first time in the last few years from importing to exporting.

The UK government has decided to close all coal generation plants by 2025. Notwithstanding this, coal generation remained constant at 2% of the generation fuel mix over the last three years with more coal burnt than 2021 in the months of February, March, April, September and December due to soaring prices for natural gas and the supply tightness.

In 2022, GB was a net exporter of power to continental Europe as power prices were generally lower in GB and GB demand had also decreased. GB became a net exporter of power from April to November, which was driven by tight supply in France due to a number of nuclear plant outages and the economic downturn in GB. Flows between GB and Ireland are much more balanced, however with GB having a slight net import from Ireland in 2022. Flows were mainly from Norway to GB as prices in Norway are much lower due to the significant portion of hydro generation there. Figure 8 shows net monthly flows with connected regions, with positive values indicating imports to GB and negative values indicating exports from GB.

Power Markets and Prices

2022 has been characterised by extremely high and volatile electricity prices. Day-Ahead electricity prices started in 2022 with the average price for January at £186/MWh rising to £237/MWh in March due to the emerging geopolitical situation in Ukraine. Prices rose again during the summer to a peak £353/MWh in August largely following the trend in the gas price. Figure 9 presents the monthly Day-Ahead prices for 2022 compared to the previous two years.

The high and volatile prices in 2022 were driven by two main factors:

- High commodity prices – natural gas prices reached historical highs in 2022 due to extremely tight supply in Europe and the geopolitical situation. The UK ETS carbon price also increased significantly in 2022. As the GB system is still heavily reliant on gas-fired plants, the higher gas and carbon cost has fed into higher power prices. Gas and carbon prices for 2022 are presented in Figure 10 and 11 respectively, compared to the previous three years.
- Reduced available generation capacity – 2022 has seen a high level of outages among thermal, nuclear and interconnectors.

Following a number of years of oversubscribed GB Capacity Market auctions, leading to downward pressure on auction clearing prices, the last two years have seen clearing prices rising significantly, resulting in both 2022 auctions (T-1 for delivery in 2022/23 and T-4 for delivery in 2026/27) clearing at record high prices. The T-1 auction cleared at the maximum possible of £75/kW. This was almost guaranteed prior to the auction itself, when BEIS raised the target capacity being sought to match the volume that had prequalified for the auction. In the end, all capacity that bid into the auction (c. 5 GW) received a capacity contract, including some large existing plants (Keadby, Medway, Corby, Ratcliffe 4 and Ffestiniog 4). The T-4 auction cleared at £31.59/kW, with 42.4 GW of capacity contracts awarded. Medway was the only large existing plant that entered the auction that did not secure a contract. The existing capacity was insufficient to meet the auction's capacity requirements, resulting in new capacity received contracts. This new capacity included c. 1 GW of batteries and 0.9 GW of gas, including a new 0.3 GW Open Cycle Gas Turbine (OCGT) at Immingham.

The GB Balancing Market (BM) is important to dispatchable and relatively flexible plants such as Carrington CCGT. The BM price, often referred to as cash-out price, reflects the system marginal cost within the BM market time frame (near to real time). Generally, the BM prices spike when the system is short and the ESO calls on expensive plants to generate. This is a significant opportunity for flexible plants to earn additional revenue, especially when they are not in-the-money to run in the DAM. Average monthly BM prices have been largely trending according to commodity prices. Figure 12 presents the daily average system prices compared to day-ahead prices. BM system prices tend to be more volatile than DAM prices. System prices in 2022 reached historical highs again and were highly volatile, driven by the same factors that drove high Day-Ahead prices. Half-hourly BM prices reached a peak of over £4,000/MWh again this year on 24 January 2022, with an average daily price reaching £777/MWh. DAM prices reached almost £600 on 27 August 2022.

Figure 10: NBP Natural Gas Prices (p/therm)

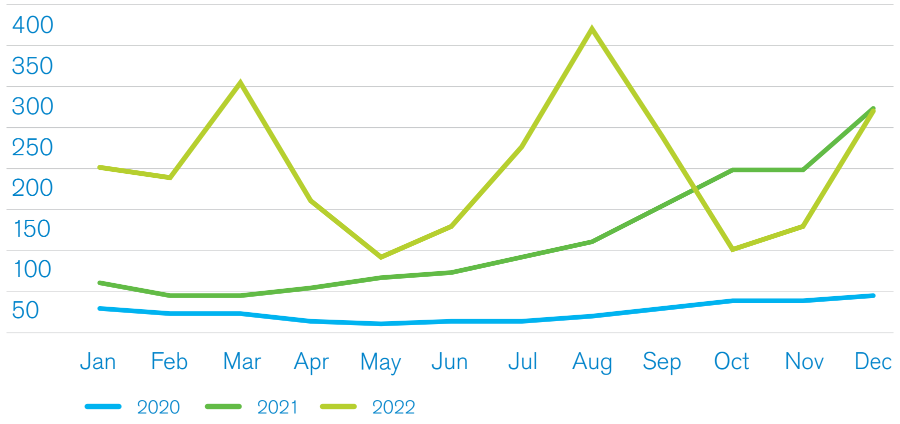


Figure 11: UK Effective Carbon Prices (£/tonne)

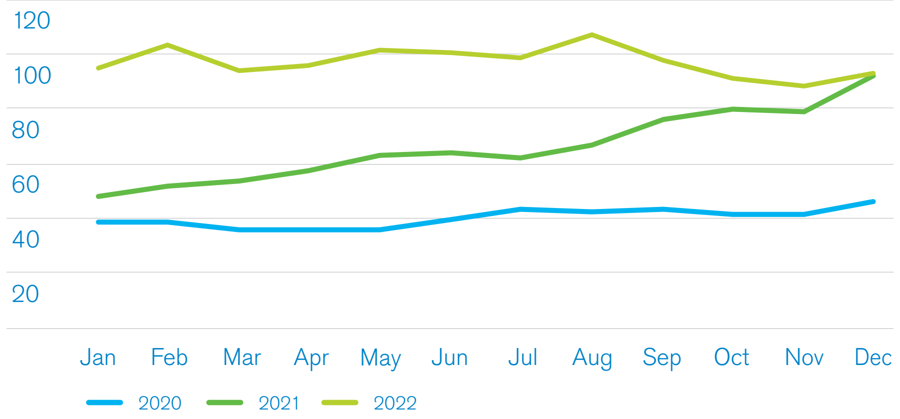
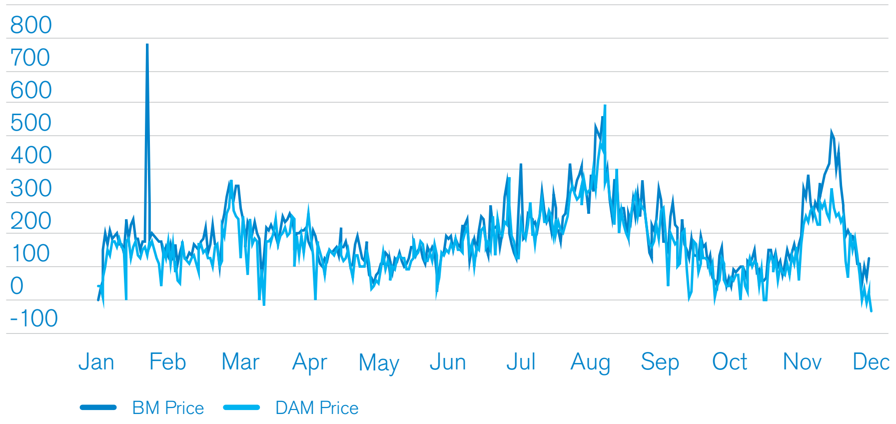


Figure 12: Daily Average GB BM vs DAM Price (£/MWh)



Financial Review

2022 has been an extraordinary year in global energy markets. Driven by the Russian invasion of Ukraine, we have seen high and extremely volatile wholesale market prices. This has had a significant impact on ESB's overall profitability, with additional margins earned in our Generation and Trading (GT) business outweighing losses incurred by our Customer Solutions business.

Paul Stapleton, Executive Director, Group Finance and Commercial

Highlights

EBITDA before exceptional Items

€1,675m

(2021: €1,493 million)

Operating Profit before exceptional Items

€847m

(2021: €679 million)

Profit after Tax before exceptional Items

€649m

(2021: €266 million)

Capital Expenditure

€1,395m

(2021: €1,223 million)

2022 Dividends

€327m

(2021: €126 million)

Return on Capital Employed

6.9%

(2021: 5.6%)

Gearing

58%

(2021: 52%)

These conditions have however presented a significant challenge for our market facing businesses in managing risk during such a period of uncertainty. It has shown the benefit of ESB having robust, well managed processes and systems to meet that challenge. 2022 has also demonstrated the benefit of a well-funded and financially strong ESB to meet substantial short term funding requirements (particularly in the form of cash collateral on exchange traded commodity positions) and to allow us to continue to invest at scale in critical low-carbon energy infrastructure in both Ireland and the UK.

A number of broader macroeconomic issues such as high inflation levels, increased interest rates and supply chain disruption came to the fore in 2022 also. These factors have had an impact on our electricity generation and networks businesses in particular. We continue to monitor these issues closely.

ESB delivered Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) before exceptional items of €1,675 million, an operating profit of €847 million and capital investment of €1,395 million.

Operating profit before exceptional items has increased by €168 million on 2021 primarily due to the impact of higher wholesale prices in our GT business both in Ireland and Great Britain (GB). This was offset by lower levels of profitability in our networks' businesses due to regulated network tariff changes, significant losses incurred in ESB's supply business in GB as well as foreign exchange movements, asset retirement provision movements, higher operating costs and a higher depreciation charge.

The overall level of profits earned in 2022 are higher than anticipated largely as a result of the extraordinary wholesale market conditions which prevailed and the limitations of current market structures which prevented additional profits in the Generation and Trading (GT) business being passed on to customers. In that context, a significantly enhanced dividend of €327 million is proposed to be paid to stockholders, 97% of which goes to the Irish Government. We also welcome in principle the introduction of measures by the EU and the Irish and UK Governments to cap the revenues being earned by generators in these exceptional times. It is important that market structures and policy measures enable both the viability of investment and affordability for customers.

ESB requires significant and growing profits to sustain our ambitious capital investment programme, which was at its highest to date in 2022 at €1.4 billion and which is detailed further on page 62.

Our 2022 performance reflects the following progress in our main business units:

- ESB Networks operating profit for 2022 is down €202 million on 2021 due primarily to a decrease in revenue from regulated tariffs as well as higher operating costs to support the delivery of PR5 and higher depreciation costs due to an increase in the asset base. Both ESB Networks and NIE Networks businesses continued to deliver significant progress on their regulated capital and maintenance programmes in line with their agreed price controls.
- GT operating profit is up €590 million on 2021 mainly as a result of higher wholesale market prices benefitting ESB's thermal and renewable assets in both Ireland and GB. GT continued to develop its renewable portfolio, notably through continued investment in onshore and offshore wind projects both in Ireland and GB. The GT business also contributed strongly to maintaining electricity security of supply in Ireland throughout 2022. The hedging policy of GT was important in satisfactorily managing exposures to the large and volatile movements in wholesale prices.
- As was the case in 2021, our Customer Solutions business was loss making in 2022. In GB, the Government imposed price cap alongside dramatically increased wholesale energy costs caused ESB's GB retail business to be loss making in 2022 with So Energy incorporated into the results for a full year for the first time in 2022 following its acquisition in August 2021. Electric Ireland (which is part of Customer Solutions) operating profits were lower than 2021 due mainly to reduced energy margins. Regulatory provisions in Ireland dictate that additional profits in our GT business cannot be used to offset additional costs incurred by Electric Ireland, however, we remain committed to supporting customers during this period of energy crisis. While regrettably, Electric Ireland had to pass on a number of price increases to customers in 2022, in December 2022 Electric Ireland announced a €50 credit for all residential electricity customers in the Republic of Ireland which has been provided for in the 2022 financial statements.

Exceptional Item

In 2022, we recognised an exceptional charge of €91 million (2021: €154 million) relating to an impairment of ESB's investment in the Neart na Gaoithe offshore wind project. The carrying value of the asset had increased during 2022 due to the impact of fair value movements on hedges. While the project has made significant progress in 2022, delays to the project were experienced in 2021 giving rise to an expectation that additional construction costs will be incurred.

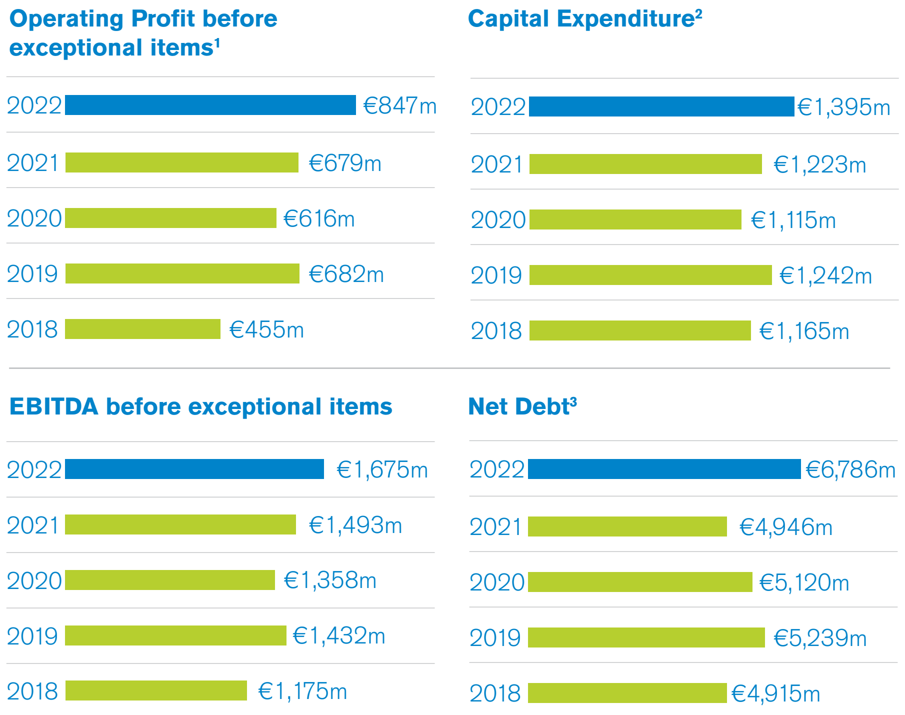


Figure 1: Five-year summary

Capital Investment

ESB continues to invest at record levels in energy infrastructure with €1.4 billion of capital expenditure in 2022.

Approximately 80% of this was in our two networks' businesses in line with agreed regulated capital programmes, including over €130 million on the roll-out of smart meters in ROI. ESB invested c.€179 million in new renewable generation and systems services projects (including batteries) as well as over €20 million in maintaining its existing generation fleet to ensure the reliability of electricity supply to customers during the ongoing transition to low-carbon generation, particularly over the winter period.

In addition to this, €287 million was advanced by way of shareholder loans to joint venture projects (the majority of which related to our continued investment in offshore wind).

EU Taxonomy Regulation Reporting

ESB has once again included disclosures in the Annual Report under the EU Taxonomy Regulation on a voluntary basis, ahead of the requirement to do so. An initial alignment assessment has been completed and KPIs calculated outlining the proportion of ESB's turnover, OpEx and CapEx which relate to Taxonomy-Aligned activities. Based on this initial assessment approximately 81% of ESB's capital investment relates to Taxonomy-Aligned activities as we continue to invest in renewable generation and the enhancement of the electricity networks in both the Republic of Ireland and Northern Ireland. See page 109 for the full EU Taxonomy Regulation disclosure.

Outlook

As Ireland's leading energy utility, ESB has a stable business profile with over 50% of earnings (EBITDA) and assets accounted for by regulated electricity networks on the island of Ireland under established and

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[1] Before the following exceptional items: 2022: Neart na Gaoithe impairment (€91 million). 2021: Profit on asset sales (including impairment reversals) €152 million, Neart na Gaoithe impairment (€154 million), So Energy impairment of goodwill and onerous contract provision (€61 million). 2020: Impairment charge (€188 million) and increased Asset Retirement Provisions (€59 million). 2019: Severance and associated costs (€60 million) and impairment charge (€34 million). 2018: impairment charge (€140 million).

[2] 2018 - 2022 capital expenditure is gross of customer contributions for network connections (in line with IFRS 15 'Revenue from Contracts with Customers').

[3] 2019 - 2022 net debt includes lease liabilities recognised in accordance with IFRS 16 'Leases'. 2022: €129 million, 2021: €120 million, 2020: €125 million, 2019: €132 million. It excludes ESB share of debt associated with investments in joint ventures and associates all of which are equity accounted. It also excludes restricted cash (2022: €754 million).

Financial Review (continued)

transparent regulatory frameworks. ESB remains financially strong with net assets of €4.8 billion at 31 December 2022. In a volatile and uncertain funding environment, it is significant that we raised 3 additional bonds during 2022 and we have a strong liquidity position of over €2.2 billion at 31 December 2022. We have a moderate gearing level, relative to other utilities, of 58% at the end of 2022 and credit ratings of A- and A3 with Standard & Poor's and Moody's respectively, both reaffirmed during 2022.

This strong financial position along with a stable business profile, means ESB is well positioned to meet the challenges that lie ahead and to deliver on the strategic ambition to make a difference, deliver a brighter future and achieve net zero by 2040.

Alternative Performance Measures

Refer to the Glossary section for details of the alternative performance measures which are reconciled below.

Revenue (Figure 2)

Revenue and other operating income before exceptional items at €7,615 million has increased by €2,348 million compared to 2021 (€5,267 million). The increase is primarily driven by higher revenue in Customer Solutions and GT due to higher wholesale electricity prices compared to 2021. This was offset to some degrees by tariff changes in the regulated networks businesses.

Share of Equity Accounted Investees Loss (Figure 2)

This reflects ESB's share of the losses from its equity accounted investments. The loss in 2022 primarily relates to ESB's 50% share of negative mark to market movements on inflation linked swaps in Neart na Gaoithe offshore wind farm project which do not qualify for hedge accounting.

Taxation (Figure 2)

The tax charge of €142 million is higher than 2021. ESB's effective tax rate on profits before exceptional items has decreased on 2021 mainly due to the higher deferred tax charge in the financial statements in 2021 to account for the increase in the UK tax rate to 25%. Further detail is included in note 21 to the financial statements.

Operating Costs (Figure 3)

Overall operating costs before exceptional items at €6,768 million have increased by €2,180 million.

- Fuel and other energy costs have increased by €1,881 million reflecting significantly higher commodity costs in 2022 compared to 2021.
- Depreciation is higher primarily in ESB Networks and NIE Networks due to the growing and changing nature of the asset base.
- Employee costs are up €56 million due to increased headcount across almost all business units, increased overtime and expenses and the impact of pay increases.
- Operating and maintenance costs have increased by €203 million primarily due to a non-cash foreign exchange translation loss on sterling denominated intercompany positions, increased Asset Retirement Obligations (ARO) costs in ESB Networks and Generation and Trading and higher costs across a number of business units due to inflation and increased activity levels.
- Net impairment of financial assets is up on 2021 due to higher receivables as a result of price increases.

A breakdown of the operating costs by business segment is provided in note 3 to the financial statements.

Figure 2: Summarised Income Statement

	2022 €'m	2021 €'m
Revenue and other operating income	7,615	5,267
Operating costs*	(6,768)	(4,588)
Operating profit before exceptional items	**847**	**679**
Exceptional items	-	91
Operating profit after exceptional items	**847**	**770**
Net finance costs	(111)	(125)
Fair value movements on financial instruments	86	(127)
Exceptional impairment of equity accounted investees	(91)	(154)
Share of equity accounted investees loss	(31)	(76)
Profit before tax	**700**	**288**
Tax charge	(142)	(97)
Profit after tax	**558**	**191**

* Includes non-exceptional impairments (see note 8)

Figure 3: Operating Costs (excluding exceptional items)

	2022 €'m	2021 €'m
Fuel and other energy related costs	4,627	2,746
Depreciation and amortisation	915	877
Employee costs	532	476
Operating and maintenance costs	652	449
Net impairment losses on financial assets	39	22
Impairment (excluding exceptional items)	3	18
Total operating costs	**6,768**	**4,588**

Exceptional Items (Figure 2)

See page 59 and note 6 of the financial statements for further details on exceptional items.

Operating Profit (Figure 4)

Operating profit before exceptional items has increased by €168 million. The movement in operating profit before exceptional items between 2021 and 2022 is set out in Figure 4.

EBITDA (Figure 5)

Earnings before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions.

Adjusted Profit Before Taxation (Figure 6)

Adjusted profit before taxation for 2022 is €734 million (2021: €553 million). The variance relates to higher operating profit, higher exceptional items and non-cash fair value movements (see figure 6).

Total Finance Costs (Figure 7)

Total finance costs for 2022 are €227 million lower than 2021.

The net finance costs are lower than 2021, reflecting an increase in finance income, mainly interest charges in respect of loans to joint venture projects.

The movement in inflation (RPI) linked interest rate swaps reflects an increase in interest rate assumptions underpinning the fair value of these instruments.

Further detail is included in note 9 to the financial statements.

Segmental Performance

The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Details on the financial performance of the business segments are included in the business unit review sections pages 66 to 85 and in note 3 to the financial statements.

Figure 4: Reconciliation of Operating Profit before exceptional items 2021 to 2022

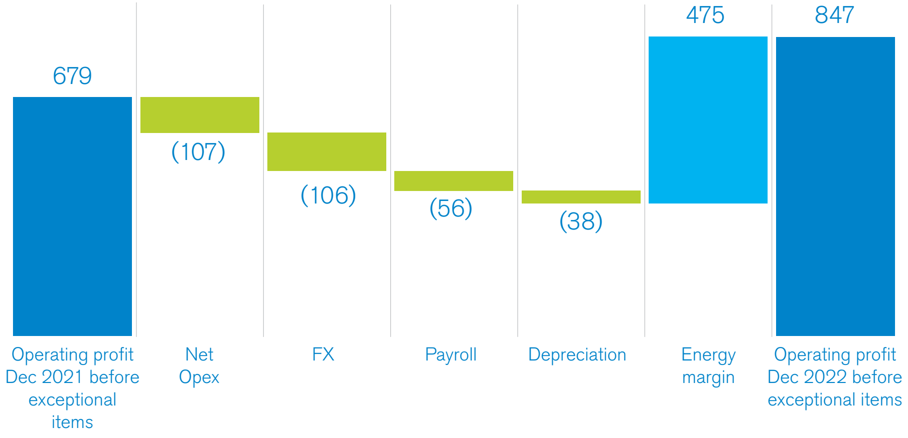


Figure 5: EBITDA

	2022 €'m	2021 €'m
Operating profit	847	770
Impairments (including non-trading net impairment losses on financial assets and impairment gains)	3	(16)
Depreciation	915	877
Revenue from supply contributions	(90)	(81)
EBITDA	**1,675**	**1,550**
Exceptional items (non-impairment)*	-	(57)
EBITDA before exceptional items	**1,675**	**1,493**

* Exceptional items (non-impairment) 2021 – gain on sale of Fitzwilliam €70 million, onerous contract provision (€16 million), gain on sale of Tilbury (excluding impairment gain) €3 million.

Figure 6: Reconciliation of Adjusted Profit Before Taxation

	2022 €'m	2021 €'m
Profit before taxation	700	288
Exceptional items	91	63
Fair value movement on RPI linked interest rate swaps	(102)	113
Fair value movement on JV swaps	45	89
Adjusted profit before taxation	**734**	**553**

Figure 7: Total Finance Costs

	2022 €m	2021 €m
Net interest on borrowings	132	119
Financing charges	15	13
Finance income	(36)	(7)
Net finance costs	**111**	**125**
Fair value movement on RPI linked interest rate swaps	(102)	113
Fair value losses on financial instruments	16	14
Total finance costs	**25**	**252**

Financial Review (continued)

Net Debt and Gearing (Figure 9)

Net debt has increased to €6.8 billion in 2022 from €4.9 billion in 2021. Borrowing levels are higher than 2021 with additional capital expenditure being offset by increased EBITDA. The increase in net debt is due mainly to higher gross debt as a result of additional bonds raised and decreased cash on hand impacted by €0.75 billion of net cash collateral amounts paid (relating to exchange trading) at 31 December 2022 (2021: received €0.3 billion) as set out in the Liquidity and Funding Activities section on page 63.

The gearing level has increased from 52% to 58% reflecting the lower cash on hand, higher debt and increased net assets at year end.

Capital Expenditure (Figure 10)

Capital expenditure was €1,395 million in 2022, an increase of €172 million on 2021.

Generation and Trading invested €207 million in 2022 including the investment in system services and battery technology.

Capital expenditure in ESB Networks includes the spend on the Smart Metering project (c.€134 million in 2022 compared to c.€150 million in 2021) as well as the continued investment in the network. In NIE Networks, the increase in capital expenditure also reflects their regulated investment programme. Included in capital spend is €71 million relating to the capitalised element of asset retirement obligation movements relating to creosote coated poles in ESB Networks and NIE Networks.

Capital expenditure of €64 million in other segments includes various Group projects, mainly IT and digital projects. 2021 included expenditure relating to the redevelopment of the Fitzwilliam Street head office complex.

Figure 8: Summarised Cash Flow

	2022 €m	2021 €m
EBITDA	1,675	1,550
Provision utilisation and other movements	(1,487)	230
Interest and tax	(279)	(250)
Net cash (outflow)/inflow from operating activities	**(91)**	**1,530**
Capital expenditure and JV loans (net of repayments)	(1,578)	(1,186)
Other (including FX)	16	26
Net cash outflow from investing activities	**(1,562)**	**(1,160)**
Net cash inflow/(outflow) from financing activities	**1,376**	**(100)**
Restricted cash - net amounts received on Government energy cost support schemes	**754**	**-**
Net increase in cash - including restricted cash	**477**	**270**

Figure 9: Gearing

	2022 €m	2021 €m
Net debt	**6,786**	**4,946**
Net assets	4,782	4,111
Debt (including leases)	7,022	5,483
Net assets and debt (including leases)	**11,804**	**9,594**
Gearing	**57.5%**	**51.5%**

Treasury Management Framework

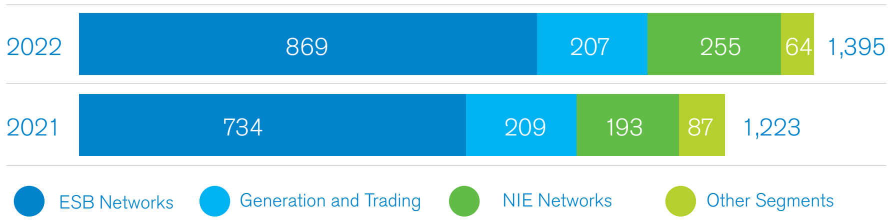
ESB Group Treasury manages treasury related risks on behalf of ESB. Group Treasury's purpose is to enable ESB deliver on its strategy by providing best funding and risk management solutions and maintaining ESB's strong financial standing. The risks managed by Group Treasury may be further broken down as follows:

- Liquidity availability and maintenance of access to the debt capital markets
- Foreign exchange volatility
- Interest cost exposures on the Group's current and future debt requirements
- Inflation movements, which have the potential to erode financial performance over time
- Counterparty credit exposure and counterparty risk generally
- Operational risk, including risk of misappropriation of funds, through fraud or error
- Compliance with financial regulations

Group Treasury is responsible for the day-to-day treasury activities of the Group, and therefore for the management, in whole or in part, of each of these risks. Some of these risks can be mitigated using derivatives. Where this is the case, such instruments are executed in compliance with the Requirements and Conditions of the Minister for Finance issued under the Financial Transactions of Certain Companies and Other Bodies Act, 1992. ESB does not enter into derivative contracts which are speculative in nature, but rather only to hedge underlying economic risks.

The Finance and Investment Committee of the Board is updated on an ongoing basis on key treasury matters. Group Treasury's approach to the management of the key financial risks of ESB is set out in more detail within the Financial Risk Management and Fair Value note 29 in the financial statements.

Figure 10: Capital Expenditure



Liquidity and Funding Activities

Group Treasury's funding activities are of strategic importance to the Group, supporting ESB's capital expenditure programme, the refinancing of maturing debt and the maintenance of an appropriate liquidity buffer to guard against future economic shocks which may have an impact on cash flows and financial markets.

A €1.4 billion Sustainability-Linked Revolving Credit Facility is in place with a group of 13 international banks. This facility currently extends to February 2027. The cost of this standby liquidity facility is directly linked to the delivery by ESB of specific decarbonisation targets aligned with ESB's strategy. In 2022, an additional Revolving Credit Facility of £750 million was agreed and currently extends to December 2023. £200 million of the €1.4 billion Sustainability-Linked Revolving Credit facility was drawn down at 31 December 2022 leaving c.€2.0 billion of undrawn facilities at 31 December 2022.

In January 2022, ESB successfully raised a €500 million 1.0% fixed-rate green bond, maturing in July 2034. This is the second green bond that ESB has issued in less than three years, following the issue of Ireland's first corporate public green bond in 2019. The net proceeds from the transaction will be allocated to finance eligible green projects, such as renewable energy generation and energy efficiency projects. The bond was purchased primarily by investors across Europe with strong SRI (Socially Responsible Investment) credentials, with orders received of more than €2 billion, demonstrating confidence in ESB's investment programme.

In November 2022, ESB and NIE Networks successfully issued two further bonds. ESB raised a €550 million 4.0% fixed-rate bond, maturing in May 2032. The net proceeds from the transaction will be primarily allocated to ESB's significant investment in its regulated asset base. NIE Networks issued a £350 million 5.875% fixed-rate bond maturing in December 2032 with proceeds used to further invest in its regulated asset base. Both transactions attracted significant demand from investors in Europe and the UK, with ESB's progression on its Net Zero by 2040 Strategy a key focus point.

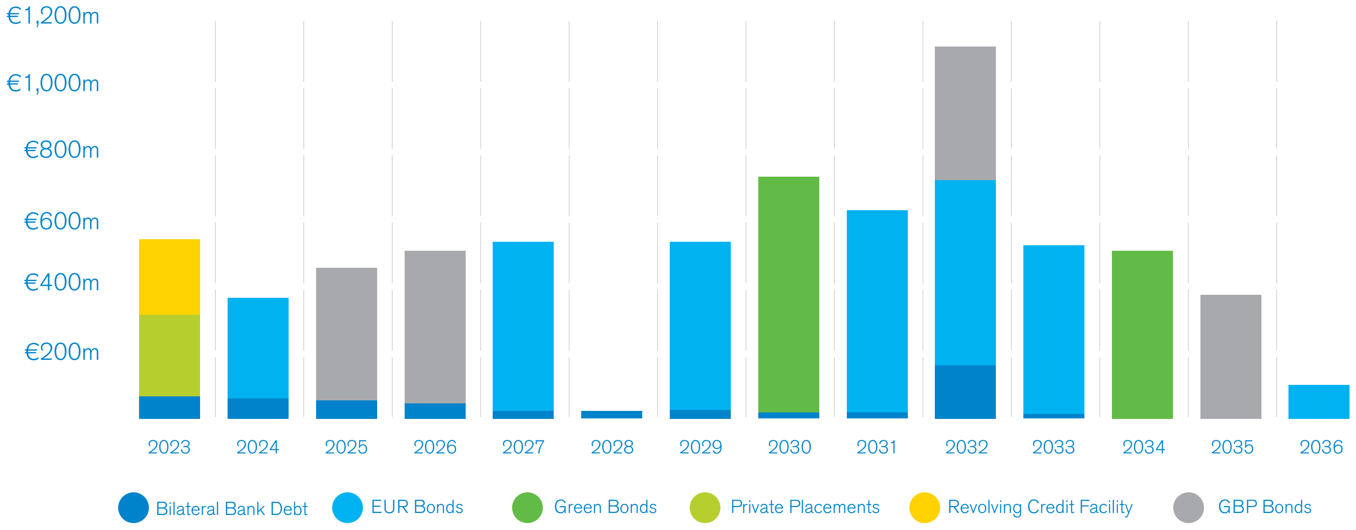
In January 2023, a further €350 million 3.75% fixed-rate bond maturing in 2043 was issued. The net proceeds from the transaction will contribute to ESB's ambitious capital expenditure programme. The issuance was supported by a strong orderbook with oversubscription reflecting the strength of the credit and investor support for ESB, the note was covered seven times over.

Throughout 2022, Group Treasury continued to effectively manage the cash flows of the Group particularly in light of unprecedented commodity and energy wholesale market price volatility which has been a feature of the market for the past 18 months. This has significantly impacted the associated cash collateral positions required in relation to exchange traded gas, carbon and power hedging contracts entered into by ESB.

At 31 December 2022, ESB had over €2.2 billion of available liquidity, comprising over €0.2 billion of cash on hand and Revolving Credit Facilities of €2.0 billion. At 31 December 2022, c.€0.75 billion was receivable relating to net cash collateral amounts paid in respect of exchange traded gas, carbon and power contracts. These are temporary cash requirements which will reverse prior to the delivery of the related trades.

In addition, €0.75 billion relating to the Irish Government's Electricity Credit Scheme and the UK Governments Energy Bills Support Scheme is on hand at year end. This cash (which is restricted) is not available to ESB and is to be distributed to Irish electricity suppliers and UK customers in 2023. Given this cash is restricted, this has not been included in the calculation of ESB's available liquidity, net debt or gearing.

Figure 11: Debt Maturity* Profile at 31 December 2022 (excluding non-recourse project finance debt held in joint ventures):



* cash flows reflect hedging arrangements in place

Financial Review (continued)

The weighted average interest rate on the Group's portfolio of outstanding borrowings at 31 December 2022 had risen to 3.5% (31 December 2021: 2.6%). In recent years the Group has been able to issue longer dated (10 to 20 year) bonds, reducing medium term refinancing risk. The average duration of the Group's debt portfolio is consistent with the long-term nature of Group assets. During the year, Standard & Poor's and Moody's both reaffirmed ESB's credit ratings at A- and A3 respectively.

Foreign Exchange and Interest Rate Risk Management

The Group's business is primarily located in the Republic of Ireland and the United Kingdom (UK). Accordingly, the majority of operating and investing cash flows are denominated in euro or sterling. The main exceptions to this are coal purchases, which are generally denominated in US dollars. ESB's policy is to hedge any material foreign currency exposures as they arise using currency derivatives such as FX forwards, at competitive rates in the market.

The Group's policy is to finance its euro denominated business by borrowing directly in euro or to convert any foreign currency borrowing to euro using derivative instruments, such as cross currency swaps. Investments in the UK (including NIE Networks) are generally funded by debt either issued in, or swapped to, pounds sterling. At 31 December 2022, approximately 66% of ESB's underlying debt is denominated in euro, with the remaining 34% in sterling.

Under the Board approved interest rate policy, ESB has a preference for fixed interest rate debt, and will target to have a significant majority of its debt at fixed or inflation linked interest rates to maturity, with a minimum of 60% fixed maintained at all times. At 31 December 2022, almost 90% of Group borrowings were fixed to maturity, 9% was inflation linked and approximately 1% was variable rate debt. The Group continues to be exposed to future interest rate movements which may have an impact on the cost of future borrowing requirements, particularly as existing fixed rate debt matures, and is refinanced. Group Treasury monitors market conditions closely in this regard and may seek to pre-fund or pre-hedge future funding requirements if appropriate, subject to the necessary Board and stockholder approvals.

Commodity Price Risk

GT and Customer Solutions have separate teams responsible for the management of commodity and energy price risks in their business units.

Fuel and carbon prices paid by ESB in connection with its electricity generation and supply activities can exhibit volatility, depending on market conditions. The exposures to fuel price movements on future earnings are managed by ESB on a selective-hedging basis. ESB has entered into forward commodity price contracts in relation to power, gas, coal and carbon emissions allowances for up to three years ahead in order to reduce the Group's exposure to movements in wholesale electricity prices arising from such commodity price fluctuations.

2022 was a year of significant volatility in wholesale energy markets with increases in international commodity prices (gas, coal and carbon), causing a spike in wholesale energy prices in August which then steadily reduced between then and the end of the year. While ESB's hedging policies (and pricing strategy) helped to protect its earnings, this was challenging, particularly in the Group's supply business, given the unprecedented nature of the market conditions experienced in 2022 (see Customer Solutions on page 78).

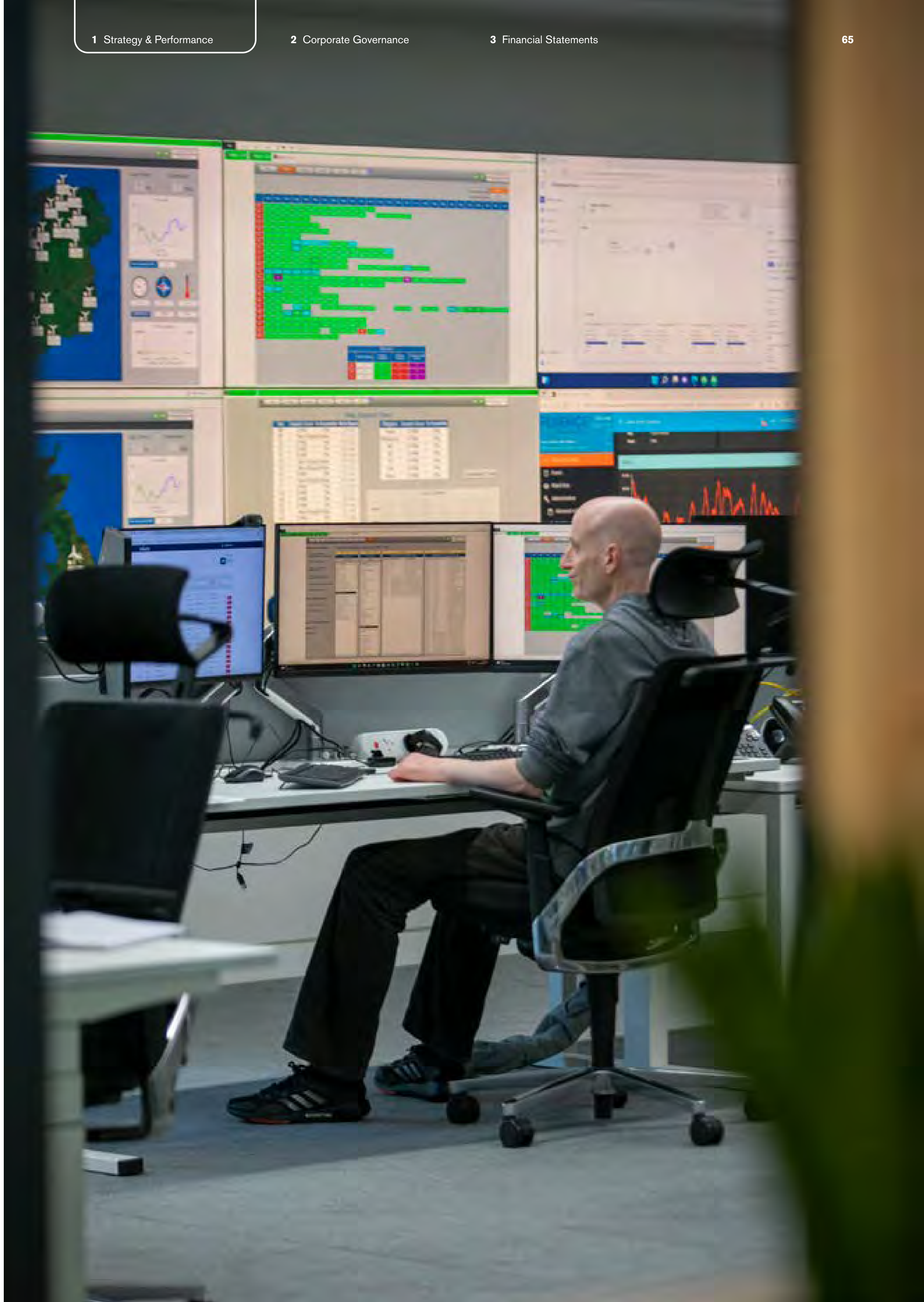
Counterparty Risk

The Group is exposed to credit risk in respect of the counterparties with which it holds its bank accounts and trades with in financial and commodity markets. ESB policy is to limit exposure to counterparties based on credit risk assessments and security arrangements (where appropriate). Exposures and credit limits are subject to ongoing review and monitoring in each business unit and, at Group level, by the Group Trading Risk Committee (GTC). Dealing activities are controlled by establishing dealing mandates with counterparties.

Counterparty credit limits set by the GTC are closely linked to their credit ratings as determined by the leading credit rating agencies, although other factors, including security provided and the legal structure of the transaction, may also be considered. The limit set for a counterparty is the amount by which the sum of the settlement amount, the mark to market value and the potential future exposure may not be exceeded. These positions are reviewed on a regular (in some cases daily) basis. During 2022, the majority of the Group's fuel commodity trades by value were transacted through energy market exchanges, rather than bilaterally. Exchange trading in general reduces, although it does not eliminate, counterparty risk, as well as providing trading liquidity and pricing transparency. Group Treasury hedging (regarding foreign exchange, interest rate and inflation risk), continues to be carried out bilaterally with rated relationship banks, through bilateral Over The Counter (OTC) contracts.

Financial Regulation

The regulatory environment for trading in financial and energy markets has become more complex in recent years, and the Group's capability in this regard has increased accordingly. As part of the market led interest rate benchmark reform, Group Treasury completed the transition of GBP LIBOR (London Inter Bank Offer Rate) to SONIA (Sterling Overnight Index Average), adhering to the GBP LIBOR ISDA protocol and updating relevant loan documents.



ESB Networks

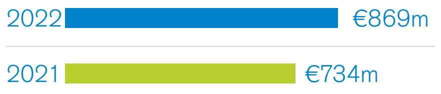
Nicholas Tarrant,
Managing Director, ESB Networks

Operating Profit

€207m ↓€202m

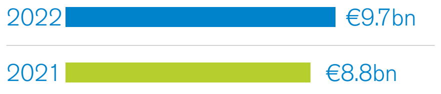
Capital Expenditure

€869m ↑€135m



Regulated Asset Base (RAB)

€9.7bn ↑€0.9bn



Key achievements for ESB Networks in 2022

5.4 GW renewables connected to the network

4.6 GW is wind with 327 MW connected in 2022. In addition, 79 MW of new large-scale battery storage was connected in 2022.

39,000 homes and businesses connected

1 million+ smart meters installed

ESB Networks online customer account was launched

This enables each customer to submit meter readings online, apply for new connections and access and download their electricity usage data. It is a key part of our commitment to improve our services and a deliver a better customer experience.

Processed over

16,000 microgeneration applications

ESB Networks have received and processed over 16,000 microgeneration applications in 2022 and are currently processing in excess of 300 applications per week. This increase has brought the total number of registered microgeneration connections to over 44,000 with smart meters installed in over 32,000 of these premises. Following the successful implementation of the Interim Retail Market Microgeneration (IRMM) Project in June 2022 the mechanism is now also in place for these customers to be paid for any excess electricity which they export to the network.

Electricity Cost Emergency Benefit Schemes

ESB Networks played a key role in delivering the Government's Electricity Cost Emergency Benefit Schemes. ESB Networks ensured every customer's credit was delivered to their electricity supplier for onward payment to the customer.

How ESB Networks is helping ESB to make a difference and deliver net zero by 2040

ESB Networks continues to:

- Connect greater volumes of renewable generation to decarbonise the electricity system
- Develop the network to support widespread electrification so that clean electricity can drive the decarbonisation of transport, heat and the economy
- Empower customers to get more from their local connections and make better informed electricity usage decisions
- Work closely in collaboration with the Transmission System Operator (TSO), EirGrid, to develop and maintain a transmission system which enables climate action plan delivery
- Strengthen Ireland's ability to meet climate action targets by reinforcing and improving the resilience, performance, and safety of the transmission and distribution networks
- Maximise networks utilisation and value for money for customers
- Reduce the carbon footprint of our operations and progress the Sustainable Grid Charter
- Deliver the actions set out in Climate Action Plan where we are the lead organisation

Overview

ESB Networks is the licensed Distribution System Operator (DSO) of the electricity distribution system in the Republic of Ireland, with responsibility for building, operating, maintaining and developing the network and serving all electricity customers across the country. ESB Networks also owns the transmission network in the Republic of Ireland, working closely with the Transmission System Operator (TSO), EirGrid. ESB Networks remains a core enabler to the delivery of the national strategy of decarbonisation and the connection of renewable generators to the network.

2022 was the second year of the regulatory Price Review period 5 (PR5) and ESB Networks has made solid progress on the approved investment and maintenance programmes despite the impact of COVID-19 during 2021. ESB Networks invested €347 million in reinforcement (load), asset replacement and constructing new networks in 2022 whilst €130 million was spent on maintaining the existing network. Progress continued on the Smart Metering Programme roll-out with expenditure of €134 million in 2022.

Financial Performance

ESB Networks operating profit for 2022 at €207 million is down €202 million on 2021 due primarily to a decrease in revenue from regulated tariffs as a result of an over recovery of regulated revenue in previous years and regulatory revenue decisions for the PR5 period (which were published after 2021 revenues were set). In addition, ESB Networks has incurred higher operating costs to support the delivery of PR5 and higher depreciation costs due to an increase in the asset base. Operating profit for 2022 includes an increase of €27 million in the estimated future costs arising from certain obligations in relation to the retirement and decommissioning of ESB Networks creosote treated wood poles at the end of their useful economic life.

Capital expenditure at €869 million is up €135 million (18%) on 2021 driven by an increase in new customer connections, higher asset replacement programmes (including the National Network, Local Connections (NNLC) programme) and higher investment in the transmission network. Capital expenditure for 2022 includes an increase of €36 million in the estimated future costs arising from certain obligations in relation to the retirement and decommissioning of creosote treated wood poles at the end of their useful economic life.

During 2021, ESB Networks identified that the large energy user (LEU) rebalancing subvention (a Government policy to reduce the annual network charges paid by large companies and to increase networks charges paid by domestic customers) had not been implemented as intended over the period of a number of years. ESB Networks continues to work with CRU to finalise the rebalancing of the relevant network tariffs which will require CRU approval in due course. ESB Networks did not gain from the issue.

Networks for Net Zero Strategy

ESB Networks' Networks for Net Zero Strategy recognises climate action as one of the most important challenges of our generation and, in keeping with the Government Climate Action Plan, identifies the critically important and central role of ESB Networks in enabling the transition to low carbon.

ESB Networks (continued)

Some key achievements in this regard in 2022 include:

- The Smart Metering Programme passed the 1 million meters installed mark in October 2022 and is now connecting in excess of 40,000 smart meters per month.
- In May, ESB Networks successfully connected Ireland's first large scale ground mounted solar farm, Millvale in Co. Wicklow. This was the first of 13 projects connected in 2022 with a strong pipeline for future years.
- Launched in late 2021, the NNLC programme continues to work to transform how energy on Ireland's electricity network is managed and consumed at a local level by customers and communities across the country. The vision of the project is to strengthen Ireland's ability to meet its climate targets by enabling customers to connect renewable technologies and use local marketplaces.
- The NNLC National Advisory Council was created and commenced its activities. It has a broad remit which includes demand side management, emerging technological solutions, renewable energy integration and local community initiatives.
- In October 2022, ESB Networks extended the "Beat the Peak" initiative to domestic customers who are being encouraged to sign up to adopt measures moving their individual demand away from the evening peak.
- In September 2022, ESB Networks launched a new small-scale generation connection process. This is designed to enable more customers, who generate their own renewable electricity, to safely connect and export their excess electricity to the local electricity network and play a more active part in connecting Ireland to a clean electric future.

ESB Networks' Customers

Customers are at the heart of all activities for ESB Networks including all 2.3 million electricity customers that use electricity, those that supply or generate electricity and those that access the network for the provision of services like telecom providers. Relationships with customers are changing as Ireland moves along the path to net zero. 2022 has seen the implementation of a number of initiatives which are intended to engage and empower customers on their energy journeys towards net zero.

Customer Interactions

Customers interact with ESB Networks across many touchpoints including:

- The Cork based contact centre, 1.4 million customer contacts (calls, voice response, emails)
- The Powercheck app, 5.5 million hits of which over 2 million were unique visitors
- There were c.39,000 new connections in 2022, 87% of which now come through the online application and tracking service
- 8,000 customers have signed up to the new customer online account portal
- ESB Networks social channels are available on esbnetworks.ie, LinkedIn, Twitter, Instagram and Facebook

Customer Experience

ESB Networks continues to focus on streamlining customer journeys to improve customer satisfaction and deliver a broader range of online services. This includes Powercheck updates (so that customers can now search for an outage using their Eircode and request notifications for updates on their power outages), the launch of the new small scale generation connection process and further trials to enable notifications of planned outages by SMS which will be extended in 2023.

ESB Networks won the Irish CX (Customer Experience) Impact award in 2022 in the Utilities and Services sector category. This award has recognised the success that ESB Networks' customer transformation programme is delivering for customers. The ongoing focus on customer journeys, improved touchpoints and expanded services has led to this recognition from peers and experts.

Safety, Health and Wellbeing

ESB Networks is committed to protecting the safety, health and wellbeing of employees, contractors, members of the public and others who may be affected by ESB Networks' activities. During 2022, the business developed and rolled out a human factors' safety programme with the aim of further protecting and enhancing the health, safety and wellbeing of staff and approved contractors by minimising the risk of organisation, task or person-induced human performance issues, that may lead to incidents or other adverse events. ESB Networks continued to focus on culture transformation through the Safe and Sound programme while other key initiatives around assurance, road safety, engagement and communications continue to be progressed.

The ESB Networks' Safety Management System (SMS) was independently audited by the National Standards Authority of Ireland (NSAI) during 2022 and they have certified the SMS as compliant with the international ISO 45001 standard.

Public Safety

ESB Networks continues to prioritise public safety as a core activity and progress on implementing the Public Safety Strategy was achieved in 2022 as follows:

- ESB Networks engaged and collaborated with identified at-risk stakeholders in the agricultural, construction and emergency services sectors
- ESB Networks continued to monitor public safety trends and use the insights from this data to target messaging via social media channels at specific groups and also via the use of national and local TV and radio advertisements
- The ESB Networks' 24/7 - 365 emergency response service operated to the highest standards to ensure public safety
- An independent audit of the Public Safety Programme (on behalf of CRU) confirmed continuing compliance with regulatory requirements
- Throughout 2022, a new communications campaign ran across TV, radio and digital channels. The TV advert highlights additional risk scenarios including hanging bunting on electricity poles, building scaffolding near electricity poles and overhead wires, flying drones near overhead wires and taking care around fallen trees and potential live electricity wires on the ground

People

ESB Networks' staff (2022 average: 3,376) are vital to delivering ESB Networks' strategy and meeting customer needs. Key achievements in 2022 were:

- A re-certification of the NSAI Excellence Through People accreditation was awarded to ESB Networks which assessed the standard and quality of people management processes
- 92 new apprentices started their apprenticeships in September and October
- 87 qualified electricians joined the organisation

ESB Networks is continuing the delivery of PR5 by building internal resourcing, external contractor frameworks and actively managing supply chain. The path to net zero requires major investment across all elements of the system as the country prepares itself for a renewable electric future. In May 2022, ESB Group announced it was recruiting for 1,000 new positions and ESB Networks anticipates filling a significant number of new vacancies in the coming years.

Update on 2022 and priorities for 2023

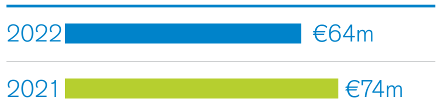
2022 Priority	2022 Progress	2023 Priority
Operational		
Continue to deliver the ESB Safety Health and Environment Strategy 2020-2025 and continue to prioritise the delivery of the Safe and Sound Culture Transformation Programme	▪ Delivered a human factors safety programme with the aim of further protecting the health, safety and wellbeing of ESB Networks' people by minimising the risk of organisation, task or person-induced human performance issues, that may lead to incidents or other adverse events ▪ Continued prioritisation of the ESB Networks COVID-19 response as an essential service provider	▪ 2023 safety theme will continue to focus on and enhance the psychological/ behavioural safety approach ▪ Continue to deliver the ESB Safety Health and Environment Strategy 2020-2025 ▪ Achieve recertification of the SMS to ISO 45001 ▪ Ensure compliance with regulatory requirements
Continue the focus on reducing ESB Networks' carbon footprint while communicating the importance of environment and working to achieve the environmental articles of the European DSO Charter	▪ Overall network CO_2 continues to fall. ESBN has started a number of biodiversity projects to improve the natural environment	▪ Continue the implementation of the revised networks strategy in the sustainability area
The delivery of RESS projects will be a key priority for 2022. Currently 47 DSO projects are programmed to be energised before year end. Design and construction works will continue the delivery of the 10 TSO connected RESS-1 projects. In addition, 4 renewable projects connecting through the use of Corporate Power Purchase Agreements are expected to energise in 2022	▪ 2022 saw 22 renewable generation projects connected to the network, bringing 689 MW of new wind and solar generation online. In addition, four battery energy storage projects were connected to the network in 2022, adding 79 MW of additional storage into service	▪ A significant increase in MW is anticipated in 2023. Up to 1,800 MW across 39 projects have been earmarked for connection. These will be spread across solar, wind, storage and thermal security of supply projects
Strategic		
Electrification - continued implementation of the strategy including the delivery of new tools and solutions to strengthen the network to cater for increased electrification	▪ Recently published a Guide for Registered Installers for installing Low Carbon Technologies (LCTs) ▪ Trial on public chargers with Easy Go and draft guideline ▪ Draft recommendation on looped services and cleated mains ▪ Pre-application screening process for multi-site EV charger connection applications ▪ Report on data gathering for domestic LCT installations	▪ Develop processes, systems, and design to streamline the connection process of LCTs to the distribution system ▪ Work to revise asset standards and specifications for the changing nature of demand on the network linked to electrification/densification etc. ▪ Collaborate with stakeholders to ensure a whole of system approach is used to optimally develop national heat, transport and energy infrastructure
Safely install 500,000 smart meters in 2022 which will bring the total number of meters installed to in excess of 1 million	▪ At year end, over 480,000 smart meters were installed bringing the total number of meters installed to 1.1 million	▪ Continue to install over 10,000 smart meters every week

Northern Ireland Electricity Networks (NIE Networks)

Marguerite Sayers,
Deputy Chief Executive

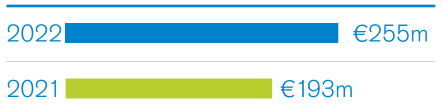
Operating Profit

€64m ↓€10m



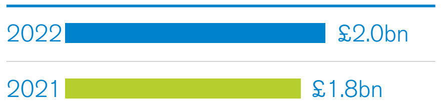
Capital Expenditure

€255m ↑€62m



Regulated Asset Base (RAB)

£2.0bn ↑£0.2bn



Key achievements for NIE Networks in 2022

Supporting customers

NIE Networks has worked with a range of government and industry stakeholders to support Northern Ireland (NI) customers through the cost of living crisis through implementation of the Energy Price Guarantee and design of the Energy Bills Support Scheme. Supporting customers through these schemes, as well as helping the most vulnerable in society through implementation of the NIE Networks' Vulnerable Customer Strategy, remain key priorities for NIE Networks.

+20,000
hours invested in the Safer Together programme

NIE Networks continued to progress its Safer Together programme and commitment to achieving its net zero targets with a number of significant milestones achieved during the year. As part of the over 20,000 hours invested across the business, NIE Networks made significant revisions to policies around safety mentoring, reporting practices and learning and development activities.

€255m
network investment

NIE Networks continued to deliver on its commitments to customers in 2022 with a further investment of €255 million in the network alongside a continued strong performance on network availability with Customer Minutes Lost (CML) maintained at low levels. Capital investment in the network increased by 32% on 2021 and unit outputs delivered remain in line with the targets agreed with the Utility Regulator (UR) as part of the RP6 programme. NIE Networks had a commitment in the RP6 business plan to reduce the number of annual complaints by 20% by the end of the period. In 2022, NIE Networks surpassed this target with an equivalent reduction of c.25%.

£350m
raised to invest in the electricity network

NIE Networks successfully raised £350 million on public debt markets in November 2022 which will support continued investment in the electricity network in NI to the start of the RP7 period.

Overview
NIE Networks is the owner of the electricity transmission and distribution networks in NI, transporting electricity to over 910,000 customers, including homes, businesses and farms. NIE Networks' employees maintain and extend the electricity infrastructure across NI, connect customers to the network and ensure that equipment is safe and reliable. NIE Networks also provides electricity meters and metering data to suppliers and market operators and develops and reconfigures the electricity network to facilitate the connection of further renewable generation.

NIE Networks does not supply electricity but provides services to all of the electricity suppliers operating in Northern Ireland.

As required under its regulatory licences, NIE Networks is an independent business within ESB and has its own Board of Directors, management and employees.

How NIE Networks is helping ESB to make a difference and deliver net zero by 2040

NIE Networks collaborated with the Department for the Economy (DfE) and other NI stakeholders on the development of NI's future energy framework which was published in December 2021. The DfE strategy sets a target of net zero carbon and affordable energy and key elements of the strategy are enshrined in the Climate Change Act (Northern Ireland) 2022. Many elements of NIE Networks' own Networks for Net Zero report are included in the DfE strategy and there is strong alignment between the two strategies.

NIE Networks made significant progress in developing its RP7 business plan for submission to the UR in early 2023. This process involves significant planning, analysis and consultation, including engagements with key stakeholders, to ensure that the plan for RP7 delivers the transformational change required to decarbonise the energy system and ensure maximum benefits for customers. The first steps in the public consultation on the proposals that will make up RP7 took place in October and November. Approximately 70 contributions were received from the public and NIE Networks is working to ensure that the views expressed are built into the final submissions to the UR in 2023.

NIE Networks is putting in place plans to make sure that it is well placed to manage and optimise the network for a future with more electrification, microgeneration and demand flexibility. NIE Networks is implementing a range of innovation projects designed to create additional capacity on the distribution network at a lower cost than traditional solutions.

NIE Networks has connected approximately 1.8 GW of renewable generation capacity to the NI grid to date, which accounted for more than 49% of electricity consumed in the 12 months ending September 2022. A further 0.5 GW of renewable capacity is committed to be connected in the next few years.

NIE Networks is developing a complete baseline for all its carbon-intensive activities and setting both near-term reduction targets and long-term net zero targets that comply with Science-Based Targets initiative (SBTi) criteria and requirements. SBTi have accepted the Letter of Commitment submitted by NIE Networks in 2022.

Safety
NIE Networks is fully committed to protecting the health, safety and wellbeing of all of its employees, contractors and customers with an ambition of providing a zero-harm working environment where risks to health and safety are assessed and controlled. While a target of zero Lost Time Injuries (LTIs) continues to be set, there were two LTIs during the year (2021: two LTIs). All such incidents are thoroughly investigated to improve future safety.

NIE Networks' "Safer Together – Our Pathway to Zero Harm" Programme was developed as an enabling action plan to improve adherence to the safety value, reduce the risk of harm and improve the wellbeing of staff within the organisation. The Safer Together Programme continues to refocus NIE Networks' commitment to its safety value, through promoting an open and proactive safety culture with the full involvement of all.

In September 2022, a private operator working for a landowner was fatally injured while carrying out maintenance activities in close proximity to an overhead line in NI. The circumstances of the incident are being investigated by the Health and Safety Executive Northern Ireland (HSENI). NIE Networks has carried out a separate internal review of the circumstances around the incident while also providing any support to the HSENI inquiry and continues to promote public awareness in NI of the hazards associated with electricity.

Financial Performance
NIE Networks' operating profit for 2022 at €64 million is down €10 million on 2021 as a result of inflationary pressures on NIE Networks' cost base and increased staff costs reflective of recruitment during the year to enable NIE Networks to deliver on its commitments to transform the energy system; partially offset by an increase in revenues associated with the Public Service Obligation.

Capital expenditure at €255 million is up €62 million, reflecting an increase in work programmes as part of NIE Networks' plan to successfully deliver the physical outputs required in the current price control. 2022 capital expenditure related to the refurbishment and replacement of worn transmission and distribution assets as well as the upgrading of network assets where appropriate to maintain reliability of supply and ensure the safety of the network, along with significant investment in major transmission projects. Capital expenditure for 2022 includes an increase of €35 million in the estimated future costs arising from certain obligations in relation to the retirement and decommissioning of creosote treated wood poles at the end of their useful economic life.

Operating Environment
NIE Networks has continued to focus on implementing its RP6 plan, with 83% of the outputs from the Network Investment Plan delivered to date.

In the UR's paper on its approach to the RP7 Price Control, the UR confirmed that it intends to consult on the licence modifications required to implement a planned one-year extension to the RP6 Price Control. NIE Networks continues to engage with the UR on the arrangements for this RP6 extension period.

NIE Networks' Customers
NIE Networks has continued to manage outages in order to minimise the length of time that customers are without supply. The average number of CMLs due to planned interruptions to supply was 38 (2021: 38). The average number of minutes lost due to faults in the distribution network was 38 (2021: 42). Four complaints were taken up by the Consumer Council for NI (CCNI) on behalf of customers during the year (2021: None).

NIE Networks has a dedicated Vulnerable Customer Strategy which defines how services will be provided to those customers who need extra support. The strategy includes provision for customers with communication

Northern Ireland Electricity Networks (NIE Networks) (continued)

barriers, translation requirements, the elderly, those who are visually impaired or those reliant on life saving medical equipment.

In the event of a power cut or planned interruption to supply, NIE Networks offers a telephone information support service to customers who are dependent on life supporting medical equipment. Over 15,000 people are currently registered on NIE Networks' Medical Customer Care Register. NIE Networks provided significant support to distribution network operators in GB and ROI to reconnect customers whose electricity supplies were disrupted during severe weather events in early 2022.

People

NIE Networks employs a highly skilled workforce of 1,316 people (2022 average) ranging from lines persons to meter readers, jointers to electrical engineers, and finance professionals to human resource experts. NIE Networks is an accredited 'Investors in People Gold' Company and has increased its headcount to ensure it continues to deliver a high-quality service for its customers.

NIE Networks recently opened its refurbished depot and office location at Dargan in Belfast with plans for further refurbishment over the coming years. As part of plans to consolidate its Belfast offices, NIE Networks entered into a new lease agreement for refurbished office space at Danesfort with staff due to relocate to this site from three other Belfast offices in 2023.

NIE Networks aspires to be an Employer of Choice and is committed to a working environment which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for skills enhancement and personal development. Human Resource policies are designed to achieve sustained success through its people.

In 2022, NIE Networks retained its Bronze Diversity Charter Mark for its work in promoting gender diversity.

Sustainability

NIE Networks' Sustainability Action Plan outlines its commitments to reducing its business carbon footprint, electrifying c.30% of its small fleet and improving buildings' energy performance as well as consolidating Belfast locations. NIE Networks is a member of the United Nations' Race to Zero campaign and has committed to a 50% reduction in Scope 1 (excluding SF6) and Scope 2 (including losses) emissions by 50% from 2019 baseline levels by 2030.

NIE Networks has reduced its internal business carbon emissions by 11.1% during 2022 against the 2019 base year (excluding network losses).

NIE Networks also successfully cumulatively connected c.21,000 customers who provide renewable generation capacity to the network, significantly adding to the available market capacity.

NIE Networks achieved Platinum level accreditation for the NI Environmental Benchmarking Survey for the sixth consecutive year in 2022. The survey recognises and rewards those organisations that are going above and beyond their legal requirements to improve their environmental impacts and better manage their resources.

Driven To Make A Difference: Net Zero By 2040

The journey to net zero is already impacting customer reliance on NI's electricity network, with unprecedented uptake in the installation of renewable generation and low-carbon technologies. NIE Networks' 'Networks for Net Zero' report highlighted the need to place customers at the forefront of the energy transition. NIE Networks believes that the transition will benefit all customers through minimising future energy costs through the delivery of a low-carbon economy.

NIE Networks' proposed plans for the next price control are intended to deliver transformational impact for customers. A net zero carbon future will necessitate a much greater role for and dependency on electricity in society, with the expected need for the rapid electrification of heat and transport a key requirement. Enabling this change will require significant development in the capacity and reliability of the existing network, alongside further development, to ensure adequate capacity for the increasingly diverse mix of renewables that will emerge.

Update on 2022 and priorities for 2023

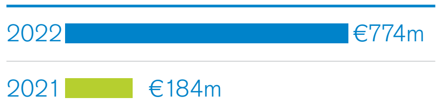
2022 Priority	2022 Progress	2023 Priority
Operational		
Progress Safer Together Programme with emphasis on culture and people-centred approach to safety	▪ Completion of all working groups and initiatives implemented ▪ Retained relevant ISO accreditations	▪ Implement the next phase of safety culture improvements ▪ Ensure the health and safety of employees, contractors and the general public and achieve a zero-harm work environment
Support delivery of Sustainability Action Plan	▪ Letter of Commitment accepted by SBTi ▪ 11.1% reduction in internal carbon footprint ▪ Platinum award in Environmental Benchmarking Survey ▪ Commenced ESG strategy development	▪ Deliver sustainable reduction in carbon footprint by embedding low-carbon behaviours and practices ▪ Progress ESG strategy ▪ Development of carbon inventory
Deliver strategy to achieve RP6 service commitments **Develop and deliver Customer Service Action Plan to enhance customer service**	▪ Delivery of Vulnerable Customer Strategy ▪ Ongoing customer engagement through Customer Engagement Advisory Panel ▪ Continued management of outages to reduce CMLs ▪ Significant reduction in total customer complaints	▪ Continue to deliver strategy to achieve RP6 service commitments ▪ Continue to reduce customer complaints ▪ Continued investment in the connections processes - including customer self-service capability
Operate successfully in a contestable connections market while responding to the changing shape of the market	▪ Retained significant market share while facilitating active competition and customer choice ▪ Engagement with UR on charging methodology	▪ Continue to operate successfully in a contestable connections market ▪ Support Connections Charging Policy consultation ▪ Implement further contestability in connections on the low voltage network
Review business plans to 2024 and take necessary steps to ensure NIE Networks remains on track for successful delivery of RP6	▪ Substantial gross capital investment (€255 million) during 2022 ▪ Engagement with UR on RP6 extension	▪ Deliver RP6 programme within allowances while maintaining a safe and secure network ▪ Continue to expand resourcing to meet additional programme needs ▪ Conclude agreement with UR on RP6 Extension Period
Strategic		
Invest in employees through effective employee development and increased employee engagement	▪ Implementation of Safer Together initiatives ▪ Launch of Performance and Development Journey Programme ▪ Established 2050 Future Leaders forum ▪ Created Diversity and Inclusion forum	▪ Continue investment in employees through Employer of Choice strategy ▪ Advancing diversity and inclusion activities ▪ Retaining Investors in People accreditation
Effective engagement to ensure NIE Networks understands and can meet stakeholder needs **Development of NIE Networks' RP7 Price Control submission to meet societal, customer and business needs** **Engage on key policy decisions and processes required for RP7 Price Control**	▪ Significant engagement with DfE and other stakeholders ▪ Completed public consultation on RP7 plans ▪ Preparation for RP7 Price Control submission, including engagement with UR	▪ Continue effective engagement to ensure NIE Networks understands and can meet stakeholder needs ▪ Review outcome of public consultation and incorporate into RP7 business plan submission
Contribute to the implementation of NI's Future Energy Strategy **Initiate accelerated deployment of Low Carbon Technology (LCT) solutions in line with the Green Recovery Programme**	▪ Actively involved in shaping NI energy policy ▪ Progressing LCT projects in line with regulatory approvals	▪ Continue to engage and influence on energy policy issues to support decarbonisation and electrification ▪ Continue to contribute to the implementation of NI's Future Energy Strategy ▪ Engage with DfE on the requirements of the Smart Metering Cost Benefit Analysis
Engage with stakeholders to begin implementation of DSO activities **Working with regulated funding to implement DSO practices**	▪ Investments for DSO transition initiated following public consultation	▪ Continue stakeholder engagement on DSO activities ▪ Develop and deploy open data portal

Generation and Trading (GT)

Jim Dollard,
Executive Director, Generation and Trading

Operating Profit*

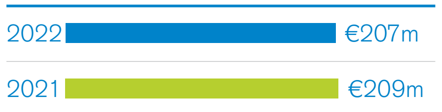
€774m ↑€590m



*before exceptional items of €Nil (2021: €82 million)

Capital Expenditure

€207m ↓€2m



New asset investment by way of shareholder loans or equity

€287m ↑€178m

Key achievements for GT in 2022

Contributing to energy security of supply in Ireland

During 2022, the Ukraine crisis highlighted the importance of security of supply for our electricity needs. Ensuring security of supply is key to ensuring an effective transition to a net zero electricity system, and supporting the electrification of heat and transport, which is central to decarbonising society. As one of several players in the electricity generation sector in Ireland, GT is determined to play its role in helping to maintain electricity security of supply. In that regard ESB is actively developing new generation capacity for the market across a range of measures and is actively developing new large scale energy storage solutions in Ireland.

Additional generation capacity:

- During 2022, ESB developed 490 MW of new capacity for the Irish market. This entails five battery projects totalling 300 MW of which the two projects at Aghada and Inchicore completed construction in 2022. The remaining three projects at Poolbeg, South Wall and Aghada will be completed in 2023. In addition, ESB is developing three new gas turbines in Dublin totalling 190 MW which will be completed in 2023
- As part of the Temporary Emergency Generation (TEG) process, ESB is developing c.200 MW of temporary capacity at North Wall in Dublin. This is expected to be operational by October 2023. ESB was also subsequently selected to host an additional 260 MW of TEG at its site in Shannonbridge, and this project has also commenced
- ESB is also engaging with EirGrid under the CRU Security of Electricity Supply initiative to explore options to extend the operational life of existing assets

Storage:

- ESB entered into a joint arrangement with dCarbonX, to develop large-scale energy storage projects off the coast of Ireland. These projects will initially enable strategic indigenous underground storage of natural gas that is fully capable of transitioning to the storage of green hydrogen within 10 years

Major progress in the delivery of GT's renewable strategy

ESB intends to have at least 5 GW of renewable energy assets across Ireland and the UK by 2030 and 2022 has seen GT investing in building a development pipeline in this area across a range of technologies.

A pre-planning application was submitted to An Bord Pleanála for the construction of the onshore hub planned as part of the Green Atlantic @ Moneypoint Programme which will facilitate the construction of the offshore infrastructure. During this decade, the site will be transformed into a green energy hub, helping Ireland to become a leader in green energy production. Green Atlantic @ Moneypoint is a multi-billion euro programme of significant investments on the site over the next decade.

Moneypoint's synchronous compensator was completed during the year. This compensator is the first in the country and incorporates the world's largest flywheel used for grid stability purposes. This will promote the connection of greater volumes of renewable energy onto the electricity system.

Significant growth in ESB's footprint in offshore wind as follows:

- Inch Cape, a 1,080 MW joint venture offshore wind farm development project, was successful in the UK Round 4 CfD auction. Commercial operation is targeted for 2026
- Continued partnering with Parkwind in the development of the Oriel and Clogherhead wind farms, both located off the coast of Co. Louth, and continued preparation for offshore RESS auctions
- Following the exit of Equinor from the Irish market in 2021, selection of a new partner for ESB to develop its Irish offshore wind portfolio
- ESB secured an offshore seabed lease option in Scottish waters in the ScotWind clearing round process. ESB's project is a proposed 500 MW floating offshore wind project, targeting green hydrogen production
- Construction continued on the 448 MW Neart na Gaoithe (NNG) joint venture offshore wind project, also off the east coast of Scotland. The wind park is expected to reach commercial operation in Q1 2024

Development of a significant future pipeline of onshore wind and solar assets:

- Construction continued on Oweninny Phase 2, an 83 MW onshore wind joint venture with Bord na Móna, which is expected to come into operation in 2023
- Continued development of FuturEnergy Ireland, a joint venture between ESB and Coillte to develop up to 1,000 MW of onshore wind in Ireland on Coillte lands
- Chirmorie, an 81 MW onshore wind farm project in Scotland, was successful in the UK Round 4 CfD auction
- Five wholly owned solar projects, totalling over 150 MW, together with one joint venture solar project secured 15 year contracts in the RESS-2 auction in Ireland during the year

How GT is helping ESB to make a difference and deliver net zero by 2040

ESB has a strategic objective to support the decarbonisation of the electricity sector. To meet this goal, as described opposite, GT is investing in renewable energy assets across a range of technologies to meet its renewables target. GT is also developing assets that will support the grid in transitioning to a low-carbon future, such as battery and green hydrogen storage assets, synchronous compensators and flexible gas fired units that respond quickly to system demand, which will be key to facilitating large scale renewables in the future.

Overview

The GT business develops and operates ESB's portfolio of wholly and jointly owned electricity generation assets. It also has a significant owned asset and third-party asset energy trading portfolio. The generation fleet consists of over 5 GW of generation assets across the Integrated Single Electricity Market (I-SEM) and Great Britain (GB) including almost 1 GW of renewable assets. ESB has a further 700 MW under construction across a range of renewables/renewables enabling technologies. With a strong focus on safety, GT delivers value by:

- Providing wholesale and traded products to meet market and customer needs
- Offering capacity and system services to support a robust electricity grid and facilitate the integration of renewables
- Optimising the operation of the ESB generation portfolio
- Delivering new energy assets to support the transition to low-carbon energy
- Engaging constructively in communities close to construction projects and operating assets

Financial Performance

GT's operating profit at €774 million is up €590 million on 2021. This is mainly due to increased energy margin as a result of higher wholesale market prices in both Ireland and GB primarily as a result of higher wholesale gas prices. In Ireland, both thermal assets (gas and

Generation and Trading (GT) (continued)

coal) and renewable assets (wind and hydro) benefitted from those higher prices, particularly those assets without gas as a fuel input. In GB, 2022 saw ESB's thermal plant, notably the Carrington plant in Manchester, achieve higher levels of running at significantly higher margins. ESB's renewable assets in GB also earned higher market revenues.

GT has incurred an exceptional impairment charge of €91 million relating to the impairment of the NNG offshore wind farm development.

Capital expenditure of €207 million in 2022 primarily relates to ESB's investment in new flexible generation and electricity storage assets. In addition, GT invested €287 million by way of shareholder loans and equity investments to joint venture projects, all of which related to ESB's continued investment in renewable assets.

Operating Environment

The generation business is changing rapidly, in particular for thermal plants in the market. Competition, regulation and decarbonisation have significantly changed the landscape, creating a challenging operating environment, particularly for those thermal plants. Specifically in 2022, there has been significant volatility in fuel markets arising from the Ukraine crisis. In addition, non-fuel items (materials and components) have experienced significant inflation which combined with difficulties in supply chains has posed increased challenges in delivering work programmes.

The wholesale electricity markets have experienced considerable volatility in 2022 as a result of commodity price movements as outlined above, but also through certain market issues such as wind variability, plant outages and overall system supply/demand balance. ESB has managed these exposures through significant margin hedging.

GT Customers

GT continues to offer a variety of traded contracts to all supply companies in I-SEM, on a non-discriminatory basis, via an over-the-counter trading platform in weekly trading windows. These trading windows provide suppliers with the opportunity to hedge their power exposures to mitigate against market volatility risk for their customers.

People

Average employee numbers in GT of 708 have increased from 692 in 2021. GT continues to focus on maintaining the safe and effective performance of its asset base while delivering on ESB's strategy.

Health, safety, and wellbeing is of fundamental importance and GT's 2022 safety improvement programme was directed at continuing to deliver the Safe System of Work (SSoW) programme, further embed the process safety programme and broaden and deepen the approach to behavioural safety through the Safe and Sound Programme. In respect of wellbeing, in particular given COVID-19, GT actively promoted greater awareness of health and wellbeing, including encouraging uptake in ESB's mental health first aid training programme and a dedicated Health and Wellbeing week.

All locations within GT operate and maintain Safety Management Systems which are certified and externally audited to the recognised international standard ISO 45001. Accreditation was maintained in all locations in 2022.

Employee engagement continues to be key to successful performance for the GT business, even more so during and in the aftermath of the COVID-19 pandemic. Using the employee survey results and other feedback, GT has embedded a tailored programme of engagement to support managers, share innovative thinking and keep people connected, healthy and safe.

Sustainability

GT operates its business with a focus on minimising environmental impact, aiming to significantly increase renewable generation and reduce the overall carbon intensity of electricity generation. ESB is committed to leading a secure and affordable transition away from the use of coal and peat for power generation with the closure of its peat plants in 2020. CO_2 output from GT's generation plants is lower than 2005 (reference date) by approximately 51%, and the carbon intensity of generation reduced by 37% to 419g CO_2/kWh.

Driven To Make A Difference: Net Zero By 2040

ESB is targeting the transformation of Moneypoint into a green energy hub. This would be a major step in deploying a range of renewable technologies over the next decade including:

- An onshore hub, which will facilitate construction of wind turbine foundations and assembly of the wind turbines before floating them to their sites along the western seaboard
- An offshore wind project spread across at least two phases totalling 1,400 MW
- A medium-term hydrogen facility onsite, which will convert excess offshore wind energy to hydrogen for storage and other uses

During the year, ESB entered into a joint arrangement with dCarbonX, to develop large-scale energy storage projects off the coast of Ireland. In decarbonising, there are other important objectives that Ireland must secure in parallel to delivering a zero-carbon energy system including security of supply. Hydrogen will be an essential component of carbon neutral energy economy in Ireland as it will:

- Provide seasonal levels of zero-carbon energy storage to underpin energy security and continuity of energy supplies
- Decarbonise sectors of the economy that are not suited to electrification including long distance transport, shipping and aviation
- Provide an energy source for dispatchable back up generation to generate electricity when wind and solar resources are inadequate

Update on 2022 and priorities for 2023

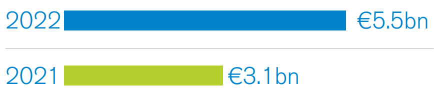
2022 Priority	2022 Progress	2023 Priority
Operational		
Continue to maintain a healthy and injury-free workplace with a sustained focus on lessons learned from incidents	▪ A continued heightened focus on learning from incidents, with greater emphasis on wellbeing in COVID times	▪ A significant focus on learning from incidents. Targeted health and wellbeing campaigns
Continue Phase 2 of Safe System of Work (SSoW) **Continue to further broaden and deepen enrolment in Safe and Sound**	▪ Significant progress in implementing Phase 2 of SSoW ▪ Further broadened and deepened enrolment in Safe and Sound	▪ Complete final SSoW implementations and embed enduring processes ▪ Adapt new Safe and Sound structures while continuing to broaden and deepen enrolment
Continue to oversee the build out of NNG offshore wind farm	▪ Construction continued throughout the year and commercial operation is now targeted for Q1 2024	▪ Substantial completion of turbine installation and commissioning of NNG in 2023
Secure a CfD in the AR4 auction and progress the Inch Cape project to financial close	▪ Inch Cape was successful in the UK Round 4 CfD auction and work continues to progress the project to financial close	▪ Progress the Inch Cape project to financial close
Maintain a high level of performance in both generation and trading	▪ Annual availability of the generation fleet was in line with 2021 ▪ Major progress on the asset construction programme across batteries, wind farms, gas turbines and the synchronous compensator	▪ Deliver strong plant availability performance ▪ Deliver financial and investment targets for the business
Continue to evolve and adapt the thermal portfolio	▪ A strong commercial performance in 2022, in which Trading was able to effectively manage margins under its forward electricity contracts and allowing it to prudently manage exposure to unprecedented volatility in the commodity markets	▪ Deliver 190 MW of gas turbines to substantial completion ▪ Finalise an agreement with the system operator to extend the operational life of existing assets ▪ Progress the hydrogen burning capability in the Carrington plant
Strategic		
Increase the number of opportunities for investment in low-carbon generation including solar, storage and offshore wind	▪ Continued partnership with Parkwind on development of Oriel and Clogherhead offshore wind farms and exploring JV options to allow the development of its offshore wind development portfolio ▪ Across solar, onshore wind and offshore wind, ESB has developed a pipeline of opportunities in excess of 8 GW	▪ Advance the existing pipeline through the development cycle, auctions etc.

Customer Solutions

Pat Fenlon,
Executive Director, Customer Solutions

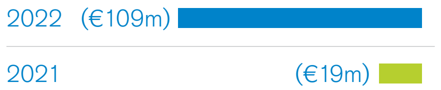
Revenue

€5.5bn ↑€2.4bn



Operating Loss*

(€109m) ↓€90m



*before exceptional items of €Nil (2021: (€61 million))

Key achievements for Customer Solutions in 2022

Supporting customers

2022 has been an unprecedented year for Customer Solutions with substantial increases and extreme volatility in wholesale energy prices as a result of the Russian invasion of Ukraine. This has unfortunately required significant price increases for all customers. Customer Solutions continued to support customers through this challenging time maintaining prices as low as possible and supporting them to manage their energy consumption.

Hardship Fund increased

Customer Solutions has implemented all Government customer support schemes in the Republic of Ireland (ROI), Northern Ireland (NI) and Great Britain (GB) and provided additional financial support in the form of a €50 winter credit for all ROI residential electricity customers. Electric Ireland have also increased its Customer Hardship Fund by a further €3 million bringing the total fund to €5 million.

Shifting environment

Customer Solutions through its various brands Electric Ireland, So Energy (in GB), Electric Ireland Superhomes, ESB's Smart Energy Services (SES), ESB ecars and ESB Telecoms adapted to the shifting environment to ensure that customers were supported throughout 2022.

Net zero journey

Continuing to deliver on ESB's Net Zero by 2040 Strategy was also a significant focus during 2022. As a trusted energy partner, Customer Solutions supported customers on their net zero journey through the rollout of ecars charging points, solar installations and deep retrofits to our residential customers.

ESB's SES provide access to a variety of energy saving schemes for our commercial customers. During 2022, ESB's SES installed Ireland's largest self-generation solar installation at MSD in Tipperary which will allow them to significantly reduce their carbon emissions.

Empowering customers

During the year, Electric Ireland transitioned c.52,000 new customers through three Supplier of Last Resort (SOLR) processes, introduced a new microgeneration tariff and launched our Customer Support Hub to provide customers with the necessary information to empower all customers to reduce their energy consumption through simple actions.

How Customer Solutions is helping ESB to make a difference and deliver net zero by 2040

Engaged, connected, informed customers are key to transitioning to a low-carbon future. This has been particularly challenging during the current energy crisis as the business tries to balance the impact of the energy crisis with supporting the customer journey to net zero.

Customer Solutions is pivotal in supporting ESB and its customers deliver on their net zero journeys through a range of products and services that inform customers on energy use and allow them to control and optimise when they use their energy.

The launch of the Customer Support Hub along with Electric Ireland's smart tariffs enables customers to reduce and change their electricity consumption profile, benefiting the customer through reduced costs and a lower carbon footprint whilst also contributing to reducing pressure on the Irish energy system.

The introduction of the microgeneration tariff rewards customers providing energy onto the grid. Both Electric Ireland and So Energy install solar panels, batteries, electric vehicles (EV) chargers and smart controllers to further help customers with their energy needs. In addition, Electric Ireland's Superhomes joint venture provides deep retrofits to customers, creating more energy efficient homes.

For business customers, ESB's SES provides expert advice on Solar PV, process optimisation and low-carbon heating and cooling technologies. The ecars business is pivotal to the decarbonisation of transport by providing a national, public EV infrastructure in ROI and NI, and working with a number of organisations and borough councils in GB to install charging networks.

Overview

Customer Solutions brings together all ESB's retail offerings in Ireland and GB, including Electric Ireland, So Energy, Electric Ireland Superhomes, ESB's Smart Energy Services, ESB ecars and ESB Telecoms.

Customer Solutions through Electric Ireland and So Energy is the energy retail arm of ESB, supplying electricity and gas to ROI & GB customers and electricity to NI customers. With over 1.5 million customers and an electricity all-island market share of c.41%, Electric Ireland serves all market segments, from domestic households to large industrial and commercial businesses, in both ROI and NI. It also has c.23% of the residential gas market share in ROI.

So Energy, our GB retail brand, supplies c.0.6 million electricity and gas accounts.

Electric Ireland Superhomes is a "One Stop Shop" which project manages all of the key stages of a home energy retrofit, from retrofit design through to project completion and application for Sustainable Energy Authority of Ireland (SEAI) grant funding.

ESB ecars builds, owns and operates EV charging networks for public use across ROI, NI and GB. This network includes approximately 1,400 charger points on the island of Ireland, as well as over 600 charger points in GB.

ESB Telecoms operates within the wholesale ROI telecoms market, maintaining and operating over 400 telecoms transmission structures and over 2,000km of fibre optic network.

ESB's SES designs, develops and delivers integrated management solutions for large energy users in Ireland and the UK. Working in partnership with customers, ESB's SES delivers tailored energy efficiency solutions, on site generation and demand management technologies.

Financial Performance

Revenue in Customer Solutions in 2022 was €5.5 billion, an increase of 77% compared to 2021, the majority of which is driven by price increases due to market volatility driving up wholesale energy costs.

Customer Solutions reported an operating loss of €109 million. Financial performance within ROI and NI was largely in line with the prior year, before adjusting for the €50 winter credit for all ROI domestic electricity customers. So Energy was incorporated into the results for a full year for the first time in 2022 following its acquisition in August 2021. 2022 saw increased losses incurred in the GB retail business resulting from increased wholesale energy costs coupled with the regulatory mandated price cap. This has caused an overall loss in Customer Solutions for the year 2022.

Operating Environment

Since Q4 2021, energy markets have continued to remain volatile mainly driven by the war in Ukraine and the impact on Russian gas supplies into Europe. This resulted in energy costs spiralling, with the annual average gas price at 201p/therm during 2022, significantly up from 114p/therm in 2021 and forward winter gas prices peaking at over 800p/therm in August 2022.

Soaring energy costs has resulted in a number of energy companies exiting the Irish market. Electric Ireland, acting as the SOLR, transitioned c.52,000 electricity customers during 2022, providing high quality service and support.

As a result of spiralling energy costs, customer bills have more than doubled over the course of the year and continued to rise as consumption increased during the winter period. These unprecedented increases have led to the Irish and UK Government introducing a number of schemes to support residential and business customers in ROI, NI and GB mainly through customer credits and also an Energy Price Guarantee scheme in GB, providing funding to suppliers to implement these schemes. In addition, Electric Ireland implemented a further customer winter credit of €50 to all ROI residential electricity customers. Implementation of these schemes have been significantly challenging due to their complexity in nature, short timeline to deliver and the requirement for changes across a number of processes and systems.

Customer Solutions (continued)

Customer Solutions continued to adapt to deliver for customers despite the constantly changing environment, trying to balance the impact of wholesale energy market volatility with keeping customer tariffs as low as possible and maintaining and enhancing customer engagement and service throughout this difficult time.

The GB market has been particularly impacted by the energy crisis with approximately 30 residential suppliers exiting the market since 2021. So Energy is one of the few true challenger brands left in the market, competing with 15 other active suppliers. Despite the challenges associated with the energy crisis, So Energy remains in a unique position to offer a real choice in GB in the coming years, offering a renewable, innovative, digital, customer-centric experience for customers.

Climate change concerns, along with the increased availability of digitisation and technology, has resulted in a significant shift in customer expectations over the past number of years. This has been further accelerated by the current energy crisis with customers engaging more actively on their energy costs.

Customer Solutions' Customers

Maintaining a strong connection with customers remained the key concern for Customer Solutions in 2022 as the energy crisis continues. All key performance indicators and customer satisfaction levels while challenged were maintained at high levels throughout 2022, despite the increased volume of customer engagement. Customer Solutions provide a wide range of products and services to both residential and business customers ranging from attractive tariffs (various electricity and gas tariffs, microgeneration and smart metering tariffs) to solar installations and deep retrofit services to meet their customer needs.

Customer Solutions enhanced its customer service offering and expanded their digital footprint during 2022, increasing the number of customer service agents to support customers during this period. Proactive engagement with customers along with offering payment plans to customers in difficulty has supported customers with financial constraints during this challenging time.

2022 also saw the continuation of the Hardship Fund, to support customers who are in financial difficulty and are struggling to pay their bills. This is a long-standing partnership between Electric Ireland, The Society of St Vincent De Paul (SVP), the Money Advice and Budgeting Service (MABS), and a new partnership with ALONE. This fund was increased to €5 million during 2022.

Supporting communities has always been hugely important for ESB and this was more important than ever in 2022. Electric Ireland's sponsorship campaigns – including the Darkness into Light event for Pieta House, the GAA Minor Championship and Higher Education League and Championship, the Camogie Association and Game Changers (sponsorship of women's football in NI) showcased how communities show up for each other, and Electric Ireland was proud to be part of these endeavours.

People

Customer Solutions could not meet its strategic and operational targets without the capability, knowledge, dedication and performance of its people who are committed to delivering for our customers in line with ESB's strategic objectives. A continued strong focus on employee development and targeted recruitment across a range of disciplines linked to the growth strategy, will ensure that Customer Solutions continues to be a very attractive place to work, while providing customers with competitive offerings, excellent customer service and new and innovative products to meet changing needs.

Sustainability

Electric Ireland is conscious of operating its business in a sustainable and environmentally responsible way and is certified to ISO 14001 standard. Electric Ireland actively works with customers to assist them in improving the sustainability of their homes and businesses through the efficient use of the energy provided to them.

Driven To Make A Difference: Net Zero By 2040

Working together to transition customers to a more efficient and decarbonised future, is the driving force behind everything that Customer Solutions delivers.

Through Electric Ireland's expanding range of products and services including but not limited to smart energy tariffs, microgeneration tariffs, solar PV installations, continuing to develop EV networks and deep retrofit schemes, Customer Solutions continues to support the delivery of the Net Zero by 2040 Strategy.

Electric Ireland values customer feedback and as a result launched a customer hub to support customers in enhancing their understanding on the path to lowering energy consumption. This supports the first step for customers on their net zero journey.

Update on 2022 and priorities for 2023

2022 Priority	2022 Progress	2023 Priority
Operational		
Deliver additional improvements to digital customer journeys, improving customer service and further empowering customers **Lead the delivery of personalised insights to electricity customers in Ireland as smart meters continue to be rolled out nationally**	▪ c.85,000 customers signed up to Home Electric+ price plans delivering personalised insights ▪ Onboarding of c.52,000 customers from three SOLR processes ensuring the customer journey and experience was managed successfully	▪ Deliver enhanced digital customer journeys by improving online functionality, capability and personalised insights to empower customers, leading to a better customer experience
Deliver efficiency across the cost base to ensure Customer Solutions can continue to offer competitive pricing propositions for all customers	▪ Continued focus on tight cost management to facilitate commitment to reward loyal customers with discounts every year	▪ Continue to maintain strong and robust control of cost base and deliver efficiencies and value for money for all customers
Continue to deliver a customer focused but effective credit management strategy and ensure vulnerable customers are protected **Ensure continued engagement with State agencies and charities to support customers**	▪ Winter credit €50 for ROI residential electricity customers ▪ Increased Hardship Fund by €3 million, bringing total to €5 million, working with partners SVP, MABS and ALONE to support customers ▪ Successful implementation of government support schemes across all jurisdictions ▪ Continue to offer a range of products and payment options coupled with early interaction with customers	▪ Actively support vulnerable customers and customers experiencing financial difficulty and hardship through a focused and effective credit management strategy ▪ Continued engagement with State agencies and charities to support customers, particularly those impacted by the cost-of-living crisis
Deliver the roll out of high-power EV charging hubs and replacement of standard chargers. This will transform the driver experience for EV owners across ROI & NI **Deliver for customers a range of innovative products and services**	▪ 8 high power (up to 150kW) multi-site hubs deployed ▪ 30 fast and 6 rapid chargers replaced in NI in Q1 ▪ Over 98% reliability achieved on the public charging infrastructure in ROI	▪ Continue the roll-out of high-power charging (HPC) hubs in ROI ▪ Introduce tariffs and continue upgrade of entire EV charging network in NI ▪ Scale GB network through HPC hub build and municipal network expansion ▪ Continue to invest in innovative services and products to meet customer needs
Strategic		
Customer Solutions businesses have an ongoing focus on development of the digital service capability across the entire customer experience journey	▪ Launch of the new Electric Ireland Customer Support Hub to provide customers with information, guidance and resources to help manage bills and reduce consumption	▪ Ongoing investment and development of digital capability to improve the customer experience across all market segments. This is an essential part of the Customer Solutions business
Customer Solutions will lead the way, encourage and reward more energy efficient behaviours **ESB's SES and Electric Ireland Superhomes will provide energy services to our commercial and residential customers by delivering solutions to deliver low-carbon heat solutions**	▪ Continue to support customers in their low-carbon journey by offering retrofit solutions through "One Stop Shop" Electric Ireland Superhomes ▪ Creation of new microgeneration feed in tariff ▪ Delivery of Ireland's largest self-generation solar project	▪ Customer Solutions will focus on offering solutions and encourage energy efficient behaviours to residential and commercial customers, supporting the transition to a low-carbon future
Ensure value and price stability as much as possible for customers by continuing to successfully manage market volatility and ensure effective hedging of wholesale market risk	▪ Close management of price changes in a year of unprecedented levels of market volatility to ensure stability was maintained and price changes were limited for customers to the greatest extent possible	▪ Continued close management of market volatility through effective hedging of wholesale market risk to ensure value and price stability as much as possible in an extremely challenging time for customers
Continue to grow Customer Solutions' brands, offerings and market shares across the NI and GB markets **Grow Customer Solutions' residential position in GB through So Energy**	▪ Following its acquisition in 2021, So Energy has navigated volatile market conditions in 2022 and successfully maintained its position in the GB market whilst continuing its commitment to deliver clean, secure, and affordable energy to its customers	▪ Continue to position Customer Solutions' brands and offerings in the NI and GB markets to achieve sustainable growth

Engineering and Major Projects (EMP)

Paul Smith,
Executive Director, Engineering and Major Projects

Overview

The EMP business provides a centre of engineering for ESB, delivers large projects across the ESB Group, is responsible for ESB's Group Property and Security (GP&S) portfolio, and provides engineering and other services to external clients through ESB International. The business has over 800 people who work in partnership with other business areas in ESB and deliver engineering services to external clients both at home and internationally.

Key achievements for EMP in 2022

Security of supply

During 2022, EMP worked closely with Generation and Trading (GT) to progress the delivery of GT's renewables growth strategy and to enhance security of electricity supply in Ireland.

EMP has significantly contributed to progressing the development of new renewable generation opportunities, both onshore and offshore in Ireland and Britain, by providing project management, Owner's Engineer and specialist technical and engineering support as appropriate across the project development pipeline.

Highlights include the 1,080 MW Inch Cape wind farm off the coast of Scotland, which is being developed jointly with Red Rock Power Limited; the Oriel and Clogherhead wind farms off the east coast of Ireland which are under development with partners Parkwind; the Neart Na Gaoithe 448 MW wind farm off the coast of Scotland which is currently under construction in partnership with EDF Renewables (UK) Ltd; and the Oweninny Phase 2 83 MW wind farm in Mayo, currently under construction in partnership with Bord Na Móna.

Green Atlantic @ Moneypoint has the objective of creating a green energy hub at ESB's Moneypoint facility in Co. Clare. In 2022, EMP delivered an important milestone of Green Atlantic @ Moneypoint, with successful installation of the world's largest synchronous condenser and flywheel. This technology will provide essential support services to the grid enabling higher volumes of renewable generation on the electricity system.

Also in 2022, EMP project managed the construction of four large scale battery energy storage systems which will deliver 150 MW of fast-acting capacity to the system, when all are completed in 2023. In addition, EMP began the construction of three aero-derivative open cycle gas turbines which will provide approximately 190 MW of flexible capacity when commissioned in 2023.

Separately, during 2022 EMP commenced a major project on behalf of Eirgrid to deliver an additional 200MW of temporary generation capacity at North Wall in Dublin.

As well as delivering new capacity, reliable performance from the existing generation fleet is essential. During 2022, EMP successfully delivered the annual maintenance overhaul programme in collaboration with GT.

Over €200 million

of large ESB Networks projects delivered

Working closely with ESB Networks, EMP is responsible for the delivery of large capital projects, including construction delivery of major infrastructure for the transmission network and distribution network, together with connections of major industrial customers. The delivery of major projects by EMP and other work programmes by ESB Networks will maximise the delivery of the overall ESB Networks' work programme. During 2022, significant work was undertaken to develop, plan and deliver the major ESB Networks' projects required for the PR5 period (2021 to 2025) to support the provision of a resilient electricity network infrastructure and the connection of renewables. Over the year, EMP managed the delivery of over €200 million of large ESB Networks projects.

Head office completed

EMP has responsibility for Group Property and Security (GP&S). A particular highlight for 2022 was the completion of the redevelopment of ESB's head office, Project Fitzwilliam, with construction and fitout of the building completed to the highest standards of sustainability. ESB occupied Fitzwilliam 27 as its head office in quarter 2 2022. This new 45,000 metres squared development delivers a near-zero energy building, one of the most efficient and sustainable commercial office developments in Dublin city, while sensitively respecting and enhancing the Georgian streetscape. Project Fitzwilliam won the "Excellence in Engineering" award for 2022 for a large structure from the Association of Consulting Engineers of Ireland.

Consultancy services

ESB International continued to deliver a range of engineering, operations and maintenance solutions and consultancy services to both national and international clients. During 2022, ESB International provided utility management services to the national utility company in Liberia, which was funded by the World Bank, to help develop the performance of the utility to support wider economic development in Liberia. ESB International delivered critical transmission projects up to 400 kV and provided strategic advisory services to clients globally and provided operations and maintenance services to the Delimara 4 power plant in Malta.

How EMP is helping ESB to make a difference and deliver net zero by 2040

EMP brings ESB's Net Zero by 2040 Strategy to life through the delivery of major projects and engineering solutions which enable ESB and its customers to develop and connect sustainable renewables and provide resilient infrastructure for a reliable low-carbon electricity system. EMP aims to provide a centre of engineering excellence and to ensure consistent best practice major project delivery across ESB.

Whether it is new wind farms, electricity transmission or distribution projects, or technologies such as battery storage or flexible power generation, a commercial engineering capability is a core requirement for ESB. This capability also supports the ongoing maintenance of existing infrastructure, ensuring that these generation and network assets perform efficiently throughout their lives to meet customer and market needs.

The aim of a centralised approach to major project delivery is to deliver projects safely and efficiently which supports ESB's financial objectives. This approach is based on having best practice project and contract management capability that can be applied across the Group, while observing regulatory requirements.

Centre of Engineering

The Centre of Engineering includes civil, environmental, renewable engineering, generation engineering, and transmission and distribution networks engineering and delivery. These engineering functions are involved in new development projects from concept through to construction and commissioning. They also support the operation and maintenance of existing assets across ESB Group, and work with GP&S and ESB International.

Major Project Delivery

Two separate functional areas within EMP have responsibility for the delivery of major projects to GT and ESB Networks. These work with the respective businesses and are building an enhanced capability to ensure these projects are delivered and that ESB reaches the goals set out in ESB's Net Zero by 2040 Strategy.

Group Property and Security (GP&S)

GP&S manages ESB's commercial property portfolio. In 2022, GP&S successfully completed the development, fitout and occupation of ESB's head office in Fitzwilliam Street (Fitzwilliam 27) to the highest standards of sustainability.

ESB International

ESB International, a global provider of engineering consultancy services, is currently working in the Middle East, Africa and Asia. It also continues to work across Europe including Ireland. During 2022, ESB International continued to deliver for its clients providing a range of services that are based on ESB's core capabilities of engineering, management and project delivery across the electricity sector.

Contracts, Processes and Systems

The Contracts, Processes and Systems Group supports delivery of projects within EMP and is responsible for the provision of project management systems, processes, tools, and contract frameworks capability for the Group.

Enterprise Services

Geraldine Heavey,
Executive Director, Enterprise Services

Overview

Enterprise Services' core areas of expertise are:

- Strategic advisor to ESB Group in relation to core shared services, focused on strategy delivery and value creation
- Responsibility for providing business critical processes and services to ESB Group, focused on operational efficiency and effectiveness
- Responsibility for leading the digital transformation of ESB Group, leveraging data and technology, as well as leading operational excellence across ESB

Key achievements for Enterprise Services in 2022

As the centre of excellence for a wide range of key business processes and services that are critical to operations and strategy delivery across ESB Group, Enterprise Services' achievements in 2022 included:

Re-opening of ESB locations

Ensuring the successful continuity of all key business processes, services and projects that Enterprise Services delivers as ESB transitioned from COVID-19 restrictions to the re-opening of ESB locations, including the new Fitzwilliam 27 head office building following the completion of its construction in early 2022.

IT and digital investment

Successfully supporting the ESB Group businesses in delivering a significant IT and digital investment programme including key strategic projects like the National Smart Metering Programme and the National Network, Local Connections Programme, and successfully supporting and upgrading ESB's IT landscape while adapting services to support new technologies and products.

Digital first

Playing a lead and exemplary role in the delivery of digital transformation and championing a digital first approach through supporting the development of digital platforms and data dashboards across ESB.

Cybersecurity

Ensuring cybersecurity risk management, monitoring and continuous improvement is embedded across ESB.

Awards for excellence

Enterprise Services team's excellence was recognised externally as follows:

- Data & Analytics won "Analytics Team Of The Year" at the National Analytics and AI Awards 2022
- Digital and data teams won a number of global and European awards for experience design of products
- The Operational Excellence team was winner of the Operational Excellence in Utilities in Ireland's annual Operational Excellence Awards
- Procurement won best "People Development Initiative" at the National Procurement Awards
- The Accounting and Reporting team's technical and reporting expertise contributed to the 2021 award winning ESB Annual Report

How Enterprise Services is helping ESB to make a difference and deliver net zero by 2040

Enterprise Services' purpose is to enable ESB's Net Zero by 2040 Strategy by leading, advising and delivering in its core areas of expertise, significantly contributing to the delivery of ESB's strategic and financial objectives by:

Providing key strategic advice in relation to legal, procurement, pension, insurance, operational excellence and other professional services to the other businesses in ESB Group in the achievement of their strategic goals

Working in partnership with other ESB businesses in delivering ESB's strategy including the centres of excellence of Procurement and Legal working with Generation and Trading in growing ESB's renewable generation portfolio and Business Operations' lead role in learning and development and talent acquisition across ESB

Providing a wide range of key IT/digital services to ESB Group including IT service and project delivery, data and digital transformation expertise and cybersecurity risk management

Providing a wide range of financial accounting, reporting and transactional services to ESB Group

Continuing to safely manage ESB's property portfolio as staff returned to locations following the lifting of COVID-19 restrictions, as well as the fit out of ESB premises to enable smart working

Working with the business to mitigate the impact of global supply chain disruption on the delivery of ESB's strategy and associated business plans

Supporting businesses' strategic delivery by facilitating the hiring of almost 800 new staff across the ESB Group in 2022

Continuing to build and enable a high-performing Enterprise Services team, working in collaboration and partnership with the rest of ESB Group

An overview of Enterprise Services' functions is summarised below.

Function	Purpose
Legal	Enterprise Service's in house legal team provides advice and transactional support for all legal and contractual issues arising in ESB's domestic and international operations in the generation, supply and transmission of electricity and in its energy consulting business. This service covers a wide range of areas, focusing in particular on corporate and commercial law, regulatory and competition law, employment and industrial relations law, litigation and dispute resolution, commercial property and planning and environmental law.
Procurement	The role of Procurement is to manage all procurement activity across ESB Group while observing regulatory requirements. This includes the provision of procurement advice, development of procurement strategy, policies and procedures, strategic procurement planning and tendering services.
Pensions & Insurance	The role of Pensions & Insurance is to manage all pensions and insurance activities across ESB Group. This includes development of strategies, provision of expert advice and risk management. It also manages staff insurance services and the Medical Provident Fund.
Operational Excellence	The role of Operational Excellence is to deliver process improvement projects and drive a culture of continuous improvement across ESB Group.
CIO	The role of CIO is to shape world-class technology solutions that enable business growth and efficiencies and to oversee and manage cybersecurity. This includes leading the transformation of ESB Group from an IT, digital and analytics perspective.
IT Delivery	The role of IT Delivery is to implement, scale and support IT and digital projects, products and services. IT Delivery plays a critical role in managing ESB's existing IT landscape and adapting services to support new technologies and products.
Business Operations	The role of Business Operations is to provide core business support functions such as People Operations, Finance Operations, Financial Planning & Analysis, Treasury Operations, Requisition to Pay and Facilities Management.
Transformation Office	The purpose of the Transformation Office is to enable and support the delivery of transformational initiatives across the different Enterprise Services functions.

These functions are supported by central Finance, Human Resources and Safety, Health and Wellbeing teams, and operate in compliance with licence and other legal requirements.

Responsible Business Report

Overview

Sinéad Kilkelly, Executive Director, People and Organisation Development

Ensuring we have the people capability to deliver our strategic objectives with a strong values-based and inclusive culture is a foundational pillar of ESB's Strategy - Driven to Make a Difference: Net Zero by 2040.

ESB has a critical purpose which will only be delivered through our people. Delivering on our employee promise so we can retain, grow and attract new people to work with us is therefore fundamental to our continued success.

2022 has been a year of change, challenge and opportunity. We know that the continuing cost of living impact of the energy crisis is really difficult for our customers and the communities we serve. This puts its own pressure on our people especially those at the front line. In ESB we have a long history of caring for the people we impact on.

As we came out of COVID-19 earlier in 2022, we have embraced our hybrid working model which we call Smart Working. For ESB, Smart Working has been about moving to trust based flexible working that makes the most of our in person and virtual collaboration, technology and revamped office spaces. We continue to try, learn and adapt to develop our ways of working together that work for the business, teams and our people.

In May 2022, we launched a national recruitment campaign to recruit over 1,000 people into ESB over the next three years. We are recruiting across many disciplines and want to attract diverse talent into ESB. By creating an increasingly diverse, inclusive culture where people from all backgrounds and genders feel valued and connected to purpose, we will vastly improve our ability to innovate, collaborate and find the solutions we need. The culture of our organisation hinges on our four values – Caring, Driven, Courageous and Trusted. Living these four values is essential to having a truly inclusive organisation.

In December 2022, we published our second gender pay gap report. While it is encouraging to see progress in reducing our gender pay gap, we know we have more to do.

I joined ESB in May 2022, attracted by the organisation's purpose and values. This is a challenging but really exciting time to work in ESB as we seek to transform into a zero-carbon company and step forward on our social responsibility.

People

People Strategy at ESB

People Strategy Statement
Enable the culture and capability required for sustained performance, where everyone can make a difference to achieve net zero by 2040.

There are 8 strategic goals underpinning ESB's People Strategy

Empowering our people to be safe, healthy and environmentally responsible
Create a supportive and healthy workplace that provides a sense of belonging that moves beyond eliminating harm to enriching lives through the positive experience of working with us

Growing & retaining capability
Using a dynamic and agile process to identify and grow the capability we need, with a compelling proposition to attract and retain our people

Developing current & future leadership
Developing inclusive leadership at every level, enabling performance and retaining talent with empathy, passion and purpose

Strengthening our values-based culture
Connecting everyone with the ESB purpose, strategy and values, ensuring our values are at the heart of the way we work and engage with each other

Accelerating inclusion & diversity
Leading targeted programs and measures to build and sustain an increasingly diverse workforce and agile culture of inclusion and belonging

Leading sustainably
Establish the leadership knowledge, ambition and mindset as well as the enhanced organisational processes and capabilities to make ESB a true leader in sustainability

Leading & enabling transformation
By engaging together and putting people at the centre in our decisions we will transform and be empowered to do great work in new ways

Excellence in delivery
Role model excellence in what we do and how we do it, delivering on basics, brilliantly

Our People Promise at ESB

At ESB, our purpose is clear and we've made a commitment to deliver a brighter future through the collective actions of all our people. We believe in creating a positive and flexible environment where everyone feels safe, empowered and they truly belong. Our People Promise is rooted in our values of being caring, courageous, driven and trusted.

Recognising how important our people are, we seek to understand how our people feel about life in ESB through two-way engagement, focus groups and Our Voice employee surveys. This helps inform how we can improve employee experience and live our People Promise.

ESB offers a competitive reward package together with comprehensive employee benefits and supports including health, wellbeing and diversity initiatives, family supports and flexible working arrangements. ESB offers employees the resources they need to be their best, working with people who care and support them on their employee journey with ESB so they can thrive. ESB is committed to career progression together with supports for ongoing development – every employee is expected to have

People (continued)

a development plan. At ESB, we care about the issues that our employees are interested in and we provide volunteering opportunities and generous charitable contribution matching.

ESB is an equal opportunity employer. ESB complies with all employment equality legislation which provides for equal pay for work that is the same, similar or of equal value. ESB respects each employee's right to associate and be a member of a Trade Union. ESB recognises and engages in collective bargaining with a number of accredited Trade Unions (the ESB Group of Unions). The ESB Group of Unions is comprised of Connect, Unite the Union, the Energy Services Union (ESU) and SIPTU. As part of ESB's internal grievance procedures, the company utilises an Industrial Council which includes management and employee representatives and is chaired by an external independent chair. As part of ESB's pay cycle, a three year pay agreement was reached for approximately 5,500 employees effective 1 January 2022.

Our Purpose and Strategy
We are part of delivering a brighter future and making a real difference for millions of people every day. Stepping forward on environmental and social responsibility is at the heart of the way we do business.

Our Values
Courageous, caring, driven and trusted empower us and guide the way we work at ESB every day.

Our People
Our success is rooted in our people. Our people are what set us apart and have built ESB to what it is today. We're passionate about attracting, engaging and retaining great people who create a positive, caring work environment, and bring new thinking and expertise to ESB.

Your Benefits
We offer employees attractive and unique benefits: competitive reward, flexible and hybrid working, reduced rate on electricity with Electric Ireland, pension plan with a competitive employer contribution, generous life and career leave and much more.

Your Wellbeing
Employee wellbeing is a top priority, and all employees can access numerous supports such as the Employee Assistance Programme (EAP), mental health first aid, health and wellbeing programmes and our sports and social clubs that promote physical wellbeing and social connection.

Your Growth
We're fully dedicated to our employees personal and professional development. We're constantly expanding and improving the scope of our training courses and development plans to help employees to be the best. Employees can grow and thrive in their careers with access to coaching and mentoring programmes, innovation incubator programmes, rotations and funding for professional qualifications.

Investment in our people at ESB

Reflecting the opportunities and challenges facing Ireland's energy future, in 2022 ESB announced the recruitment of more than 1,000 people over the next three years to support the delivery of net-zero carbon emissions by 2040. These roles further enhance the capability of existing teams and are in key areas such as renewable technologies, engineering, IT, finance and across a range of professions.

The attraction, retention and growth of our people are key pillars of ESB's Talent Strategy where ESB invests in ongoing development through all stages of the career journey. During 2022, ESB further embedded a learning culture through the introduction of Learning Paths for all – including new recruits and for those wanting to embrace something new later in their career.

2022 was called out as a learning year in the 'way we work' across ESB. It focussed on creating the flexibility that ultimately leads to a more fulfilled workforce, particularly when combined with ESB's net zero ambition. Every day, the benefits of encouraging flexibility in how we work can be seen with greater retention levels but more importantly a fulfilled workforce.

Developing inclusive leadership, which enables performance and retains talent with empathy, passion and purpose is key to delivering the Net Zero by 2040 Strategy. During 2022, leadership programmes were reviewed at every level across the business. In 2023, a revised leadership development model will be rolled out for those who are first time managers right through to senior executives.

Inclusion and Diversity at ESB

ESB is committed to building and sustaining an increasingly diverse workforce and a strong values-based inclusive culture, where people engage, thrive and feel connected to ESB's purpose and to each other. Increasing all aspects of diversity of ESB's workforce is a priority and a business imperative. Following a refresh of ESB's Inclusion and Diversity strategy earlier in 2022, for the first time specific diversity targets have been set, starting with gender where the best data is available. ESB is also committed to the public sector target of 6% employees with disabilities by 2024.

Highlights

The median gender pay gap, excluding overtime, is -1.4% (the median hourly rate is slightly higher for females)

ESB's mean gender pay gap at 30 June 2022 is 10.9% (2021: 11.6%)

When overtime is excluded, the gap reduces to 3.25% (2021: 4.5%)

Note: Republic of Ireland employees only

In December 2022, ESB published its second Gender Pay Gap report, having voluntarily published its first report in 2021, before the Gender Pay Gap Information Act 2021 came into effect. ESB has a mean or average gender pay gap for Republic of Ireland employees (net of overtime and role-specific allowances) at 30 June 2022 of 3.25% (2021: 4.5%). The mean gender pay gap increases to 10.9% (2021: 11.6%) once overtime and role-specific allowances are included, driven by the significantly lower participation of women in craft and engineering roles.

ESB's median gender pay gap is also reported for 2022. When overtime and allowances are excluded, the median gap is favourable to women by 1.4%. This positive progress reflects measures implemented by ESB to improve gender representation and reduce the gender pay gap.

Further reducing ESB's gender pay gap is a key element of ESB's People Strategy. The organisation has identified several priority actions to attract more females into electrical and other craft apprenticeships, graduate programmes, engineering and other Science, Technology, Engineering and Mathematics (STEM) roles. ESB recognises that achieving this requires continuing its own programmes and also a concerted focus nationally at primary, secondary and third-level to encourage more females towards the opportunities and careers available in STEM.

ESB has a comprehensive implementation plan underpinning its Inclusion and Diversity strategy. Key areas of focus in 2022 included:

- Ensuring diverse talent is attracted as part of ESB's National Recruitment Campaign, by reviewing recruitment policies and practices and leveraging existing and new partnerships such as OpenDoors, ASiAM and Ahead.
- The further development of Diversity Action Plans for network technician apprentice and engineering graduate programmes. These plans are beginning to have real impact with a record number of female apprentices (24%) joining ESB in the 2022 intake.
- Building on the success of the award winning BeMe@ESB (ESB's LGBT+ network which has over 1,200 trained allies), the organisation is now establishing new employee resource groups starting with accessibility.
- To support and grow the leadership pipeline, a new Women in Leadership programme has been designed by a group of female employees from within the organisation.
- Increasing ESB leadership through participation groups including 30% Club Ireland Council, Connecting Women in Technology (CWIT), Engineers Ireland, Professional Women's Network (PWN) Dublin and the IBEC Diversity Forum.
- In 2022, ESB continued to be a host organisation for the STEM Teacher Internship Programme, offering 12-week paid internships annually to future primary and post-primary STEM teachers in STEM roles. In 2022, ESB has also engaged with Skillnet Ireland to participate in their award winning "ReBoot" programme which supports women with skills and placement experience to return to work in technology/IT after a career break.
- ESB's Traineeship Programme for People with Disabilities, supported by AHEAD. The six-month programme provides the participants with training, mentoring and experience of working in a modern business environment. It provides opportunities for personal and professional development and is of benefit to participants in applying for future employment opportunities. Since its commencement over 120 people have taken part in the programme in ESB.
- Continued rollout of ESB's Parenting Transition Programme - a coaching-based programme to support successful transitions for all new parents.

ESB's flexible hybrid working for office-based employees increases the opportunities for roles to be carried out within a remote model – removing geographic location as a barrier - extending opportunities for existing talent and the reach for future talent. Managing the opportunities and challenges of hybrid working to positively impact the diversity of ESB's workforce continues to be a focus as ESB embraces working in the new hybrid world.

People (continued)

Culture

Smart Working is ESB's term for how we work at site, in offices and remotely, building on the massive once-in-a-generation change to the world of work driven by COVID-19. Through Smart Working, ESB is empowering people with the autonomy, flexibility and digital tools to deliver on ESB's strategy.

With input and support from across the organisation, strong foundations for Smart Working have been put in place. Throughout 2022, 'Our Learning Year', considerable progress has been achieved with much of Smart Working brought to life. It is an adaptive challenge, where all employees continue to trust and empower each other to iterate and adapt by embedding hybrid habits into everyday work life, using digital tools and technology to support connections and collaboration. In a recent employee survey 92% of respondents reported a positive Smart Working employee experience. ESB is recognised externally as a thought leader on hybrid working and has been invited to share the approach on Smart Working in different industries and organisations. ESB's leadership on hybrid was recognised by being selected as a finalist in the 2022 CIPD 'Flexible and Hybrid Working' awards.

As ESB continues to evolve the Smart Working journey and design the workplace of the future, it must continuously review and redesign how we work to best serve our people. This will require the organisation to listen to and prioritise the concerns of our people and maintain dedicated channels of communication for teams to share what's working well and what can be improved.

ESB has laid solid foundations for a sustainable hybrid model – this will deliver better business results, support sustainability goals and improve wellbeing while enjoying the benefits of an inclusive, flexible working culture. In 2023, the organisation will continue to try, learn, adapt and apply to further evolve the best ways of working.

	2022	2021	2020
Average Number of Employees	8,196	7,870	7,938
Female*	26%	25%	26%
Senior Management Female*	32%	31%	30%
Employees with Disabilities **	3.8%	3%	3%

Average number of employees by business unit is included in note 10 of the financial statements.

*Excludes NIE and So Energy employees

**ESB continues to exceed the 3% employment target for people with disabilities set out in the Disabilities Act 2005

Safety

Overview

ESB's Board, management and employees are committed to protecting the health and safety of employees, customers, contractors and the people ESB serves; their safety is always considered first in business actions and activities. ESB believes that all operational processes can be designed and operated in a safe manner. This belief guides the approach to safety across all business activities and is reinforced through strong and visible leadership throughout ESB.

The Chief Executive has overall responsibility for the management of health, safety and wellbeing in ESB. The ESB Group Safety Statement sets out the overall policy and general arrangements in ensuring the health, safety and wellbeing of all employees. Functional responsibility is shared with all senior management and, in turn, with each manager, supervisor, team leader and employee. The Safety, Sustainability and Culture Committee supports the Board's monitoring and governance of health, safety and wellbeing. Further details of the Safety, Sustainability and Culture Committee are outlined on page 153.

Safety Performance in 2022

ESB uses the following leading Key Performance Indicators (KPIs) to track safety performance:

1. Good Catch reporting: A Good Catch is where an employee or contractor intervenes when they notice an unsafe act or unsafe condition. This helps to prevent a safety incident from occurring. 7,923 Good Catches were reported across the organisation during 2022.

2. P1 investigation closure: A P1 incident is an incident which has the potential to cause life changing injuries. ESB categorises all incidents and near misses with a particular focus on high potential incidents that could lead to more serious outcomes. All P1 incidents are thoroughly investigated. The P1 investigation closure KPI reports on the timely completion of investigations. This KPI target was exceeded at the end of 2022 achieving an average of 84% on-time closure rate per month.

3. P1 action closure: When a P1 incident is investigated the findings often result in corrective actions. This KPI tracks the timely completion of all actions associated with P1 incidents. The P1 action closure target was exceeded in 2022 achieving an average of 84% closure rate per month.

4. Senior Management leadership activities: All Senior Managers in ESB are expected to demonstrate their safety leadership by conducting leadership activities each month. This KPI tracks completion of these activities. For the first half of the year, ESB was below target at 74%. The KPI was expanded and refreshed to improve engagement and leadership and the improved performance of 83% in the second half of the year reflects this. Overall, the average performance was below target at 77% completion rate for the year.

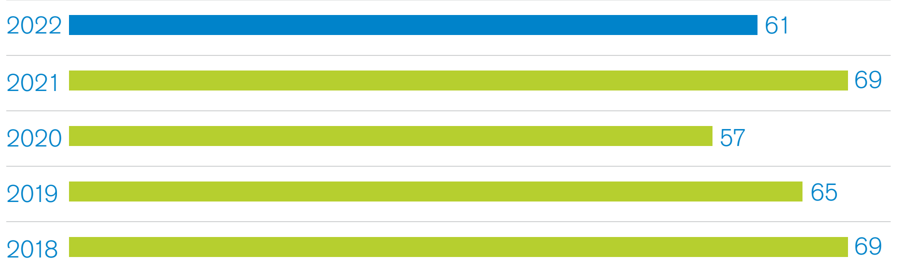
5. Audit non-conformity closure: ESB is certified to externally accredited Safety Management Systems (SMS). Non-conformities associated with external audits of these SMS are tracked for on-time completion. The number of minor and major non-conformities is consistently very low. All actions have been closed on time.

Lost Time Injuries

The number of Lost Time Injuries (LTIs) in 2022 was 61 compared to 69 in 2021 and 57 in 2020. The majority of these injuries were of low severity where the injured parties made a full recovery and quickly returned to work. The most common causes of LTIs were slips and trips, and general situational awareness.

LTIs are occupational injuries which result in at least one day's absence from work, not including the day that the injury occurred.

Figure 1 Lost Time Injuries 2018 – 2022

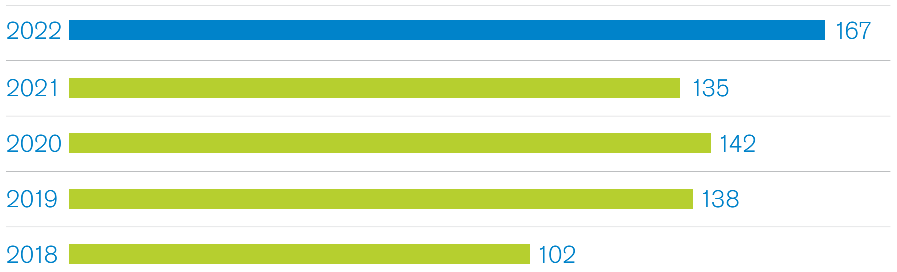


Safety (continued)

High Potential Incidents (P1)

In 2022, 167 P1 incidents were recorded. 2022 has shown an increase in P1 incidents compared to the years 2018 to 2021. In 2022, ESB had a lower number of serious Lost Time Injuries of 3 compared to the previous two years (4 in 2021 and 11 in 2020). The most significant safety risks arising from P1 incidents for ESB are electrical plant, equipment and overhead lines. Human error is also the cause of many incidents.

Figure 2 P1 Incidents 2018 – 2022



Public Safety

During 2022, ESB Networks continued to implement its Public Safety Strategy (2021 – 2025). This strategy builds on previous strategies and sees the introduction of a management system framework approach to public safety. The strategy continues to focus on engagement and collaboration with key identified at-risk groups including the farming sector, construction industry, emergency services as well as informing the general public on the need to stay safe and stay clear of the electricity network via various media channels. The ESB Networks' 24/7/365 emergency response service operated to the highest standards to ensure public safety. The 2022 independent audit of ESB Networks' Public Safety Management Programme on behalf of the Commission for the Regulation of Utilities (CRU) was completed in Q4 with zero Category 1 or Category 2 non-conformances recorded. This independent verification of ESB Networks' Public Safety Strategy and associated management programme was welcomed by ESB.

There were no fatalities in 2022 involving members of the public and the electricity network maintained by ESB Networks, as has been the case for the previous five years. However, there were two incidents of contact with the network by members of the public that resulted in electric shock and hospital treatment. In Northern Ireland, a member of the public was fatally injured when they came into contact with the overhead electricity network maintained by NIE Networks.

Safe and Sound

Safe and Sound is ESB's safety and wellbeing culture transformation programme. Since its launch in 2018 in ESB Networks and Generation and Trading, it has achieved considerable success in evolving the culture at ESB. The programme has helped make safety and wellbeing central to everything being undertaken. It is built on the ESB core values: caring for one's own safety and wellbeing and that of their colleagues; being courageous in speaking up when we see something unsafe; being trusted by employees, contracted partners and customers to be safe every day; and being driven to be leaders in safety, health and wellbeing and environmental responsibility.

The focus in 2022 for Safe and Sound has been on expanding the programme across all of ESB's business units, creating positive safety and wellbeing leadership and on living the Safe and Sound principles in office locations as well as front-line work environments. These principles are: Leadership must be 'Why' based; People are the Solution; Build on Peoples' Strengths; and Treating People as Family. There has also been a strong focus on positive safety engagement with ESB's contractor partners, with the emphasis on growing a positive safety and mental wellbeing culture for all working in ESB. The new Safe and Sound teams formed in 2022 will emulate and build on the successful methodology developed throughout the Safe and Sound journey to date.

Health and Wellbeing

ESB is committed to proactively supporting its employees in maintaining good health and wellbeing. ESB's Health and Wellbeing team helps employees to reach their full potential in the workplace by providing proactive, preventative and early intervention health and wellbeing services. It provides information and advice to employees to help them to create and maintain a healthy lifestyle. The programme provides effective support where employees face ill health and other personal life challenges through an occupational health medical service, Employee Assistance Programme (EAP), an independent counselling service and a range of other support measures. Health promotion, based on a calendar of monthly areas of focus, was delivered through online events, in-person events, a monthly health and wellbeing bulletin, and regular webinars on mental and physical health.

COVID-19 Pandemic – ESB Response

ESB maintained its COVID-19 controls including the regular meetings of its Pandemic Response Support Team (PRST) and Crisis Management Team (CMT) until April 2022. Since then, the existing controls of vaccination and isolation when symptomatic or testing positive have proven effective in managing COVID-19 and its effects on ESB business operations and employees' wellbeing.

ESB continues to monitor this situation to protect the health and wellbeing of its employees, contractors, customers and the public as well as maintaining essential services.

Key initiatives and programmes implemented or continued in 2022

Overall	▪ ESB business units maintained their SMS certification to ISO 45001 standard or equivalent ▪ ESB continued to make progress in 2022 on improving its safety performance through delivery of key improvement projects ▪ Principal risks and their management are reviewed and reported quarterly to the Group Risk Manager and the Audit and Risk Committee
ESB Networks	▪ Competence and Assurance team continues to expand the areas and work activities covered by the assurance programme ▪ ESB Networks adopted "Human Factors" as the Safety theme across 2022 with very positive engagement and response to monthly themes ▪ Safe and Sound Culture Transformation Programme continues to gain traction ▪ Road Safety and Public Safety programmes and initiatives are on track with engaging content delivered to at-risk groups and stakeholders ▪ Continue to monitor all aspects of the COVID-19 pandemic as it relates to an essential service provider
NIE Networks	▪ Developed and implemented a company-wide safety culture transformation programme, called Safer Together which has been reinforced through strong and visible leadership and the development of a series of safety improvements. It will now be entering phase two of the same programme as NIE Networks continues its journey to zero harm
Generation and Trading (GT) and Customer Solutions (CS)	▪ Health and wellbeing champions forum established in GT ▪ Health and wellbeing in-person week completed in CS ▪ Phase one of the behavioural safety campaign completed in GT ▪ Developing a culture of positive safety behaviour recording ▪ 10 locations now fully utilising the Safe System of Work (SSoW) ▪ Hazard and explosive risk analysis of the hydrogen system in Moneypoint ▪ Process hazard review in Turlough Hill and Ardnacrusha ▪ Electrical safety workshops held across the locations
Engineering and Major Projects (EMP)	▪ Role of Safe and Sound in EMP was a major focus for 2022 ▪ Safety Week events included a Codes of Practice webinar, a Project Supervisor Design Process Conference, and webinars on "Winter Wellness", "Movement Snacking" and "Safe Driving" ▪ Safety skills developed in new technologies including offshore wind and energy storage ▪ The IBEC KeepWell mark was successfully maintained during 2022
Health and Wellbeing	▪ Mental health first aid training has been delivered to c.240 ESB employees and available in 60 locations. 3% of employees have been trained in mental health first aid ▪ ESB's stress management programme continues to be delivered throughout ESB and is backed up by ESB's monthly informational webinars ▪ The monthly wellbeing webinars have continued delivering high quality content on a wide range of wellbeing topics ▪ A new online health and wellbeing information hub was developed making it easier for employees to access information about health promotion activities, occupational health, employee assistance and confidential counselling services ▪ A total of 32 employee wellbeing challenges were completed using ESB's health and wellbeing app

Community

Stepping forward on social responsibility is a key element of ESB's sustainability strategy. This means ensuring that ESB has a positive impact on all people that it engages with – employees, suppliers, customers and the communities we serve.

Since its foundation in 1927, ESB has supported communities and programmes that enhance the economic and social fabric of Ireland, helping to bring light and energy to the people it serves, allowing individuals and communities to fulfil their potential.

Community support

Throughout 2022 ESB has invested €2.5 million through its social programmes aimed at community support.

	2022 €000s	2021 €000s	2020 €000s
Energy for Generations*	991	1,242	1,251
Special donation for refugee support	100	-	-
Electric Aid	275	275	275
Ukraine Emergency Appeal	100	-	-
Wind Farm Community Fund	1,000	1,000	1,000
UNICEF Get a Vaccine	-	105	-

* In addition to above, ESB provides financial support to employees who engage in volunteering activities and to the Business in the Community volunteering programmes ("Time to Read" and "Time to Count").

War in Ukraine

The war in Ukraine continues to have a devastating impact for so many people. Throughout the year ESB sought to provide support to those impacted, both in Ukraine and locally in our communities. Examples of the support given include:

- Electric Aid (the charity funded by ESB employees, retired colleagues and ESB) held an emergency appeal. The fantastic response of over €100,000 was matched by ESB. Electric Aid continued to keep up to date with the humanitarian demands in Ukraine throughout 2022, ensuring these funds were distributed effectively.
- ESB made a special additional donation of €100,000 to the Energy for Generations Fund for initiatives to support all refugees arriving in Ireland in 2022. This has been used to support schemes across the island of Ireland, relating to pre-employment, health and wellbeing and removing barriers to education for refugees in Ireland.
- ESB recruitment advertised jobs on the "Jobs Ireland" website targeting refugees and several refugees are now working in ESB.
- ESB acted as host for an Immigrant Council of Ireland conference in mid-May for Ukrainian refugees.
- Three days annual leave was given to ESB employees who hosted refugee families, allowing support to their transition to life in Ireland.
- The funding available under ESB's volunteering support programme was extended to allow employees to apply for €500 to support volunteering or fundraising for refugees.

Energy For Generations (EFG) Fund

EFG is ESB's social giving fund which supports a wide range of projects across all the communities served in the Republic of Ireland and Northern Ireland, with an annual budget of up to €1 million. In 2022, the Fund had four funding rounds, and this resulted in EFG supporting 66 projects across the island of Ireland. Currently the fund is focussed on three themes - fighting homelessness, preventing suicide, and enabling access to Science, Technology, Engineering and Mathematics (STEM) education.

● 37% Homelessness
● 18% Suicide prevention
● 45% Education

ESB's funding includes special partnerships with:

- Kinia for the TechSpace initiative building the capacity of youth organisations to run creative STEM education programmes
- Aware for their Life Skills for Schools initiative to promote mental health awareness in secondary schools throughout Ireland. Over a three year period, EFG has funded 782 Life Skills for Schools programmes and the training of 92 trainers, resulting in a reach of nearly 16,000 students

In addition, the fund provides much needed funding at Christmas time to a wide range of charities including Capuchin Day Centre, St Patrick's Hostel Limerick, Cork Penny Dinners, Focus Ireland and ISPCC.

ESB Partnership with Kinia

TechSpace 2022 is a creative technology education programme managed by Kinia, an education focussed non-profit, charity and social enterprise. ESB has supported the growth of this programme which encourages young people to unlock their passions and potential through the creative use of technology.

2022 saw the roll out of TechTour at National Broadband Ireland's Broadband Connection Points (BCP) across Ireland. The BCP TechTour featured a blend of in person and online training events across seven counties (Galway, Tipperary, Cavan, Meath, Longford, Wicklow, and Offaly) introducing participants to many STEM related skills such as mobile filmmaking, podcasting, coding, circuitry and robotics.

The annual Creative Educator TechFest event is a celebration of the creative work of young people. At this year's event in November 2022, Kinia launched a range of micro-credentials that recognise the professional development and skills training of educators in the TechSpace and wider network. This included a micro-credential for creative STEM-based learning developed with the support of ESB.

Training & Support for Educators by Kinia TechSpace Team at BCP Lettermore, Galway

Róisín NíChiaráin, Kinia at the Educator event.

Community (continued)

Employee Volunteering

Employees in ESB volunteer in many ways from giving time to the running of the EFG fund and Electric Aid, ESB's staff charity, to getting involved in initiatives that ESB funds, to organising fundraising events. In addition, when ESB employees volunteer over 20 hours of their time or fundraise at least €250, they can apply to the ESB's EFG fund for a grant of €250 to that organisation, increased to €500 for support of refugees. ESB is an active supporter of the Time to Read, Time to Count and Skills at Work programmes, run by Business in the Community, which aim to improve literacy and numeracy initiatives in primary schools throughout Ireland. In 2022, ESB employees volunteered nearly 600 hours in support of these programmes at eight schools.

ESB & St Mary's Fairview, 25 volunteers across the organisation took part in Time to Read in 3 Dublin schools during the school year 2021-22, reading with a total of 39 children.

Aida Sarr, is a community development worker and a matron at the local 'health hut' on the island of Maya, Senegal.
Source: ActionAid

Wind Farm Community Fund

ESB's subsidiary wind farm companies operate in Ireland, NI and GB, and its Wind Farm Community Fund makes €1 million available to communities close to wind farm sites for the development of local infrastructure and services bringing a brighter future for the residents of its neighbouring rural communities.

International Community Support

ESB is a proud corporate partner of Electric Aid, a charity established by employees of ESB in 1987. Today, Electric Aid is supported by 2,070 serving and retired employees, with donations matched by ESB on a 2:3 ratio to a ceiling of €275,000 annually. In 2022, Electric Aid funded 76 projects in 31 countries to a total of €875,000, with each project directly addressing one or more of the United Nations Sustainable Development Goals. A copy of the Electric Aid Annual Report is available from the Electric Aid website – www.electricaid.ie.

In 2022, Electric Aid commenced a new special partnership with SeeBeyondBorders, an Irish development organisation focussed on supporting inclusive education for children in Cambodia. Electric Aid is funding technology education support at a number of schools in Cambodia.

Sponsorship

The Group manages an active sponsorship portfolio including the following:

- Supporting the development of key 21st century skills in young people through ESB Science Blast and the Quavers to Quadratics programme
- Supporting the arts through partnerships through the ESB Brighter Future Arts Fund
- Proud supporter and sponsor of the Pieta House Darkness into Light annual fundraising event
- Encouraging education on social justice matters through support of St Vincent De Paul's Youth Development Programme
- Promoting young people in sport through the Electric Ireland GAA All-Ireland Minor Championships and the Higher Education Championships
- Promoting female participation in football through the sponsorship of Women's Football in Northern Ireland

ESB Science Blast

ESB Science Blast, delivered by the Royal Dublin Society (RDS), empowers primary school children, from 3rd to 6th class, to work together as a class to investigate the science behind a simple question that interests them, before presenting their findings at one of the three showcase events in Dublin, Limerick, or Belfast. The showcase events were unable to go ahead in 2022 due to the ongoing impact of COVID-19, however, there were 440 school submissions and over 11,000 children participating in the virtual ESB Science Blast. Judges, including over 40 people from ESB, supporting with either in class or virtual judging and schools hosted ESB Science Blast highlights for parents and the wider school community. The ESB Science Blast Roadshow visited 15 schools across Ireland during April 2022, in an ESB electric vehicle.

Quavers to Quadratics

Quavers to Quadratics is an innovative STEM education programme that explores the intersection of the worlds of music and science through a series of hands-on workshops. The programme is delivered by the National Concert Hall, University College Dublin and Trinity College Dublin Schools of Education and brings the science of music into classrooms from 3rd to 6th class. Experimentation and play inform each of the four Quavers to Quadratic workshops that focus across Hearing Sound, Seeing Sound, Feeling Sound and Creating Sound. ESB's support in 2022 focused on the delivery of the programme across DEIS (Delivering Equality of Opportunity in Schools) and Gaeltacht schools.

ESB Supporting the Arts

As a long-term patron of the arts in Ireland, ESB recognises the key role that artists play not only in recording and interpreting social and economic developments, but also in engaging communities and stimulating innovation and creativity. ESB supports several arts organisations and supported five climate arts projects in 2022 through the ESB Brighter Future Arts Fund.

The ESB Brighter Future Arts Fund, delivered in partnership with Business to Arts, is a €250,000 donor funded scheme launched in 2021 and open to artists from all art forms working with organisations around sustainability, climate change and energy transition. Five projects from across Ireland were selected by an independent assessment panel for funding.

Community (continued)

Darkness into Light
Electric Ireland has sponsored the Pieta Darkness into Light event since 2013. The sponsorship helps to bring to life ESB's commitment to positively impact the communities within which it operates through an extensive marketing and PR campaign, as it supports Pieta in its fundraising efforts during Darkness into Light.

In 2022, the event returned to its pre-pandemic format with events in communities around the island of Ireland and raised over €4 million with 117,000 people participating in the 5 km walk at dawn on Saturday, 7 May 2022.

Pieta is one of Ireland's leading mental health charities and provides free 24/7 therapy to those engaging in self-harm, with suicidal ideation or bereaved by suicide in communities across Ireland.

Young St Vincent De Paul
Electric Ireland have sponsored St Vincent De Paul's Youth Development Programme since 2013 with over 200,000 student participants in the years since. The aim of the programme is to educate 4th and 5th year students about social justice and aid them in delivering social action projects in their local communities. In 2021/22, 8,854 students engaged with the programme in 197 schools and 692 workshops were delivered.

Electric Ireland Higher Education Leagues and Championships
In April 2022, Electric Ireland committed to a five-year extension of its sponsorship of the Electric Ireland Higher Education GAA Leagues and Championships, having been title sponsor of the competitions since 2017.

With Electric Ireland's long-standing commitments to youth in GAA and building on the sponsorship of the Minor Championships, the HEC (Higher Education Championships) involves 7,000 players from over 50 universities and institutes annually competing for the Sigerson and Fitzgibbon Cups, along with other Higher Education Leagues and Championships.

GAA Minor Championships
In April 2022, Electric Ireland announced a five-year extension to its sponsorship of the Electric Ireland GAA Minor Championships. Electric Ireland has long supported the development of future inter-county stars across the country and will now continue its support of these historic competitions until 2027.

Having sponsored the GAA Minor Championships since 2012 and worked with minor teams over the years, Electric Ireland understands all that encompasses playing Minor. Over the course of the partnership Electric Ireland, under the campaign platform "This Is Major", has redefined what it means to be involved in the GAA Minor Championships, elevating both the perception, and understanding of the Minor Championships.

This year, as part of its commitment to support the development of young players, Electric Ireland also announced its five-year sponsorship of the Celtic Challenge, a developmental hurling competition which features 39 teams from 29 counties.

Electric Ireland Sponsorship of Women's Football in Northern Ireland (NI) with Game Changers
Electric Ireland, in partnership with the Irish Football Association (IFA), are the proud sponsor of women's and girl's football across all levels in NI working to increase participation, attendance at games and media coverage. Since the sponsorship began in 2017, participation has increased by more than 25% and by working in partnership with the Irish FA, Electric Ireland continues to help provide more opportunities for females to play football in NI.

Electric Ireland has been able to connect with and support communities across the region through the sponsorship and will continue to develop its Game Changers campaign to provide more opportunities for females to play football, and more recognition for those that are committed to the game across all levels.

Human Rights

ESB is an organisation with a strong, values-led culture and a legacy of working closely with the communities within which it operates. ESB seeks to honour the principles of internationally recognised human rights, even when this presents difficult and sometimes conflicting dilemmas. ESB aims to ensure that it is not, directly or indirectly, in any way complicit in human rights abuses and will be transparent in reporting of human rights performance.

As noted in the Board Members' Report on page 158, ESB commits to respect human rights and to implementing and enforcing effective measures in its supply chain, operations, and in the communities and locations in which ESB operates to ensure human rights abuses are not taking place. This commitment is supported by a range of policies covering focus areas within human rights including employee rights, non-discrimination, inclusion and diversity as well as modern slavery. In addition, ESB's employee Code of Ethics ("Our Code") requires all employees to operate fairly and to respect all human rights.

The table opposite outlines the key human rights issues impacting ESB and related actions.

Area of human rights impact	2022 Update
Employees of ESB Group	▪ A wide range of policies in place (listed on page 6) ▪ Employee views sought via regular 'Our Voice' surveys ▪ Gender Pay Gap Report published in 2022 ▪ Freedom of Association GRI disclosure ▪ Protected disclosure data as reported (see page 157)
Employees of joint ventures arrangements	▪ Governance framework adopted for each joint venture formed ▪ Annual confirmation in place that joint venture governance arrangements in place
ESB contractors	▪ Contractual provisions included in all contractor agreements requiring all contractors to comply with specific standards relating to employment laws, ethics, bribery and corruption, anti-slavery and human trafficking, sanctions and related matters ▪ Contractor audits conducted by an independent third party. 74 Contractor Employment Standards audits were conducted during 2022 on ESB managed sites throughout the Republic of Ireland
ESB supply lines	▪ ESB works proactively in collaboration with major coal suppliers through the Bettercoal industry group to improve standards for people working in and living near mines ▪ Through this, ESB ensures that coal suppliers are aware of ESB's long-standing commitment to the Bettercoal Organisation and the Bettercoal Code, including ESB's commitment to the use of Bettercoal tools in its due diligence and continuous improvement process for the supply of coal ▪ During 2022, as a member of Bettercoal's Colombia Working Group, ESB joined the Working Group Delegation on a week-long stakeholder engagement programme in Colombia including a visit to the Cerrejon Mine. The mine continues to make progress against its continuous improvement plan ▪ ESB ensures that all tenderers and suppliers were aware of and signed-up to ESB's 3rd Party Requirements, which sets clear contractual obligations on ESB's zero-tolerance approach to slavery and human rights abuses in our supply chains ▪ A desktop risk assessment of ESB's top 180 suppliers was completed in collaboration with the British Standards Institute (BSI). This assessment reviewed each company's practices across a range of CSR related topics including, company practices in relation to human rights, child and young labour, site conditions, wage and benefits, working hours, and disciplinary practices. Based on BSI's assessment, a number of vendors have now been identified for on-site CSR audits by ESB's CSR on-site audit partner InterTek during the course of Q1 2023 and Q2 2023

ESB's annual Sustainability Report provides further details.

Environment and Sustainability

ESB's Environment and Sustainability Timeline

2001-

2009: Renewal of Distribution Network to a Smart Network

2010

2011: First cross border EV charging network

2017: ESB's Brighter Future Strategy
Launch of low-carbon economy study

2019: Investment in Oriel and Clogherhead offshore wind farms

2020

2020: Smart meter roll-out
PR5 ESB Networks 5-year plan for smarter networks to support Ireland's climate targets

2022: Number of smart meters breaks through 1 million mark
Launch of Net-Zero by 2040 Strategy
Commitment to set a Science Based Target by 2030
ESB Networks Beat the Peak initiative launched
World's largest fly wheel commissioned at Moneypoint to enable more renewables
First battery project commissioned at Aghada
Joint arrangement with dCarbonX, to develop hydrogen storage projects

2030

2040

2040: ESB commitment to Net-Zero Emissions

1998: First wind farm

2004: First Sustainability Report

2009: First CDP disclosure

2015: Launch of SIRO

2018: Launch of Dingle active network and community energy area
First offshore wind farm investment

2021: Nos. 27 & 28 Fitzwilliam fossil-free office buildings
Electric Ireland-Superhomes Retrofit Partnership
Launch of FuturEnergy Ireland Partnership

2024: Neart na Gaoithe offshore wind farm operational

2026: Inch Cape offshore wind farm operational

2028: Green Atlantic @ Moneypoint wind turbine construction hub

2030: targets:
- >50% reduction in CO_2 per electricity unit
- 35,000 deep home retrofits completed
- 51% reduction in CO_2 of buildings and fleet CO_2
- 5 GWs renewable generation

2050: Ireland & UK National carbon neutrality commitment by 2050

Leading the low-carbon transition - Driven to Make a Difference on Environment & Sustainability

ESB recognises that climate change is the greatest priority facing Ireland and the world. It impacts us all and every layer of society has some role to play in how it is addressed. It brings with it great uncertainty in the world, which in turn creates the opportunity to galvanise the organisation around transformational goals towards a decarbonised world. In response, ESB's strategy targets an accelerated transition to low-carbon electricity. ESB exited peat generation at the end of 2020 and will exit coal generation by mid-decade. ESB's target is to more than halve the carbon intensity of its electricity generation by 2030 and to bring renewable electricity output to 63% of ESB's total electricity production by the same date. Beyond that, ESB is committed to achieving net-zero emissions by 2040[1].

ESB is committed to leadership in caring for the environment in which ESB's businesses operate and to operating sustainably by minimising the impact of operations on the earth's resources. ESB aims to manage its impact on its surroundings, to provide a high level of protection for the natural environment and to reduce its greenhouse gas emissions while supporting a sustainable transition to a low-carbon economy. The concept of a sustainable transition includes empowering electricity users, providing clean energy and seeking that the transition enhances communities and leaves no-one behind.

Climate Action

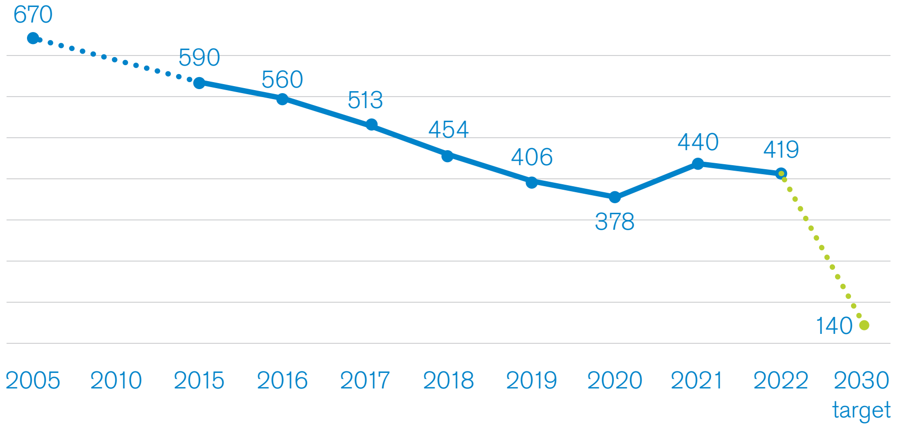
ESB's strategy puts sustainability at the heart of its strategic objectives and purpose as an organisation. ESB started life as a fully renewable company in 1927, when it was set up to manage the Shannon hydroelectric scheme at Ardnacrusha. ESB's purpose today is still to create a brighter future for society by decarbonising and increasing the resilience of the electricity system and empowering customers and communities to achieve net zero.

Whilst COP27 delivered progress on loss and damage arrangements for the developing world, no meaningful progress was made by nations to commit to further emissions reduction targets. Thus the role of responsible businesses to step up and lead the low-carbon transition is becoming continuously more important. Climate action is everyone's responsibility and ESB is committed to playing a leading role in enabling action through clean, reliable electricity.

The way in which ESB is progressing climate action and how it is aligning focus on sustainability efforts to the relevant Sustainable Development Goals (SDGs) is outlined in the Strategy section on page 16 and further developed in ESB's Annual Sustainability report available on ESB's website. The 2022 report is due to be published on ESB's website in May 2023.

Emissions

ESB's Generation Carbon Intensity g/kWh



Over the past number of years ESB has made significant progress in improving its electricity generation emissions performance. 2022 has brought new enabling technologies on grid including the world's largest flywheel in Moneypoint and grid scale battery energy storage in Aghada, both of which will enable further penetration of intermittent renewables on the national grid in Ireland. Continued tightness in generation capacity and availability resulted in an increase in emissions in both 2021 and 2022, against the long-term downward trend.

Despite this impact on emissions intensity in 2021 and 2022, ESB remains fully committed to delivery of the 2030 carbon intensity from electricity generation target. In respect of Scope 1 emissions, while generation emissions have increased in 2021 and 2022, operational efforts continue to deliver sustained improvements in fugitive emissions and vehicle fleet emissions. Scope 2 emissions for ESB include electricity used in buildings and accounting for all losses on the national electricity grid infrastructure. ESB discloses its Scope 3 emissions and continues to focus on improving estimates and methodologies for the Scope 3 emissions categories that are not directly controlled by ESB. Scope 1, 2 and 3 emissions inventories are reported via the CDP Climate Change Disclosure and ESB's annual Sustainability Report.

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[1] Note that net zero includes direct and indirect greenhouse gas emissions i.e. scope 1, 2 and 3 emissions. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Environment and Sustainability (continued)

Emissions Verification and Assurance

ESB reports emissions based on the Greenhouse Gas (GHG) Protocol methodology. Scope 1, 2 and 3 emissions are reported annually. Greenhouse gas emission data is independently verified. ESB's generation emissions are verified under the auspices of the EU Emissions Trading Scheme (ETS) and submitted to the relevant environmental protection authority annually. All other Scope 1, 2 and 3 emissions are verified to ISO14064 as part of ESB's annual submission to CDP.

ESB discloses environment and sustainability information annually in the Sustainability Report in accordance with Global Reporting Initiative (GRI) standards. Alignment with GRI standards is independently confirmed.

Furthermore, ESB is engaged with the Science-Based Targets Initiative with a view to setting a near term Science-Based Target for 2030 emissions reduction.

Climate Risks and Task Force on Climate-Related Financial Disclosures (TCFD)

With a large number of assets spread across Ireland and GB and operating in a sector undergoing a historic climate transition, ESB is presented with a changing set of risks and opportunities arising from physical and policy changes. These are generally addressed in normal business planning especially in an industry with long asset lives and a practice of long-term planning. At the same time, it is important to bring a structured approach to looking at climate impacts in the short, medium and longer term and to disclose the approach to stakeholders.

Core Elements of Recommended Climate-Related Financial Disclosures

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management
The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

This section describes ESB's processes around climate risk and opportunity. It follows the format and guidance of the Task Force for Climate-Related Financial Disclosure (TCFD). It is planned to build on and develop processes and the detail of these disclosures over the next few years.

Governance of Environment and Sustainability

Climate Risk and Opportunity is integrated into the strategic review process in ESB. It is also linked to the Enterprise Risk Management process through a Principal Risk on climate. The Safety, Sustainability and Culture Committee of the Board monitors the management of safety, environment and climate risk and climate opportunities. The Audit and Risk Committee oversees the overall Enterprise Risk Management process for ESB Group. The Committee reviews risks throughout the year as well as having a 'deep dive' day on risk, including climate risk.

ESB Board of Governance

Chairman

Board

Audit and Risk Committee

To assist the Board with its responsibilities in relation to:
- Financial reporting
- Internal control, compliance and risk management systems
- Whistleblowing, fraud and investigations
- External and internal auditors

Safety, Sustainability and Culture Committee

- To advise the Board on health, safety, sustainability and environmental, cultural and diversity matters
- Monitor progress against agreed health, safety and key environmental performance indicators and risk management in these areas

Chief Executive

Executive Committee

Environment and Sustainability Leadership Team

Environment and Sustainability Leadership Managers

The Environment and Sustainability Leadership Team, a group of senior managers from across the Group, receive regular updates on environmental, sustainability and climate issues. The Group Safety, Health and Environment Manager and the Environment and Sustainability Manager are members of this group. The Environment and Sustainability Managers group provide day to day updates on environment and sustainability and pool knowledge across the Group.

Strategy

ESB's current strategy is a climate and sustainability strategy. Its centrepiece is the target to achieve net-zero GHG emissions by 2040. It is a response to policy and physical changes brought about by climate change and is anchored in the Group's purpose to deliver a brighter future for the customers and communities served.

The strategy is driving transformation in every part of the Group, with new product and service offerings and investments in infrastructure that will empower business, retail and industrial customers to reduce emissions and operate more efficiently and sustainably. ESB's electric vehicle (EV) infrastructure network is being refurbished and extended to help serve the current public network needs of EV owners. ESB's generation business has set a target for reduced carbon intensity by 2030 and net zero by 2040. ESB's networks businesses in Ireland and Northern Ireland (ESB Networks and NIE Networks) are investing in smart, reliable infrastructure to increase resilience and reliability, enable widespread electrification and meet the changing needs of customers.

At the end of 2022, over 1.1 million smart meters have been rolled out in the Republic of Ireland, improving the efficiency of the network and giving customers access to smart technologies that will enable them to manage their energy use more sustainably. ESB is also investing in emerging technologies with the potential to play a key role in the future decarbonised energy system, such as battery storage and green hydrogen. All of these initiatives to support climate targets and policies feed into ESB's financial planning through the integrated business planning process. Annual capital investment has increased significantly to support the delivery of ESB's strategy, as increased investment in renewables, electricity infrastructure and customer solutions is needed to mitigate climate risk and capitalise on new opportunities presented by the energy transition.

ESB's strategy is the subject of regular dedicated reviews by the Executive Committee. Scenarios, including climate scenarios are used as part of this review. Progress on strategic goals is monitored and new developments in the environment and the status of climate risk and opportunities are considered in the review and actions are agreed, if appropriate.

The strategy is relatively resilient to climate risks as it is in effect a climate-led strategy. The strategy is regularly reviewed by the Executive Committee in light of changing conditions to assess potential impact and any need for new actions in response. See climate risks and opportunities on page 106.

Risk Management

ESB has identified the main transition and physical climate risks and opportunities across the Group and climate risk is a Principal Risk for ESB as set out on pages 32 and 38. Three climate risk scenarios were used in this assessment: one physical scenario, based on the Inter-Governmental Panel on Climate Change (IPCC) Representative Carbon Pathway (RCP) 4.5 and two transition scenarios, one based on the Irish Government's 2019 Climate Action Plan and the second on the more ambitious climate commitments for 2030 in the 2021 Climate Action Plan and Climate Act, respectively. The IPCC RCP 4.5 scenario is based on global carbon emissions peaking in 2040 followed by a moderate decline thereafter. This is seen as a suitably severe possibility but more realistic than the no mitigation pathway. The transition scenarios broadly align with the EU's Clean Energy Package and the EU Green Deal respectively. ESB's current definitions for short term, medium term and long-term time horizons are: short term 0-5 years (1 ESB Networks' price review), medium term: 5-10 years (2 price reviews) and long term: 10-40 years (to tie in with typical asset lives).

Environment and Sustainability (continued)

Transition and Physical Climate Risks and Opportunities

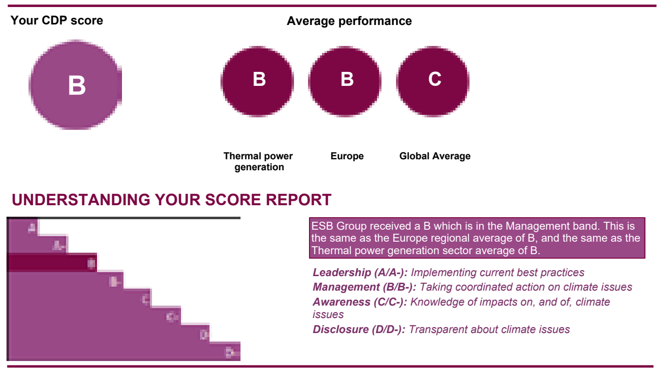
Type	Category	Risk/Opportunity	Potential financial impact	Likelihood	Timescale (years)
Physical Risks	Storms	Increased frequency of severe storms	Increased repair costs and penalties for networks and station assets	Likely	0-5
	Flooding	Increased riverine flooding and episodes of intense rainfall	Higher frequency of hundred year plus flood events on rivers with dams	Likely	0-5
	Flooding	Increased riverine flooding and swamping due to water table rise	Damage to network substations, customer outages. Damage to generation assets	Likely	0-5
Transition Risks	Market and regulation	Market and regulatory environment for generation	Existing gas generation assets lose value potential	Likely	5-10
	Policy	Policy environment for offshore generation	Potential delay in planning framework legislation	Likely	5-10
	Policy	Increased pace of renewable connection vs. planned	Potential increase in cost to meet timelines	May occur	5-10
	Policy	Increased heat pump retrofit of homes	Potential increase in cost to meet timelines	May occur	5-10
Transition Opportunities	Policy	Pace of electrification faster than planned	Increased demand for retrofit service	Likely	0-5
	Policy	New low-carbon electricity system investment	Increased investment opportunities in zero-carbon generation, storage and system services	Likely	0-5

Metrics and Targets

The key metric for climate risk used in ESB is the ratio of grams of CO2 to kWh generated. ESB's target for 2030 is 140g CO_2/kWh as shown on page 103. ESB's target of net-zero emissions by 2040 is as explained under Strategy on page 105. Scope 1, 2 and 3 emissions are fully disclosed in ESB's annual Sustainability Reports. Details of the verification of emissions data are provided under Emissions Verification and Assurance on page 104.

ESB Group scored a B rating with CDP in 2022. Contextually, this places ESB's performance in the "Management" category as taking coordinated action on climate issues. ESB's emissions performance in 2021 is seen as the key factor in moving ESB's score back to Management grade having spent the preceding two years at Leadership grade.

CDP Climate Change Disclosure



ESB Group received a B which is in the Management band. This is the same as the Europe regional average of B, and the same as the Thermal power generation sector average of B.

Leadership (A/A-): *Implementing current best practices*
Management (B/B-): *Taking coordinated action on climate issues*
Awareness (C/C-): *Knowledge of impacts on, and of, climate issues*
Disclosure (D/D-): *Transparent about climate issues*

Environmental Performance and Programmes

ESB recognises that its activities, comprising of electricity generation, transmission, distribution and supply, have the potential to cause environmental impacts and that it is the Group's responsibility to manage its activities in a manner that provides a high level of protection for the natural environment and contributes to minimising the impacts of climate change (the reduction of carbon emissions), while supporting sustainable economic development. ESB strives for excellence in all its activities to comply with all applicable laws and regulatory requirements. ESB utilises externally certified environmental management systems conforming with the ISO14001:2015 standard throughout the Group to achieve this.

Each year, ESB Group collates annualised waste data from each business unit to build a consolidated waste report in line with the requirements of the GRI standard. Waste is reported a year in arrears. Current year waste data is reported in the Sustainability Report, which will publish in May 2023.

	2021	2020	2019
Waste (tonnes)*	11,850	12,346	15,030
Recycling rate (%) (including energy recovery)	97%	98%	96.6%

* excludes construction spoil and ash from coal generation.

Energy Management and Performance

ESB operates a group-wide energy management system for its buildings and transport fleet, which is certified to ISO 50001:2018, which successfully underwent recertification in Q4 2022. ESB and other public bodies are subject to energy reduction targets under the transposition of the EU Energy Efficiency Directive S1426/2014, with amendments setting 2030 targets of a further 50% energy efficiency improvement and a 51% reduction in absolute carbon emissions associated with operational energy use. ESB's energy performance continues to progress, with a 49.2% cumulative energy reduction against baseline performance reported by SEAI. The energy management system will be used to drive further savings and performance improvements towards the 2030 energy and carbon targets.

The following tables report the energy associated with: (i) fuel inputs to thermal generation (by source) and (ii) operational energy usage as reported to SEAI under SI426/2014.

Operational Energy Consumption

Thermal Generation by Energy Source (GWh) *

	2022 (GWh)	2021 (GWh)	2020 (GWh)
Coal	6,561	7,824	2,186
Natural Gas	22,268	22,628	17,427
Oil	1,638	2,167	468
Peat	-	-	1,720

* Thermal generation fuel inputs data is reported for the current year.

Operational Energy (Primary Energy Equivalent (PEE) in kWh) **

	2021 (kWh PEE)	2020 (kWh PEE)	2019 (kWh PEE)
Electricity	38,215,335	41,314,003	48,823,028
Thermal	2,202,356	2,502,817	4,321,560
Transport	51,906,413	53,710,105	54,318,204

Energy Performance Indicator (EnPI)

	2021	2020	2019
kWh/FTE Employee	15,467	16,442	18,363
% improvement against energy baseline	49.2%	45.9%	39.6%

** Operational Energy Consumption is reported to Sustainable Energy Authority of Ireland (SEAI) under public sector energy efficiency regulations (SI426/2014). 2021 consumption data reflects 2022 SEAI reporting cycle.

Examples of business unit environmental actions can be found in the Business Unit sections of this report, with further details provided in the ESB annual Sustainability Report.

Environment and Sustainability (continued)

Biodiversity

Through 2022, ESB has continued its review of biodiversity at all relevant landholdings such as substations, generating stations, wind farms, offices and depots. The review process includes the identification of appropriate sites where pollinator actions may be undertaken in the future. Significant progress has been made at the ESB Networks Training Centre in Portlaoise, where several areas of the 14 hectare site have been subject to both short-flowering and long-flowering meadow regimes. This has proven to be immediately successful, with a diverse wildflower sward becoming apparent in the first growing season, including two species of orchid. Pollinator-friendly mowing regimes will be continued through 2023 and beyond, with further actions such as bulb and tree planting being considered. In addition, specific pollinator actions have been included in a Biodiversity Action Plan for the West Offaly Power site, as part of a planning application for the redevelopment of the site to support increased renewable energy on the grid.

Fisheries

ESB operates several large-scale hydroelectric generation stations on the Shannon, Erne, Lee, Liffey and Clady Crolly river systems and carries out extensive fisheries development and conservation work as a primary fisheries owner. ESB operates three salmon conservation hatcheries on the Shannon, Erne and Lee catchments to maintain and conserve stocks.

There have been two fish mortality events at the salmon hatchery in Parteen over the year and ESB Fisheries Conservation staff take these incidents seriously. On 30 April 2022, an acute fish mortality event occurred when almost 100,000 of first feeding fry (juvenile salmon) were discovered to be dead, out of a total stock of 120,000. A veterinarian analysis of the mortalities found the most likely cause of this event to be an algal bloom within the water supply intake from the River Shannon. These findings were endorsed by an independent third-party investigation carried out by Salmo Salar, an experienced fish hatchery operator. The second mortality event occurred on 4 November 2022, when 78 adult female salmon were discovered dead within a single tank. An independent third-party investigation is currently being carried out by Salmo Salar. At this point, there appears to be no link between the two mortality events.

ESB Fisheries staff continue to carry out their duties across a range of conservation areas such as hatcheries, eel conservation (trap and transport initiative), river enhancement projects, and overall management of fisheries in ESB ownership. ESB's Fisheries strategy is currently being updated and is due for completion in Q1 2023. The ESB Fisheries' Annual Report for 2021 is available on ESB's website.

EU Taxonomy Regulation

The EU Taxonomy

The European Commission has established a classification system of environmentally sustainable economic activities known as the "EU Taxonomy". This list of activities, which can be considered sustainable, is an important enabler to supporting the scaling up of sustainable investment and the implementation of the European Green Deal.

The EU Taxonomy Regulation establishes six environmental objectives as follows:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The Commission adopted the Climate Delegated Act in June 2021 (the Delegated Act), establishing the criteria that define which activities substantially contribute to the first two of the above objectives (which are in scope for 2022 reporting). A Complementary Delegated Act, amending the Climate Delegated Act, was published in February 2022 and effective from 1 January 2023, which brings into scope specific reporting obligations for gas and nuclear activities.

An activity shall qualify as a Taxonomy-Aligned economic activity if it:

1. Is carried out in compliance with minimum safeguards
2. Complies with technical screening criteria (specific environmental performance requirements) that have been established by the Commission, including that it:
   - contributes substantially to one or more of the above environmental objectives
   - does not significantly harm (DNSH) any of the above environmental objectives

A Taxonomy-Eligible activity is one that is listed in the Delegated Act, irrespective of whether the economic activity meets the criteria above to become Taxonomy-Aligned. The EU Taxonomy requires Key Performance Indicators (KPIs) to be disclosed relating to the share of Turnover, CapEx and OpEx associated with activities that are Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned (i.e. Taxonomy-Eligible but not environmentally sustainable activities).

ESB's EU Taxonomy work to date

ESB seeks to follow best practice in reporting on Environmental, Social and Governance (ESG) information and has elected to disclose on a voluntary basis under the EU Taxonomy, although as a statutory body ESB is not currently subject to the provisions of the relevant regulations. ESB's EU Taxonomy disclosures comply with the requirements of the Delegated Act.

ESB has undertaken an assessment of all significant economic activities and classified which of these can be categorised as, 'Taxonomy-Aligned', 'Taxonomy Eligible but not Taxonomy-Aligned' and 'Taxonomy Non-Eligible' (i.e. an activity not described in the Delegated Act).

In 2021, ESB identified the activities which were deemed to be Taxonomy-Eligible. In 2022, ESB considered which of these activities remained relevant and if there were further activities which could be considered eligible. ESB then performed an assessment as to which activities could be deemed to be Taxonomy-Aligned. As per the Delegated Act, this included an initial assessment for each activities' compliance with the alignment criteria set out above.

It should be noted that organisations are reporting eligibility under the EU Taxonomy for the second time in 2022, and this is the first year that alignment under the EU Taxonomy is being reported. Guidance on the application of the EU Taxonomy continues to evolve and varying interpretations of the EU Taxonomy application are emerging. Therefore, judgement must be applied in interpreting some requirements. Noting this, an initial assessment of alignment with the EU Taxonomy has been completed in 2022. An assessment of the criteria for substantial contribution to the climate mitigation objective was completed, along with the required consideration of the DNSH criteria. In relation to the physical climate risk and vulnerability assessments required under the DNSH criteria for climate change adaptation, while risks and adaptation measures at an activity level were considered, this risk assessment has been completed at a Group level using the Inter-Governmental Panel on Climate Change scenarios with details of this review set out on page 106.

ESB will develop its eligibility and alignment assessments further in future years as further guidance becomes available. As such, the KPIs and tables presented represent ESB's initial assessment and current interpretation of the requirements of the Delegated Act.

In respect of minimum safeguards, ESB is committed to respecting all internationally recognised human rights as set out in the Board Members' Report on page 158, with further detail in the Responsible Business Report on page 101 and on the ESB website. The EU Taxonomy requires alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. A high-level minimum safeguards assessment was completed at an ESB Group level during 2022 but consideration was given to each of the eligible activities and the policies and procedures in place in ESB for the safeguarding of human rights (as referenced above) as well as ESB's policies and procedures relating to anti-bribery, corruption and fraud, competition law and tax. Further details on these matters can be found in the Responsible Business Report and in the Corporate Governance section.

EU Taxonomy Regulation (continued)

ESB's Taxonomy-Eligible and Taxonomy-Aligned Activities

ESB's work to date has determined that the following are the economic activities along with the related KPI's and EU Taxonomy activity number (reference number as set out in the EU Taxonomy) which are Taxonomy-Eligible:

Activity	Related KPIs	Activity number
Transmission and distribution of electricity	Turnover, CapEx and OpEx	4.9
Electricity generation from wind power, hydropower and solar photovoltaic technology	Turnover, CapEx and OpEx	4.3, 4.5, 4.1
Storage of electricity	Turnover, CapEx and OpEx	4.10
Infrastructure enabling low-carbon road transport and public transport	Turnover, CapEx and OpEx	6.15
Installation, maintenance and repair of renewable energy technologies	Turnover, CapEx and OpEx	7.6

ESB has identified climate change mitigation as the most relevant climate objective to ESB and therefore assessed each activity against the technical screening criteria for this objective. In this way, ESB has ensured no double counting across a number of environmental objectives. Following the completion of the alignment assessment, all the above activities are deemed to be Taxonomy-Aligned with the exception of electricity generation from hydropower[1]. The predominant Taxonomy-Eligible and Taxonomy-Aligned economic activity for ESB Group is the transmission and distribution of electricity. ESB meets the substantial contribution criteria for this activity under the climate mitigation objective as both the NIE and ESB Networks' systems are interconnected to the European system i.e. the interconnected control areas of EU Member States and the United Kingdom.

Given that the Delegated Act focuses on specific activities only, ESB has identified a number of activities which are outside the scope of the Delegated Act but which would have a material impact on the KPIs ESB reports if they were to be included:

- Retail sales to electricity and gas customers (note: ESB does not include retail sales to electricity customers accompanied by Guarantees of Origin as Taxonomy-Eligible)
- Certain activities associated with portfolio-level wholesale market trading, hedging and optimisation
- Expenditure related to joint venture investments
- Revenue and expenditure related to the electricity generation from fossil gaseous fuels[2]

Data used in calculation of the KPIs has been extracted from ESB's financial systems which capture Turnover, CapEx and OpEx by general ledger line item or by project. Given that the KPIs are extracted from these financial systems, ESB is satisfied that it has avoided double counting in calculating the numerator used to determine each of the ratios.

KPIs

Taxonomy-Aligned Turnover

Taxonomy-Aligned Turnover as a percentage of total turnover is 18% reflecting revenue from the transmission and distribution of electricity and wholesale market income from renewable generation (notably wind power).

The turnover numerator predominately consists of revenue from Use of System charges to customers (€960 million), revenue from supply contributions (€90 million), revenue from power generation (notably wind power) (€324 million) and other Taxonomy-Aligned Turnover (€23 million).

Turnover related to retail sales to electricity and gas customers is not covered by the Taxonomy and is a material component of ESB's revenue. If this activity was aligned to the Taxonomy, ESB's Taxonomy-Aligned Turnover KPI would rise to 91% (ESB's Taxonomy-Eligible Turnover would rise to 94%).

Taxonomy-Aligned CapEx

ESB's Taxonomy-Aligned CapEx as a percentage of total CapEx is 81%. This reflects ESB's investment in developing the electricity network both in ROI and NI along with continued investment in onshore wind, battery and solar projects in line with ESB's Net Zero by 2040 Strategy.

The CapEx numerator consists of additions to the below:

Economic Activities	Property Plant and Equipment (note 12 of the financial statements) €' Million	Intangible Assets (note 13 of the financial statements) €' Million	Right of Use Assets (note 14 of the financial statements) €' Million
Transmission and distribution of electricity	962	94	-
Storage of electricity	61	-	-
Electricity generation using solar photovoltaic technology	2	3	6
Infrastructure enabling low-carbon road transport and public transport	6	-	-
Installation, maintenance and repair of renewable energy technologies	13	-	-

As there is no provision for the inclusion of capital expenditure related to joint ventures in the Delegated Act, investments (by way of equity investments and shareholder loans) are excluded from this KPI. The CapEx KPI therefore does not provide a complete picture of ESB's sustainable activities as joint ventures are a key component of ESB's strategic ambition. If expenditure relating to joint venture investments (by way of equity investments and shareholder loans) was included, ESB's Taxonomy-Eligible CapEx would rise to 85%.

Taxonomy Non-Eligible CapEx primarily relates to overhauls of existing thermal plants.

Taxonomy-Aligned OpEx*

ESB's Taxonomy-Aligned OpEx as a percentage of total OpEx is 63% primarily reflecting OpEx supporting the transmission and distribution systems. Taxonomy Non-Eligible OpEx primarily relates to non-capitalised overhauls of ESB's existing thermal plants.

The OpEx numerator predominantly consists of direct expenditures relating to the day-to-day servicing of assets of PPE (€106 million) and other Taxonomy-Aligned OpEx (€34 million).

Other expenditure relating to day-to-day servicing of assets includes spend on the transmission and distribution system and spend on power generation plants. See accounting policy below for further details.

*OpEx as prescribed in the Climate Delegated Act

Additional KPI

ESB's Taxonomy-Aligned EBITDA as a percentage of total EBITDA is 68%. Although Taxonomy-Aligned EBITDA is not a KPI required to be disclosed, it is a useful metric in determining the financial performance of ESB relative to the EU Taxonomy.

Financial KPIs

Turnover

● 18%	Taxonomy-Aligned
● 3%	Taxonomy Eligible but not Taxonomy-Aligned
● 79%	Taxonomy Non-Eligible

CapEx

● 81%	Taxonomy-Aligned
● 1%	Taxonomy Eligible but not Taxonomy-Aligned
● 18%	Taxonomy Non-Eligible

OpEx

● 63%	Taxonomy-Aligned
● 2%	Taxonomy Eligible but not Taxonomy-Aligned
● 35%	Taxonomy Non-Eligible

EBITDA

● 68%	Taxonomy-Aligned
● 10%	Taxonomy Eligible but not Taxonomy-Aligned
● 22%	Taxonomy Non-Eligible

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[1] Under the DNSH on water criteria, activities related to the generation of electricity from hydropower are required to comply with the provisions of the European Water Framework Directive (2000/60/EC). ESB's hydropower schemes predate the introduction of the Water Framework Directive and are authorised under Irish legislation. ESB will be taking a prudent approach and completing the licensing of its schemes, by the appropriate national agencies, under the Water Framework Directive before including the generation of electricity from hydropower as an aligned activity. A Bill, transposing the provisions of the Water Framework Directive into Irish law, enabling the licensing of such schemes has been passed by the Oireachtas (Irish Parliament) and regulations are currently being drafted by the appropriate government department.

[2] In February 2022, the European Commission passed a supplementary Delegated Act which formally includes criteria for gas and nuclear power. ESB has completed an assessment of electricity generated from gas against criteria set out in the 'electricity generation from fossil gaseous fuels' activity in the EU Taxonomy. ESB has determined that its gas activities are Taxonomy Non-Eligible as the upper threshold of 270g CO_2/ kWh is not met and has therefore not disclosed tables required in this Act.

EU Taxonomy Regulation (continued)

Turnover

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-Aligned proportion of turnover, year N	Taxonomy-Aligned proportion of turnover, year N-1	Category (enabling activity)	Category (transitional activity)
		€ Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-Aligned)																			
Transmission and distribution of electricity	4.9	1,050	14%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Y	Y	Y	Y	14%	Not applicable	E	
Electricity generation from wind power	4.3	324	4%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Not applicable	Y	Y	4%	Not applicable		
Infrastructure enabling low-carbon road transport and public transport	6.15	12	0%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	0%	Not applicable	E	
Installation, maintenance and repair of renewable energy technologies	7.6	11	0%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Not applicable	Not applicable	Not applicable	Y	0%	Not applicable	E	
Turnover of environmentally sustainable activities (Taxonomy-Aligned) (A.1)		**1,397**	**18%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	-	-	-	-	-	-	**18%**	-	**14%**	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-Aligned activities)																			
Electricity generation from hydropower	4.5	208	3%																
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-Aligned activities) (A.2)		**208**	**3%**																
Total (A.1 + A.2)		**1,605**	**21%**																
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy Non-Eligible activities (B)		5,991	79%																
Total (A + B)		**7,596**	**100%**													**18%**		**14%**	

CapEx

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-Aligned proportion of CapEx, year N	Taxonomy-Aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
		€ Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-Aligned)																			
Transmission and distribution of electricity	4.9	1,056	75%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Y	Y	Y	Y	75%	Not applicable	E	
Storage of electricity	4.10	61	4%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Not applicable	Y	Y	4%	Not applicable	E	
Electricity generation using solar photovoltaic technology	4.1	11	1%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Y	Not applicable	Y	Y	1%	Not applicable		
Infrastructure enabling low-carbon road transport and public transport	6.15	6	0%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	0%	Not applicable	E	
Installation, maintenance and repair of renewable energy technologies	7.6	13	1%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Not applicable	Not applicable	Not applicable	Y	1%	Not applicable	E	
CapEx of environmentally sustainable activities (Taxonomy-Aligned) (A.1)		**1,147**	**81%**	**100%**	-	-	-	-	-	-	-	-	-	-	-	**81%**	-	**80%**	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-Aligned activities)																			
Electricity generation from hydropower	4.5	10	1%																
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-Aligned activities) (A.2)		**10**																	
Total (A.1 + A.2)		**1,157**	**82%**																
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy Non-Eligible activities (B)		248	18%																
Total (A + B)		**1,405**	**100%**													**81%**		**80%**	

EU Taxonomy Regulation (continued)

OpEx				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code(s)	Absolute Opex	Proportion of Opex	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-Aligned proportion of OpEx, year N	Taxonomy-Aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
		€' Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-Aligned)																			
Transmission and distribution of electricity	4.9	98	44%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Y	Y	Y	Y	44%	Not applicable	E	
Electricity generation from wind power	4.3	28	12%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Not applicable	Y	Y	12%	Not applicable		
Electricity generation using solar photovoltaic technology	4.1	9	4%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Y	Not applicable	Y	Y	4%	Not applicable		
Infrastructure enabling low-carbon road transport and public transport	6.15	1	1%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	1%	Not applicable	E	
Installation, maintenance and repair of renewable energy technologies	7.6	4	2%	100%	0%	0%	0%	0%	0%	Y	Not applicable	Not applicable	Not applicable	Not applicable	Y	2%	Not applicable	E	
OpEx of environmentally sustainable activities (Taxonomy-Aligned) (A.1)		**140**	**63%**	**100%**	-	-	-	-	-	-	-	-	-	-	-	**63%**	-	**47%**	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-Aligned activities)																			
Electricity generation from hydropower	4.5	5	2%																
OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-Aligned activities) (A.2)		**5**																	
Total (A.1 + A.2)		**145**	**65%**																
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy Non-Eligible activities (B)		79	35%																
Total (A + B)		**224**	**100%**													**63%**		**47%**	

Accounting Policy

The basis for the denominator and numerator for each of the KPI's is set out below.

Turnover

The turnover denominator includes the total revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a). The related financial statement line item is set out in note 3 to the financial statements. In determining the KPI for turnover, the share that is Taxonomy-Aligned (numerator) is divided by the denominator.

The following is included within Taxonomy-Aligned Turnover (numerator):

- Revenue from Use of System charges to customers (including revenue from supply contributions and excluding intergroup Use of System revenue). Intergroup Use of System revenue equates to 40% of total Use of System revenue
- Proportion of revenue from power generation primarily relating to renewable assets such as wind farms
- Proportion of other revenue relating to other Taxonomy-Aligned activities. See table on page 112 for further detail

The following is included within Taxonomy-Eligible but not Taxonomy-Aligned Turnover (numerator):

- Proportion of revenue from power generation relating to hydropower activities

In addition to the Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned Turnover above, the following Taxonomy Non-Eligible Turnover contributes to the denominator:

- Revenue from retail sales to electricity and gas customers
- Proportion of revenue from power generation relating to thermal activities
- Other revenue relating to Taxonomy Non-Eligible activities

See further details on ESB's revenue accounting policy in note 1 of the financial statements.

CapEx

The CapEx denominator includes additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator includes additions to tangible and intangible assets resulting from business combinations. The related financial statement line items are set out in notes 12 and 13 to the financial statements.

In determining Taxonomy-Aligned CapEx (numerator), ESB includes all CapEx incurred in ESB Networks and NIE Networks, including CapEx which, while not directly on the network (e.g. IT/OT systems, vehicles, maintenance of buildings etc.), is required for the successful operation of the electricity distribution and transmission networks. CapEx spend includes capitalised employee costs that are directly attributable to the relevant activity (as per the treatment in the financial statements).

In determining the KPI for Taxonomy-Aligned activities for CapEx, the share that is Taxonomy-Aligned (numerator) is divided by the denominator.

The following is included within Taxonomy-Aligned CapEx (numerator):

- CapEx incurred on the transmission and distribution system
- Proportion of CapEx incurred on power generation relating primarily to renewable assets notably wind farms
- Proportion of other CapEx relating to other Taxonomy-Aligned activities

The following is included within Taxonomy-Eligible but not Taxonomy-Aligned CapEx (numerator):

- Proportion of CapEx from power generation relating to hydropower activities

In addition to the Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned CapEx above, the following Taxonomy Non-Eligible CapEx contributes to the denominator:

- Proportion of CapEx incurred on power generation relating to thermal plants
- IT CapEx incurred on Taxonomy Non-Eligible activities
- Other CapEx relating to Taxonomy Non-Eligible activities

See further details on ESB's Property, Plant and Equipment and Intangible Assets accounting policies in note 1 of the financial statements.

OpEx

The OpEx denominator includes direct non-capitalised costs relating to research and development, building renovation measures, short-term leases, maintenance and repair, and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets.

In determining the KPI for Taxonomy-Aligned OpEx, the share that is Taxonomy-Aligned (numerator) is divided by the denominator.

EU Taxonomy Regulation (continued)

The following is included within Taxonomy-Aligned OpEx (numerator):

- OpEx incurred on the transmission and distribution system
- OpEx incurred on power generation primarily relating to renewable assets notably wind farms
- Proportion of other OpEx relating to other Taxonomy-Aligned activities

The following is included within Taxonomy-Eligible but not Taxonomy-Aligned OpEx (numerator):

- Proportion of OpEx from power generation relating to hydropower activities

In addition to the Taxonomy-Aligned and Taxonomy-Eligible but not Taxonomy-Aligned OpEx above, the following Taxonomy Non-Eligible OpEx contributes to the denominator:

- OpEx incurred on power generation relating to thermal plants
- Proportion of other OpEx relating to Taxonomy Non-Eligible activities

Additional KPI - EBITDA

The EBITDA denominator includes earnings before interest, taxation, depreciation, impairments, amortisation (including amortisation of supply contributions), impairments and non-trading net impairment losses on financial assets. EBITDA used in KPI calculations excludes exceptional items.

In determining the KPI for EBITDA, the share of EBITDA that is attributable to Taxonomy-Aligned Turnover (numerator) is divided by the denominator.

The following is included within Taxonomy-Aligned EBITDA (numerator):

- EBITDA from transmission and distribution of electricity
- Proportion of EBITDA from power generation relating primarily to renewable assets notably wind farms

In addition to the above, the following contributes to the denominator:

- EBITDA from sales to electricity and gas customers
- Proportion of EBITDA from power generation relating to thermal or hydropower plants
- Proportion of EBITDA relating to other Taxonomy Non-Eligible activities

Using our Profits in a Sustainable Way

€1.4 billion in capital expenditure in 2022

Facilitating a more sustainable energy environment as well as supporting economic growth through providing, safe and reliable electricity supply to homes and businesses

ESB is progressing a pipeline of significant generation projects to deliver ESB's Net Zero by 2040 Strategy

>300 MW battery storage systems in Cork and Dublin

190 MW of flexible gas generation at three locations in Dublin

Onshore and offshore wind developments with our trusted partners including:
- 1,080 MW Inch Cape Offshore Wind Farm
- 448 MW Neart na Gaoithe Offshore Wind Farm
- 83 MW Oweninny 2 Wind Farm

Combined ROI & UK overall taxes paid €950 million

Taxes borne €340m
Taxes collected €610m

UK taxes paid €224 million

ROI taxes paid €726 million

ROI

Taxes paid	**€726m**
Taxes borne	€270m
Taxes collected	€456m

Split between

Taxes Borne	**€270m**
Profits earned - Corporation Tax	€111m
People employed - Employers PRSI	€43m
Environment - Electricity Tax	€3m
Local communities - Rates	€113m

and

Taxes collected	**€456m**
VAT on sales & purchases of goods/services	€238m
People employed - Employee PAYE, PRSI and USC	€162m
Environment - Carbon Tax	€16m
Withholding tax on services	€40m

UK

Taxes paid	**€224m**
Taxes borne	€70m
Taxes collected	€154m

Split between

Taxes Borne	**€70m**
Profits earned - Corporation Tax	(€7m)
People employed- Employers National Insurance	€12m
Environment - Climate Change Levy	€39m
Local communities - Rates	€26m

and

Taxes collected	**€154m**
VAT on sales & purchases of goods/services	€117m
People employed - Employee PAYE, National Insurance	€26m
Environment - Climate Change Levy	€10m
Withholding tax on services	€1m

Note:
ESB also operates in jurisdictions outside of Ireland and the UK but profits and the taxes relating to these jurisdictions are immaterial.
Tax burden means tax borne by ESB out of its own profits while taxes collected are taxes either charted to others or taxes withheld from payments to others and paid over to revenue authorities.

€5 million hardship fund established

€2.5 million to support communities

Empowering and enriching the lives of individuals and communities through the corporate social responsibility programme

€327 million dividend return to stockholders for 2022

96.9% goes to the Irish Government as majority stockholder

Almost €1.5 billion of declared dividends over 10 years

€245 million paid to debt investors

Annual interest and repayments

Over €2.3 billion contributed to the Irish economy

Chapter 2

Corporate Governance

RESILIENT INFRASTRUCTURE

ESB is constructing a Battery Energy Storage System (BESS) on the grounds of Poolbeg Power Station, replacing redundant buildings associated with the old conventional power plant with the latest technology in energy storage. This 1.5-hectare battery site will have the capacity to provide 75 MW of power for up to two hours. BESS developments, such as this project, will allow for increased renewable energy generation connecting onto the electricity grid. These systems will provide response capabilities to support the network and counteract the fluctuations in generation characteristic of technologies such as wind and solar power. Power will be imported, effectively 'charging the battery', during periods of excess capacity. The power is stored for future use and discharged onto the grid during periods of excess customer demand.

ESB Board Members

Board Members as at 31 December 2022

Terence O'Rourke

Chairman

R&MD F&I

Appointment to the Board: November 2020 as Board Member and Chairman.

Tenure: 2 years and 2 months.

Career experience: A Fellow of the Institute of Chartered Accountants in Ireland. Joined KPMG in 1975, became an audit partner in 1988 and was elected Managing Partner in 2006. A member of KPMG's Global Board, Global Executive Team and EMA Board, from 2007 to 2013. Has a wide breadth of business skills with high-level experience in commercial, finance, decision-making and strategy development roles working with clients in Ireland and abroad.

External appointments: Currently Chairman of Enterprise Ireland and Kinsale Capital Management. Board Member of the Institute of International & European Affairs. Led the Arts Council 2014 Strategic Review Group and has been involved in a number of charity boards. A Patron of Chapter Zero Ireland, a community of non-executive directors that lead Irish boardroom discussions on the impacts of climate change.

Paddy Hayes

Chief Executive

SS&C CM&I F&I

Appointment to the Board: March 2022.

Tenure: 1 year and 5 months as Chief Executive. 10 months as Board Member.

Career experience: Appointed Chief Executive in August 2021. Previous to this, he headed up two of ESB's main operating divisions as Executive Director of ESB's Generation & Wholesale Markets business and then as Managing Director of ESB Networks. A Chartered Engineer, he holds a master's degree in engineering from University College Dublin and an MBA from the University of Warwick. Worked with British Steel in the UK before moving to the energy sector in 1999 to lead the Synergen joint venture between ESB and Statoil.

External appointments: Member of the Board of Directors of the Electric Power Research Institute (EPRI).

Key to Committee Membership

A&RC	Audit and Risk Committee	Page 145
SS&C	Safety, Sustainability and Culture Committee	Page 153
CM&I	Customer, Marketing and Innovation Committee	Page 156
R&MD	Remuneration and Management Development Committee	Page 154
F&I	Finance and Investment Committee	Page 155

Paul Lynam

Independent Board Member

A&RC SS&C F&I

Appointment to the Board: October 2016, re-appointed for a second term in December 2021.

Tenure: 6 years and 3 months.

Career experience: Currently Managing Director of Jungheinrich Lift Truck (Ireland) and Jungheinrich UK Limited, both subsidiaries of the German based Jungheinrich AG. A Councillor of the German Irish Chamber of Commerce and former President. Has over 25 years' experience in business in Ireland and internationally. Previously served as Director of Operations of the International Industrial business with Brand Energy and Infrastructure Services, was CEO of the Whitfield Clinic, CEO of Siemens Limited Ireland and CFO of Siemens Limited Ireland (2008-2010). Spent 14 years in Germany in various management roles with Smurfit Group and Kappa Packaging. Holds a BSc in Analytical Science from DCU, a postgraduate diploma in business studies from UCD and an MBA from City University Seattle.

External appointments: Director at Jungheinrich Lift Truck Limited (IE) and Jungheinrich UK Limited, Councillor/ Director of the German Irish Chamber of Commerce and previously served as Director of Siemens Ireland and Director of Whitfield Clinic associated companies.

Noreen O'Kelly

Senior Independent Board Member

R&MD A&RC F&I

Appointment to the Board: April 2013. Appointed Senior Independent Board Member in April 2022.

Tenure: 9 years and 8 months.

Career experience: A chartered accountant who trained with KPMG. Held a number of senior positions in Independent News & Media Group including Head of Treasury and Group Secretary and was also Company Secretary of C&C Group. Currently works as a consultant on corporate governance.

External appointments: Currently a director/chair of the Audit and Risk Committee of DRSI CLG, and formerly a director of a number of charities.

Alf Smiddy

Independent Board Member

A&RC CM&I

Appointment to the Board: October 2016, re-appointed for a second term in December 2021.

Tenure: 6 years and 3 months.

Career experience: A chartered accountant, who trained with PwC. Chairman and Managing Director of Beamish & Crawford plc for over 12 years, and on the Board of its parent company, Scottish & Newcastle (UK) Ltd. Member of the National Executive Council of IBEC, Director of Cork Chamber of Commerce, Chairman of the Cork Local Government Committee and served on the Board of Cork Airport Authority. A Fellow of the Irish Marketing Institute. A Commerce graduate from University College Cork (UCC), with a Masters in Executive Leadership from Boston College and the University of Ulster.

External appointments: Appointed in June 2021 as Adjunct Professor at the College of Business & Law, UCC, Director of the Government-backed Rethink Ireland (Social Innovation) and Director of Oxfam Ireland. Chairman and/or Director of various independent companies including Bridgewater Construction, Fohntech and Granite Digital (digital marketing). Previously served as senior Independent Non-Executive Director and Director with designated responsibility for workforce engagement at The Dalata Hotel Group plc.

Sara Venning

Independent Board Member

SS&C

Appointment to the Board: December 2021.

Tenure: 1 year and 1 month.

Career experience: CEO and Board Member of Northern Ireland (NI) Water since 2010. Experience in regulated utility management driving delivery in customer service and efficiency. Holds an MEng in Electrical and Electronic Engineering from Queen's University, Belfast. Energy networks experience gained working with NIE Networks from 1996 – 2010. A Fellow of the Institution of Civil Engineers.

External appointments: President of the NI WaterAid Committee.

ESB Board Members (continued)

Dave Byrne

Worker Board Member

F&I

Appointment to the Board: January 2011 under the Worker Participation (State Enterprises) Act, 1977. Re-appointed to the Board in September 2018 for a term of four years commencing 1 January 2019. Dave completed his tenure on 31 December 2022.

Tenure: 12 years.

Career experience: Member of a team that is now part of ESB's Enterprise Services organisation and previously worked in Customer Supply (now Customer Solutions).

External appointments: President of ESB Officers Association (ESBOA) (now the Energy Services Union) until April 2010 and then appointed as the Group of Unions' representative in Central Partnership.

Stephen Carrig

Worker Board Member

SS&C

Appointment to the Board: January 2019 under the Worker Participation (State Enterprises) Act, 1977. Stephen completed his tenure on 31 December 2022.

Tenure: 4 years.

Career experience: Joined ESB as an apprentice electrician in 1985. Holds primary and masters degrees in engineering from Trinity College Dublin and UCD respectively. He is a Controls and Instrument (C&I) Asset Management Specialist for the Generation portfolio.

External appointments: Member of the Institute of Engineers Ireland (IEI) and former Chair of Energy Sector Professionals Association (ESPA) from 2014 to 2018.

Seán Kelly

Worker Board Member

F&I

Appointment to the Board: January 2011 under the Worker Participation (State Enterprises) Act, 1977. Re-appointed to the Board in September 2018 for a term of four years commencing 1 January 2019. Seán completed his tenure on 31 December 2022.

Tenure: 12 years.

Career experience: A 20-year career in ESB Networks, currently as an Area Manager and previously a Project Leader delivering large projects across Ireland. Holds an Honours Degree in Business from UCD and a Higher Diploma in Mediation and Conflict Resolution from Maynooth University. Also holds a Diploma in Human Resources completed through Chartered Institute of Personal Development (CIPD), a Diploma in Project Management from IPMA, a Certificate in Health and Safety from UCD and in-company directorship from the Institute of Directors in Ireland.

External appointments: Former Chairperson and current member of the ESB Defined Benefit Superannuation Committee and Training Officer for the National Worker Directors' Group. He is a member of CIPD and the Institute of Directors (IOD). Currently the facilitator for the Limerick Public Participation Network and sits on the Limerick Ukrainian Response Forum. Holds a number of Directorships in local charitable organisations.

Key to Committee Membership

A&RC	Audit and Risk Committee	Page 145
SS&C	Safety, Sustainability and Culture Committee	Page 153
CM&I	Customer, Marketing and Innovation Committee	Page 156
R&MD	Remuneration and Management Development Committee	Page 154
F&I	Finance and Investment Committee	Page 155

Tony Merriman

Worker Board Member

CM&I

Appointment to the Board: January 2007 under the Worker Participation (State Enterprises) Act, 1977. Re-appointed to the Board in September 2018 for a term of four years commencing 1 January 2019. Tony completed his tenure on 31 December 2022.

Tenure: 16 years.

Career experience: Joined ESB as a network technician in 1979. Served as an officer with the ESB Group of Unions.

External appointments: Former Board Member of the ESB Employee Share Ownership Plan (ESOP) Trustee Limited, Chairman of the National Worker Directors' Group and Trustee of ElectricAid.

New Board Members in 2023

The following independent Board Member has been appointed effective from 4 January 2023:

Michael Barry

Career experience: A chartered accountant, who trained with PwC, a UCC Commerce graduate and a Chartered Director. Retired in 2019 from the role of Chief Financial Officer of Bord na Móna plc, having held that position for 13 years and was also Interim Managing Director of the Company in 2017/2018. Prior to that he held several senior financial positions in Ireland, the UK and the United States in a range of industries including pharmaceuticals, medical devices, property development and hospitality.

External appointments: A member of the National Paediatric Hospital Development Board since February 2021.

The following Worker Board Members have been appointed effective from 1 January 2023 under the Worker Participation (State Enterprises) Act 1977 replacing the Worker Board Members who completed their term on 31 December 2022:

Karen Halpenny

Career experience: Worked in ESB International since 2001, primarily in the area of overhead line development. Currently working in Engineering and Major Projects in the HV Cables area as a cable specialist. Holds a Bachelor of Arts (Honours) degree in HRM Strategy and Practice from the National College of Ireland (NCI) and a higher advanced diploma in Applied Employment Law from King's Inn School of Law. Holds a Certificate in Management and Industrial Relations from NCI and a Certificate in Health and Safety from UCD.

External appointments: Former President of the Energy Services Union of Ireland (ESU) 2017 – 2021. ESU representative on the Group of Unions forum.

ESB Board Members (continued)

New Board Members in 2023 (continued)

Owen Kilmurray

Career experience: Joined ESB in March 1982 as a general worker and has worked as a charge hand linesman, electrician and as a Networks Technician in ESB Networks for over 20 years.

External appointments: Active member of the ESB Group of Unions. Vice Chairman of the SIPTU Energy Branch Committee and member of SIPTU's Transport, Energy, Aviation and Construction (TEAC) Committee.

Gráinne O'Shea

Career experience: Joined ESB as a graduate engineer in 1989. Holds primary and masters degrees in engineering from Trinity College Dublin and Dublin City University respectively and a diploma in Asset Management from the Institute of Asset Management. A Chartered Engineer (Engineers Ireland), Gráinne has worked in ESB Networks, Power Generation and Supply. Currently Business Strategy Manager for ESB Networks.

External appointments: Irish representative on the General Assembly and on the Strategic Advisory Group of the EU DSO entity (EU Distribution System Operators). Vice Chair of the Eurelectric Working Group on Regulation and Network Customers and a member of the Distribution and Market Facilitation Committee. Member of the European Distribution System Operators (E.DSO) Policy and Regulation Committee. Member of the Electricity Association of Ireland Policy Committee. Chair of Networks Sub Branch of the Energy Sector Professionals Association (ESPA). Previously (2012-2016) director of ESB Fullabrook wind farm and Derrybrien wind farm.

Trevor Walsh

Career experience: Currently a Technical Service Supervisor in ESB Networks. Previously worked as System Manager, Customer Service Supervisor, Training Officer and Network Technician. Started his career as an apprentice electrician and has accumulated over 20 years' experience with ESB.

External appointments: Chairperson of the ESB Connect Technical Supervisor Branch since 2018. A representative in the ESB Group of Unions since 2015.

Chairman's Corporate Governance Statement

Terence O'Rourke
Chairman

Good corporate governance provides the foundation for better informed strategic planning and improved decision making, ultimately contributing to long-term value creation. It remains a core focus for the ESB Board and for me as Chairman, particularly given the current volatility in the external environment in which we are operating. It strengthens accountability for the stewardship of resources and is characterised by robust scrutiny which places ongoing emphasis on improving performance.

The role of the Board is to provide effective leadership and oversight of ESB and to promote its long-term success. The Board ensures that ESB's strategy and culture is reflective of our purpose and values and that the interests of ESB's various stakeholders, including those of its stockholders, employees and the customers and communities we serve, are appropriately balanced when decisions are being made.

Management has the knowledge and expertise for the operational requirements of the business. It is not the role of the Board to duplicate that. In our view, the best decisions are made through continued dynamic interaction between the Board and management.

In 2022, the Board was faced with a number of significant challenges given the environment in which ESB was operating. In the face of such issues, the Board made a number of significant, and sometimes difficult decisions, including in respect of strategy direction, electricity prices, investments in renewables and security of supply, acquisitions and disposals and a range of financial matters. Once again, the Board reviewed its major decision making at year end with a view to refining and improving the Board's approach. This included a detailed review of Board reporting and submissions. The Board was satisfied that the oversight being provided is effective and that decisions taken achieve the best long-term outcomes for ESB and its stakeholders.

Governance by Design

Good corporate governance does not happen by accident. ESB complies with the Code of Practice for the Governance of State Bodies 2016 (the State Code). ESB also complies on a voluntary basis (insofar as is reasonably applicable, given that ESB is a statutory corporation established under the Electricity (Supply) Act, 1927 (as amended)), with the UK Code and with the Irish Corporate Governance Annex (Irish Annex). In this way, ESB adheres, as applicable, to listed company governance standards with explanations for any exceptions set out in the table on page 138.

ESB has put in place appropriate measures to comply with the State Code, which sets out the governance framework established by the Government in respect of oversight and reporting requirements of State Bodies, based on the principles of accountability, transparency, probity and a focus on the sustainable success of the organisation over the longer term. ESB has a robust process in place to ensure compliance with the State Code and a report on such compliance is made annually to the Audit and Risk Committee. The Board is satisfied that ESB has complied with the requirements of the State Code and a report is issued annually to the Minister for the Environment, Climate and Communications (the Minister), which confirms such compliance.

The Board is satisfied that appropriate steps have been undertaken to monitor ESB's Irish subsidiaries' compliance with the applicable requirements of the Companies Act, 2014.

As a statutory body, ESB is not subject to the disclosure requirements prescribed in the European Union (disclosure of non-financial and diversity information by certain large undertakings and groups) Regulations 2017. However, on a voluntary basis ESB, in keeping with best practice, discloses certain non-financial information. See table on page 6.

ESB has adopted a code of ethics, known as "Our Code", which sets out its approach to responsible and ethical business behaviour, underpinned by ESB's values. The underlying principle of Our Code is that employees can best serve ESB by adhering to the highest standards of integrity, loyalty, fairness and confidentiality and by meeting all legal and regulatory requirements. All staff are required to confirm annually that they have read

Chairman's Corporate Governance Statement (continued)

Our Code. The Board has its own Code of Conduct committing ourselves to the highest standards of conduct and business ethics by:

- leading the Group effectively
- treating everyone with respect
- engaging openly and honestly with our customers, communities and stakeholders
- using information carefully

Board Members are expected to lead by example and set the tone from the top. Our Board Code of Conduct is available on the ESB website. Board Members are also mindful of their obligations under the Ethics in Public Office Acts, 1995 and the Standards in Public Office Act, 2001.

During 2022, the focus on sustainability and Environmental, Social and Governance (ESG) performance and reporting continued. We have established a dedicated ESG Programme which includes progressing preparations for new requirements under the EU Corporate Sustainability Reporting Directive (CSRD). The Board undertook specific training during 2022 on diversity and inclusion, measuring carbon emissions and sustainability best practice.

We continue to report on a voluntary basis under the EU Taxonomy Regulation and the Taskforce on Climate-Related Financial Disclosures (TCFD). ESG reporting will continue to be a focus for the Board throughout 2023.

A detailed description of our governance compliance framework is set out on pages 130 to 144.

Board Effectiveness

The Board continually strives to improve its effectiveness. This is done through the conduct of post-Board meeting reflections and informally by holding discussion amongst Board Members with feedback to the Chairman and Company Secretary. Board and Committee actions are formally tracked to ensure all are completed.

A formal internal evaluation is carried out annually, and every third year an independent external evaluation is carried out by an external evaluator (who has no connection to the Group or individual Board Members). The 2022 internal evaluation confirmed that the Board is operating effectively and details of the review are set out on page 136.

Board and Committee Changes

There were a number of changes on the Board during 2022 and 2023 as follows:

- Following his appointment as Chief Executive in 2021, Paddy Hayes was appointed as a Board Member in March 2022
- Andrew Hastings resigned from the Board in September 2022
- Anne Butler completed her term on the Board in November 2022
- Dave Byrne, Stephen Carrig, Seán Kelly and Tony Merriman completed their terms as Worker Board Members on 31 December 2022
- Karen Halpenny, Owen Kilmurray, Gráinne O'Shea and Trevor Walsh were appointed as Worker Board Members from 1 January 2023
- Michael Barry was appointed as an independent Board Member in January 2023 for a 5 year term

I would like to acknowledge the significant contributions made by Andrew Hastings, Anne Butler and the retiring Worker Board Members to the Board during their tenures. I would also like to welcome Michael Barry and the new Worker Board Members to the Board and look forward to working with them in future years. There were no other changes to the Board this year and the Group continues to benefit from the collective experience and diversity of current members.

The following changes were made to Committee membership during the year:

- Following his appointment to the Board, Paddy Hayes was appointed as a member of the Safety, Sustainability and Culture Committee, the Customer, Marketing and Innovation Committee and the Finance and Investment Committee
- Following the resignation of Andrew Hastings, I was appointed by the Board as chair of the Finance and Investment Committee until a new chair of the Committee was appointed by the Board in January 2023
- Noreen O'Kelly was appointed to the Remuneration and Management Development Committee

In 2023, Anne Butler was replaced as chair of the Safety, Sustainability and Culture Committee by Sara Venning and Paul Lynam was appointed Chairman of the Finance and Investment Committee. Michael Barry was appointed as a member of the Audit and Risk Committee.

There were no other changes in Committee membership during the year. Details of the Committees and their activities during the year are set out on pages 145 to 156.

The Terms of Reference of Board Committees were reviewed during the year and revised and updated where appropriate. The Customer, Marketing and Innovation Committee revisions included the requirement to review market and regulatory developments, third party arrangements and the effectiveness of innovation strategies, insofar as they relate to customer outcomes, processes, products and services (see page 156 for further details). The Safety, Sustainability and Culture Committee was renamed to reflect the importance of sustainability and social responsibility in light of ESB's Net Zero by 2040 Strategy. Its Terms of Reference were changed to call out the Committee's responsibilities in respect of sustainability and the oversight of matters relating to human rights. The updates to the Remuneration and Management Development Committee's Terms of Reference related to executive performance, executive remuneration, Board skills and succession planning. The Audit and Risk Committee's Terms of Reference were updated to reflect its oversight and governance of ESB's tax affairs.

The Board Committees play a central role in governance. Each Board Committee has an annual workplan which is used to support the Committee with its oversight responsibilities. Quarterly updates are provided on progress against the workplan and items are prioritised as appropriate. A separate annual report is provided to the Committees on performance against the workplan.

Board Diversity and Succession Planning

Inclusion and diversity are considered business imperatives by the Board, impacting the way we work and our future success. A Board inclusion and diversity report (including metrics) was introduced during 2022. As set out on page 136, the internal board evaluation found that the current ESB Board team has a reasonable level of diversity but with further improvements to be made regarding succession planning. Board Member details are set out on pages 122 to 126.

The Board's Inclusion and Diversity Policy supports the achievement of an inclusive and diverse membership of the ESB Board and its Committees. The policy is available on ESB's website. In advising the Minister on the role specification for new Board Members and Board succession plans, inclusion and diversity in all its aspects is emphasised having regard to the Annex to the State Code "Gender Balance, Diversity and Inclusion". As outlined on page 135, at 31 December the Board had 2 (20%) female and 8 (80%) male members. This has risen to 36% female members following the changes to Board membership in 2023. The Board therefore does not meet the Government target of a minimum of 40% representation of each gender in the membership of State Boards. ESB remains committed, subject to the Ministerial stockholders' support, to having no less than 40% female representation on the Board.

The Board is also conscious of the importance of addressing future skills requirements as part of ongoing succession planning. A succession plan based on an analysis of aggregate Board competencies and gaps has been developed and will be used to help with the recruitment of new Board Members in a timely manner.

The Board was pleased to see the Group publish its Gender Pay Gap Report again in 2022. ESB is committed to addressing the drivers of the gender pay gap through its inclusion and diversity policies as well as its recruitment, development and smart working practices.

Risk Management

Risk management and reporting continues to be a key area of focus for both the Board and the Audit and Risk Committee, with ESB's approach to managing risk being defined by the ESB Risk Policy and Governance Framework and a strong internal control framework as set out in the ESB Internal Control Policy. While the Board has overall responsibility for the Group's approach to risk, responsibility for supporting the Board's review of the effectiveness of internal controls and risk management has been assigned to the Audit and Risk Committee, which played a key role in 2022 in ensuring that appropriate governance and challenge around risk and assurance was embedded across the Group. The approach to risk is set out in the Risk Report on pages 24 to 42.

Culture and Board Engagement

The Board is appraised of the views of colleagues through reviews of regular employee surveys ("Our Voice"), and updates on investment in systems, talent and the capability of our people. ESB's Culture Dashboard reporting continued during 2022 and allows the Board (via the Safety, Sustainability and Culture Committee) to monitor progress in areas such as ethics and compliance, safety, health and wellbeing, reputation and customer, employee engagement, inclusion and diversity, and people and performance.

The Board continues to be supportive of ESB's Smart Working arrangements which were further embedded during 2022 with the return to offices for a large number of staff and the continuation of hybrid working.

Board Members were pleased to be able to meet face to face with people from across the business during 2022. The Board met with members of ESB's graduate programme and with customer facing employees in Customer Solutions who are supporting our customers during these unprecedented times. The Board also attended a BeMe@ESB event; an event which promotes inclusivity in ESB, and visited Moneypoint generating station, where Board Members learned about the history of the plant and future plans for the site.

The Board is also fortunate to have four elected Worker Board Members on the Board who strengthen the Board's engagement with ESB's people and who share colleagues' views and perspectives in Board discussions.

Stakeholders

Stakeholder engagement has never been more important in the context of the transformational changes required to deliver net-zero carbon emissions. The Board was pleased to see management continue to perform stakeholder research to identify the issues which are material to them. The Board, the Chief Executive and his Executive Committee are committed to working with the stockholders and all our stakeholders. This is done to deliver on ESB's strategy and promote the success of ESB for the benefit of all. We are listening to them and seeking their views so that we make better informed decisions, and the Board continues to prioritise stakeholder engagement in its own workplans.

Conclusion

In the following pages we outline in detail how the Board and its Committees have fulfilled their responsibilities during the year to ensure that robust governance practices are embedded in ESB.

Terence O'Rourke
Chairman
09 March 2023

The Board's Governance Report

Principles Of Governance

ESB, in pursuit of its governance objectives, complies with the Code of Practice for the Governance of State Bodies 2016 (the State Code) and insofar as is reasonably applicable with the UK Corporate Governance Code 2018 (the UK Code) and the Irish Corporate Governance Annex (the Irish Annex). Explanations for any exceptions are set out in the table on page 138. A copy of the State Code can be obtained from the Department of Public Expenditure and Reform website www.per.gov.ie. A copy of the UK Code can be obtained from the Financial Reporting Council's (FRC) website www.frc.org.uk and a copy of the Irish Annex is available at www.ise.ie.

The UK Code sets out five key principles of governance: (1) Board Leadership and Company Purpose, (2) Division of Responsibilities, (3) Composition, Succession and Evaluation, (4) Audit, Risk and Internal Control and (5) Remuneration. The Board's Governance Report is structured accordingly.

1. Board Leadership And Company Purpose

The Board

The Board provides the leadership of the Group and, either directly or through the operation of Committees, applies independent judgement on matters of values, strategy, performance, resources and governance. During 2022, the Board comprised of the Board Members detailed on pages 122 to 126, of whom the Chairman and the Independent Board Members were appointed by the Government and the four Worker Board Members were appointed pursuant to the Worker Participation (State Enterprises) Act, 1977. The Board size and structure is governed by the ESB Acts 1927-2014 and by the Worker Participation (State Enterprises) Act, 1977.

The Board has led the development of ESB's strategy: Driven to Make a Difference: Net Zero by 2040 which was approved by the Board in late 2021 and launched in 2022. This purpose driven strategy aims to meet customers' energy needs by connecting more renewables, providing a secure, sustainable and reliable electricity system and empowering customers and communities to achieve net-zero carbon emissions. The strategic objectives are aligned to the Irish Government Climate Action Plan and underpinned by the requirement for strong financial performance, the capability of ESB's people, increased digitalisation and a commitment to sustainability and social responsibility.

Key Stakeholders

The Board is committed to acting to promote the success of ESB for the benefit of its stakeholders (including stockholders, investors, customers, employees, governments, regulators, communities, industry bodies, suppliers, contractors and wider society). In making decisions, the Board has regard to:

- the likely consequences of any decision in the long term
- the interests of employees
- relationships with suppliers, customers and others
- the impact of operations on the community and the environment
- maintaining a reputation for high standards of business conduct, and the need to act fairly between ESB's stakeholders

Through engagements with stakeholders, including those highlighted below, the Board is cognisant of their views when making decisions regarding strategy, significant investments/divestments or matters which may impact the wider economy or environment. Examples of the key matters considered by the Board are listed on page 137.

Stockholders

ESB is 96.9% owned by the Irish Government and 3.1% by the Trustees of the Employee Share Ownership Plan (ESOP). ESB engages in active and ongoing consultation with the Government on key policies and strategic issues as required by legislation and the State Code. This happens through formal quarterly briefings with Government representatives, written submissions to the relevant Government departments, bilateral discussions (including with the Chairman and Chief Executive) and through attendance at the AGM by representatives of the relevant Government Ministers. It includes providing financial planning and performance information including the annual budget, five-year business plan and quarterly financial performance updates. ESB also regularly engages and consults with the Trustees of the ESB ESOP through regular formal briefings. Given the ongoing energy crisis, significant engagement took place between ESB and the Government in 2022 in relation to market volatility, the impact of the Russia/Ukraine conflict, customer prices and security of supply matters. In addition, significant engagement took place regarding ESB's Net Zero by 2040 Strategy.

Debt investors

The Investor Relations team including the Group Treasurer and the Executive Director, Group Finance and Commercial, regularly engage with institutional debt investors in the form of formal announcements, media briefings, investor roadshows and investor briefings (for example after the release of interim and annual financial results). More information is available on the investor relations section of ESB's website. The views of debt investors are brought to the Board via the Finance and Investment Committee.

Employees, customers and other stakeholders

The views of employees are represented in Board decision making through the Worker Board Members, face to face meetings with employees and review and consideration of staff survey results.

ESB conducts regular stakeholder research to identify the key issues relevant to them. This assessment is supported by insights gained as part of ESB's membership of various industry groups and external alliances. The results of this assessment are set out on page 23 with further details available on ESB's website and in ESB's Sustainability Report. These views along with customers views are brought to the Board through the Customer, Marketing and Innovation Committee and their 2022 activities are listed on page 156.

Conflicts of Interest

Board Members make annual disclosures of any potential or actual conflicts of interest under the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001. In addition, Board Members are responsible for notifying the Company Secretary on an ongoing basis should they become aware of any change in their circumstances regarding conflicts of interest, as detailed in the ESB Board Members' Code of Conduct. As required by the State Code, the Code of Conduct also deals with the post retirement obligations of Board Members. Training on the ESB Board Members' Code of Conduct and conflicts of interest for Board Members takes place regularly.

Biographical details for Board Members, including details of their external appointments are set out on pages 122 to 126.

2. Division Of Responsibilities

The way we are structured

The organisation is structured to facilitate effective and efficient decision-making with clear accountability. The roles of the Chairman and Chief Executive are not exercised by the same individual, with the responsibilities of each role formally defined in the Board's Terms of Reference.

Role of the Board

The Board provides leadership and direction to the business as a whole and is responsible for the long-term success of ESB. Decisions are made only after all appropriate information has been made available to Board Members, following due consideration of the risks identified through the risk management process and in the context of the Group-level Risk Appetite Statement. The Board constructively challenges and supports the development of proposals on strategy, which are then reviewed and approved by the Board.

In December, the Board carried out a review of Board decision making in 2022. In keeping with the Board's commitment to continuous improvement, this was done to refine and improve future decision making.

The Board has reserved the following key decisions for its own consideration (some of which are also subject to Ministerial stockholder approval):

- Approval of ESB Group Strategy, annual budgets and 5-year business plans, annual and interim financial statements and the Group Regulatory Accounts
- Approval of dividends
- Approval of major investments, significant expenditure (including capital expenditure), certain derivative contracts, financing facilities and treasury policies
- Appointment of the Chief Executive, Company Secretary and Executive Committee
- Severance or ill-health retirement arrangements for ESB's Chief Executive, Executive Directors and Company Secretary
- Appointment of the Chairperson of the Dam Safety Committee
- Appointment of Directors to the Board of ESB Networks DAC (other than Alternate Directors) and the Directors and Secretary of the NIE Networks Board
- Major acquisitions, disposals or retirements of assets
- Approval of the Annual Risk Plan and Risk Appetite Statement
- Appointment of the external auditor
- Directors' loans
- Purchase of stock in ESB (other than pursuant to ESOP arrangements)
- Appointment and removal of ESB Nominated Trustee Directors to the Board of the ESOP
- Key matters related to the Novusmodus Partnership
- Mass market residential tariffs
- Key regulatory, legal, industrial relations, remuneration, pension, accounting, treasury and policy matters
- Review of operational and financial performance

The Board's Governance Report (continued)

ESB Board Structure

Chairman
Terence O'Rourke
- Lead the Board
- Determine the Board agenda
- Ensure its effectiveness and facilitate full participation by each Board Member
- Ensure effective communication with the Group's owners and stakeholders

Board
- Chairman, Chief Executive, six independent Board Members and four worker Board Members
- Responsible for the long-term success of ESB and for its overall judgement on matters of strategy, performance, resources and governance

Senior Independent Board Member
Noreen O'Kelly
- Act as a sounding board for the Chairman
- Serve as an intermediary for the other Board Members and the stockholders when necessary

Company Secretary
Marie Sinnott
- Assist the Chairman in ensuring that all Board Members have access to all relevant information and in facilitating Board induction/professional development
- Ensure that correct Board procedures are followed and advises the Board on corporate governance matters
- Liaison between Board and Executive Committee

Audit and Risk Committee
Chair
Noreen O'Kelly
- To assist the Board with its responsibilities in relation to:
  - Financial reporting
  - Internal control, compliance and risk management systems
  - Whistleblowing, fraud and investigations
  - External and internal auditors

Safety, Sustainability and Culture Committee
Chair
Sara Venning
- Review strategies and polices relating to safety, health, the environment and sustainability
- Monitor performance on health, safety, the environment and sustainability matters along with risk management in these areas
- Ensure appropriate culture underpinned by values prevails across ESB
- Review diversity and inclusion and corporate social responsibility strategies and policies

Remuneration and Management Development Committee
Chairman
Terence O'Rourke
- Having regard to Government pay policy, legal obligations, the Code of Practice for the Governance of State Bodies and regulatory requirements approve the remuneration of:
  - Board and main subsidiary Board Members
  - Chief Executive
  - Executive Directors
- Monitor succession planning for leadership roles
- Consider the Group's pay model and system of performance management
- Consider both diversity and gender pay balance

Finance and Investment Committee
Chairman
Paul Lynam
- Review investment/divestment and capital expenditure proposals
- Review funding issues including financing requirements and treasury policies
- Review financial performance including business plans and annual financial plan
- Monitor stockholder matters including dividends
- Review trading strategies and policies

Customer, Marketing and Innovation Committee
Chairman
Alf Smiddy
- Alignment of marketing, sponsorship and brand strategies with strategic objectives
- Monitor embedding of customer centricity
- Review governance of sponsorship arrangements
- Monitor stakeholder relationships and engagement strategies
- Monitor reputation related matters
- Review IT and digital strategy
- Monitor innovation and research and development strategies

Biographical details of the Chairman and the Board Members can be found on pages 122 to 126.
Biographical details of the Company Secretary can be found on page 51.
Biographical details of the Executive Committee members can be found on pages 50 to 51.

Board Meetings

The Board met on 12 occasions during 2022 of which 9 were scheduled meetings. The Board has a formal schedule of matters specifically reserved to it for decision, which are reviewed annually and described on page 131.

The Board has delegated authority to management for decisions in the normal course of business, subject to specified limits and thresholds. Oversight of decisions that are delegated by the Board is retained through a robust reporting framework, central to which are effective relationships with the Board Committees, the Chief Executive, the Executive Director, Group Finance and Commercial and the Executive Committee.

There is ongoing financial and operational reporting to the Board, with papers made available electronically to each Board Member sufficiently in advance of each meeting to allow adequate time to review and consider matters for discussion/decision. The Board papers include the minutes of Board Committee meetings. The Board performed a review of materials and submissions provided to them during the year and improvements have been made as a result of this.

The aim of the Board meetings is to achieve the right balance of oversight of people, culture, strategy, sustainability, operations, finance, governance and risk management matters. This is monitored through the annual Board evaluation process, and informal feedback in order to ensure that adequate time is devoted to each matter. The Board is satisfied that the Chairman and each of the Board Members committed sufficient time during the year to enable them to fulfil their duties as Board Members of ESB.

The Board's focus continues to be the execution of ESB's strategy – Driven to Make a Difference: Net Zero by 2040. This will be achieved by focusing on 7 strategic objectives (see page 16 for further details on ESB's strategy).

To support the continued execution of ESB's strategy, the Board undertook the following activities during the year:

Strategic Objectives	Example
Decarbonised Electricity	Approved the investments in Timahoe North (Kildare) (a joint venture with Bord na Móna) and Drombeg (Kerry) Solar Farms, the Aghada Battery Project, Lenalea Wind Farm (part of the FuturEnergy Ireland joint venture) and approved the agreement with dCarbonX to develop hydrogen storage solutions for ESB
Resilient Infrastructure	Monitored progress on PR5 delivery, including the continued roll out of smart meters and the delivery of network improvement, monitored security of supply matters and assessed energy security scenarios and planning for winter 2022/23, and approved the investment in temporary emergency generation capacity at North Wall
Empowered Customers	Monitored customer trends (notably the impact of the current cost of living crisis), approved the investment in Electric Ireland's Smart Metering Programme and monitored the progress of the SIRO joint venture in rolling out broadband infrastructure

Foundational Capabilities	Example
Our People	Reviewed the results of the "Our Voice" staff survey, monitored the pay review outcome/implementation and reviewed and approved the appointments to the Executive Committee
Digital & Data Driven	Monitored cyber security developments and approved significant IT investments
Financial Strength	Reviewed and approved the 5 year business plan, reviewed collateral and liquidity positions, funding plan updates and the sale of the Tilbury Energy Recovery Facility (TERF) (GB)
Sustainable & Socially Responsible	Approval of ESB's annual Statement on the Prevention of Slavery and Human Trafficking and was updated on the setting of a Science-Based Target for 2030

An update on progress against ESB's Strategic Performance Initiatives (as set out on page 20) was presented to the Board in December.

Attendance at Meetings in 2022

The attendance by each Board Member at scheduled and unscheduled meetings during the year is set out opposite. In addition to the Board Members and Company Secretary, several Executive Directors and Senior Managers attended relevant sections of Board meetings, by invitation. The Board also meets with executive Board Members or management present to discuss relevant matters.

Board Members 2022	Meetings attended Scheduled (Unscheduled)
Terence O'Rourke	9 (3)
Anne Butler*†	6 (3)
Dave Byrne^	9 (3)
Stephen Carrig^	9 (3)
Andrew Hastings*#	5 (-)
Paddy Hayes	8 (3)
Seán Kelly^	9 (3)
Paul Lynam*	9 (3)
Tony Merriman^	8 (2)
Noreen O'Kelly*	9 (3)
Alf Smiddy*	9 (3)
Sara Venning*	8 (3)

* Independent Board Member
^ Worker Board Member
† Term ended November 2022
# Resigned September 2022
^ Term ended December 2022

The Board's Governance Report (continued)

Independence

Based on an assessment completed for the year ended 2022, the Board has determined that excluding the Chief Executive and the Worker Board Members, the Board Members were independent during 2022. The determination of Board Members' independence takes account of the State Code and the relevant provisions of the UK Code regarding Board Members' independence in character and judgement, and the absence of relationships or circumstances that could compromise a Board Member's independence. A similar independence assessment was carried out on the appointment of the current Chairman.

The UK Code requires boards to identify circumstances where the independence of non-executive directors could be impaired, including circumstances where a non-executive director has served on the Board for a period of more than 9 years. The State Code requires appointments to the Board to be for a period of up to a maximum of 8 years. The tenure of Anne Butler and Noreen O'Kelly was agreed prior to these independence provisions of the State Code being put in place and both have served for more than 9 years. Anne Butler's term on the Board ended in November 2022 and Noreen O'Kelly's term is due to end in 2023. The Board is satisfied that the independence of both individuals was not impaired during 2022 having assessed the other independence considerations set out in the UK Code.

The UK Code requires that at least half the Board, excluding the Chairman, should be non-executive directors whom the board considers to be independent. This requirement was not met at the year end. However, a process to make new appointments of non-executive members to the Board had commenced prior to year-end and it is expected that new appointments will be made early in 2023. Michael Barry was appointed to the Board by the Minister for the Environment, Climate and Communications on 4 January 2023 for a five-year term.

Independence of Board excluding Chairman

● 44% Independent Board Members
● 56% Non-independent Board Members

Note: This rose to 50% with the appointment of Michael Barry in January 2023.

Experience and Board Skills Mix – Board at 31 December 2022

	Board Committee Participation					Board Member's Expertise								Board Member's Experience
						Core Skills						Sector Specific Skills		
	Audit and Risk	Finance and Investment	Customer Marketing and Innovation	Safety Sustainability and Culture	Remuneration and Management Development	Operational Management/ Business Experience	Culture/Leadership/ People	Governance	Finance/Accounting/ Audit/Legal	Science/Technology/ Engineering	Customer/Marketing/ Innovation	Energy/Regulated Markets	Safety/Social/ Environment	Length of Tenure on Board
Terence O'Rourke		●			●	●	●	●	●		○	●	○	2 years & 2 months
Dave Byrne		○				●	○	●			○	●		12 years
Stephen Carrig				○		●	○	●		●		●	●	4 years
Seán Kelly		○				●	○	●		○	○	●	●	12 years
Paul Lynam	○	○		○		●	●	●	●	●		○	○	6 years & 3 months
Tony Merriman			○			○	○	●		●		●	●	16 years
Noreen O'Kelly	●	○			○	●	○	●	●		○	●		9 years & 8 months
Alf Smiddy	○		●			●	●	●	●	○	●		○	6 years & 3 months
Sara Venning				○		●	●	●	●	●	●	●	●	1 year & 1 month
Paddy Hayes		○	○	○		●	●	●	●	●	●	●	●	10 months

● Chair of committee
○ Member of committee
● Has required skill/sectoral experience
○ Has some of the required skill/sectoral experience

3. Composition, Succession And Evaluation

Board Membership

In 2022, the Board Members brought diverse experience and independence to support effective decision-making. Board Members' skills and experience are harnessed to best effect through their membership of the relevant Board Committees. The range of Board Members' experience is set out in the Board Members' biographies on pages 122 to 126 and their experience/skills on page 134. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of them and to address the major challenges facing ESB.

The Board's primary role is to exercise objective and informed judgement in constructively challenging and helping to develop and approve ESB's Group strategy, to ensure there is a strong management team in place to execute the strategy and drive business performance, and to maintain a framework of prudent and effective controls to mitigate risk. The State Code provides that the Chairman may engage with the Government on Board succession and this provides an opportunity for ensuring an appropriate mix of skills, diversity and experience on the Board.

Two critical factors determine how the Board is equipped to fulfil those duties and obligations successfully:

- A diverse and deep range of skills and experience among Board Members
- Processes to ensure that all Board Members develop and maintain a good understanding of the Group's operations and external environment and are therefore well placed to make informed decisions. See opposite and page 136 for further detail on the induction and ongoing training and development processes

Board Appointments

As Board appointments are a matter for Government (including the appointment of Worker Board Members), ESB does not undertake an evaluation of individual Board Members. However, the Chairman does engage with the Government in advance of the Board appointment process about the specific skills and diversity that are required on the Board. In November 2014, the Department of Public Expenditure and Reform published Guidelines on Appointments to State Boards and these guidelines apply to appointments to the Board of ESB.

Independent (non-worker) Board Members are normally appointed for an initial term of five years, renewable for a further period up to a maximum of eight years in total (updated in line with the 2020 Code of Practice Annex*). In the case of Worker Board Members, they are appointed for an initial term of four years and may be re-elected for further terms. Therefore, Board Members are not subject to re-election at lesser intervals. The Chief Executive and Independent Board Members may be reappointed to the Board by Government and any reappointment of Worker Board Members is pursuant to the Worker Participation (State Enterprises) Act, 1977 subject to approval by Government.

* Note: Code of Practice Annex requirements do not apply to Worker Board Members. For Non-Executive Board Members in place at the date of publication of the Annex, it will be applied at the end of their contracts.

Induction

An induction programme is in place to familiarise new Board Members with the operations of the Group. The programme is tailored to the experience, background and requirements of the individual. Key elements are meeting members of the Executive Committee, visiting sites and receiving a briefing on the ESB Group Strategy, individual businesses and the Enterprise Risk Management Framework.

Composition of Board (Gender)

● 80% Male
● 20% Female

Length of tenure

● 20% 0-2 years
● 20% 2-5 years
● 60% >5 years

Board Member age profile

● 10% 0-50
● 50% 50-60
● 40% 60-70

The Board's Governance Report (continued)

Ongoing Training and Development

A continuing development programme is in place for all Board Members. The Chairman and Company Secretary liaise with Board Members for their specific needs, such as attendance at conferences, courses and webinars relevant to the business or briefings by management on specific topics e.g. in 2022 in-depth training sessions were held on GB energy markets, sustainability best practice, diversity and inclusion and contestable connections (amongst others). The online resource materials available to the Board were maintained and updated during 2022. These resources provide content to the Board on a range of topics including corporate governance, strategy, enterprise risk, IT, environment and sustainability, people and culture, customers and Group policies.

Board Effectiveness

In compliance with the State Code and the UK Code, the Board conducts an annual evaluation of its own performance and that of its Committees (every third year this is done independently by an external evaluator). The evaluation relates to the Board's and Committees' collective performance and not to the individual performance of Board Members other than the Chairman. The performance of the Chairman is explicitly considered as part of the Board evaluation process, in addition to a separate process co-ordinated by the Senior Independent Board Member. The purpose of these evaluations is to review the Board's operation and to identify ways to improve its effectiveness. It also helps to identify specific skills required by Board Members, in relation to which the Chairman can make suggestions to the Government for consideration when appointments are being made. The evaluation provides assurance that the Board is committed to the highest standards of governance. The evaluation is led by the Chairman and supported by the Company Secretary.

The last external evaluation was carried out in 2021 and the overall assessment was that the ESB Board was positioned in the Strong Category range by reference to the benchmarks used. Significant progress has been made on the high priority actions identified in the 2021 external evaluation and an update on progress during 2022 is as follows:

Recommendation	2022 Update
▪ Ensure increased presence of experienced electrical utility/energy sector independent Non-Executive Directors on the Board ▪ Address female representation on the Board	▪ A Non-Executive Member with electrical utility experience has been appointed to the Board ▪ A succession plan has been developed and will be used by the Chairman to inform future skills requirements (noting that appointments remain a matter for Government) ▪ The succession plan developed highlights gender diversity as a priority issue and the Chairman continues to prioritise the matter with the Public Appointment Service ▪ The Company Secretary engaged with the Group of Unions in relation to the Board's Diversity and Inclusion Policy
▪ Review current approach to agenda design including frontloading of Board meetings with key strategic areas	▪ Consent based decision making introduced ▪ Pre-read reports with questions and answers only included on agendas ▪ Review of Board reporting (including Board paper guidelines) undertaken in 2022 ▪ Strategic items frontloaded in agendas set for the Board and more time allowed for discussion of strategic topics
▪ Incorporate Kaizen (continuous improvement) session at the end of each meeting	▪ Reflections at the end of meetings introduced providing scope for valuable feedback
▪ Develop strategy review processes and reporting on strategic pillars	▪ Two dedicated offsite strategy days in 2022 ▪ Significant involvement of the Board in the Net Zero by 2040 Strategy
▪ Develop cybersecurity related reporting	▪ Cyber dashboard developed and reporting provided quarterly ▪ CIO to brief the Board annually
▪ Review approach to monitoring and reporting on stakeholder engagement	▪ Included on Customer, Marketing and Innovation Committee agenda and on Chief Executive reporting to the Board
▪ Enhance reporting on talent development	▪ People capability covered as appropriate on Board agendas
▪ Increase the focus on ESG matters	▪ ESG Programme established reporting to the Safety, Sustainability and Culture Committee

The scheduled internal evaluation took place in 2022. The evaluation consisted of a questionnaire, which encompassed learnings from the questions used in the 2021 external review, in addition to additional questions seeking to determine the effectiveness of implementation of actions arising from the external review. To ensure that the review was as robust and objective as possible a questionnaire was issued to each Board Member and separate questionnaires were issued for each Committee. Based on Board Members' replies, a report was made to the Board on the outcomes, with proposed actions to address the issues raised.

The high priority recommendation from the 2022 internal evaluation related to the strengthening of Board succession planning through further improvements in the identification of key skill sets required of Board Members. An action plan for the implementation of this recommendation along with lower priority recommendations will be developed and will be tracked throughout 2023.

Separately during 2022, the Senior Independent Board Member undertook an evaluation of the Chairman's effectiveness. A questionnaire was sent to Board Members and members of the Executive Committee seeking their feedback on his performance. The results were discussed with the Chairman. The exercise identified stockholder feedback as a topic the Board would like to hear more from the Chairman on in future. Overall, the Chairman's effectiveness was strongly endorsed by the Board and the Executive Committee.

In addition to the recommendations from the external and internal evaluations, Board effectiveness was further enhanced during the year with:

- an update of the Board's Terms of Reference and Code of Conduct
- a continuation of the Board induction and training programme and a roll-out of sector specific in-house training
- regular meetings between the Chairman and Board Members for an open exchange concerning the efficiency and effectiveness of the Board

Examples of matters considered and/or approved by the Board in 2022

People

- Senior executive appointments
- Staff survey results
- Safety incidents
- Policy on inclusion and diversity
- Pay review outcome and implementation

Operations

- Group strategy update
- Chief Executive operations reports
- Health and safety reports
- Security of supply update
- Property and asset disposals
- Investment in renewable/storage projects
- Smart metering programme update
- ESB Networks' Regulatory Price Review 5 delivery update
- Electricity price changes

Strategy

- Board strategy day considering economic, policy, competitor and technology trends in general and impact on ESB Strategy
- SIRO updates
- So Energy review
- Energy market update

Governance and risk management

- Group Risk Plan
- Internal audit plan for the year
- Committees' Terms of Reference
- Pension scheme trustee appointments
- Group authority levels
- Statement on the Prevention of Slavery and Human Trafficking
- Board evaluation
- Cybersecurity updates
- Board policies
- Annual assessment of effectiveness of internal control

Finance

- Annual and half-yearly published results
- ESB Regulatory Accounts
- Quarterly financial performance and forecasts
- Monthly Key Performance Indicators (KPIs)
- Annual budget and five-year business plan
- Dividend payments
- Hurdle rates for new investments
- Funding requirements

The Board's Governance Report (continued)

4. Audit, Risk and Internal Control

Compliance with Corporate Governance Codes

ESB complies with the State Code, which sets out the principles of corporate governance that Boards of State bodies are required to observe. ESB also complies with the Corporate Governance Guidelines and other obligations imposed by the Ethics in Public Office Act, 1995, the Standards in Public Office Act, 2001 and the Regulation of Lobbying Act, 2015.

ESB complies on a voluntary basis, insofar as is reasonably applicable with the UK Code and the Irish Annex. ESB is a statutory corporation established under the Electricity (Supply) Act, 1927 (as amended) and is not obliged to comply with the UK Code or the Irish Annex. The UK Code consists of principles (main and supporting) and provisions. Companies listed on the Irish Stock Exchange are required, as part of the Listing Rules, to describe how they apply the principles and comply with the provisions of the UK Code and the related Irish Annex, and to provide an explanation in the event of non-compliance. The Audit and Risk Committee completed a review of compliance with the UK Code and the Irish Annex during 2022. ESB voluntarily complies with the principles and provisions of both subject to the exceptions set out in the table opposite.

Financial and Business Reporting

The Board recognises its responsibility in preparing the Annual Report and Financial Statements and in presenting a fair, balanced and understandable assessment of the Group's position and prospects. The Board Members' responsibilities regarding financial statements and going concern are set out on page 162.

Procurement

ESB carries out its procurement activities in compliance with applicable procurement laws and the State Code. A paper detailing obligations and providing assurance of compliance is provided annually to the Audit and Risk Committee.

UK Code

Principle / Clause	Explanation
J / 20 / 17 / 23	Appointments to the Board are a matter for the Government and accordingly ESB does not have a Nominations Committee.
18	Board Members are appointed for multi-year terms and therefore are not subject to re-election to the Board at lesser intervals.
34 / 36 / 39 / 41	ESB's policies and disclosures in relation to remuneration of the Chief Executive are in accordance with applicable Government guidelines. Notice periods in the Chief Executive's contract are in accordance with Government guidelines. The details of Board Members' remuneration on page 144 do not include amounts paid to the four Worker Board Members as employees of ESB (as such pay is neither increased nor decreased because of their membership of the Board). Obligations regarding share awards are not relevant to ESB, nor are post-employment shareholding requirements relevant as beneficial interests in the stock of ESB are held only through participation in ESB's Employee Share Ownership Plan (ESOP) and ESB is majority owned by the Government.
12 / L	The Board evaluation process has not to date evaluated the individual performance of Board Members as the Board does not have a formal role in determining its own composition.
32	The Board Chairman is also Chairman of the Remuneration and Management Development Committee, given the importance of compliance by ESB with Government policy in this area and the role of the Chairman as the primary interface with the Government.
12	The Independent Board Members do not meet without the Chairman present to appraise the Chairman's performance as the appointment of the Chairman is a matter for the Government.
41	The Government sets the pay of the Chief Executive and establishes pay policy relevant to senior management. This limits the discretion of the Remuneration and Management Development Committee in relation to these matters.
3	Committee chairs do not engage with Ministerial stockholders as there is a process in place whereby the Chair engages with Ministerial stockholders and ensures that the Board and management are aware of the views of the stockholders.
4	As ESB is 96.9% State owned, with governance arrangements in place with its Ministerial stockholders, requirements in relation to consultation with shareholders in the event of 20% or more of votes being cast against a Board recommendation are considered not to be applicable.
15	Members of the Board of ESB are appointed in accordance with Section 2 of the Electricity (Supply) Act, 1927 and the Worker Participation (State Enterprises) Acts. Therefore, the requirement to take account of demands on directors' time and the undertaking of additional external appointments is a matter for the Government.
10	Noreen O'Kelly has been a member of the Board for more than 9 years. The Board is satisfied that the independence of Noreen O'Kelly was not impaired having assessed the other independence considerations set out in the UK Code.
11	Arising from temporary vacancies, the requirement that at least half the Board should be non-executive directors was not met at year end. This was rectified in January 2023.

Irish Annex

Section	Explanation
1.1 / 1.7 / 4.1	Appointments to the Board are a matter for the Government. A reasoned explanation for Board appointments is not provided.
2.1	Appointments to the Board are a matter for the Government and accordingly ESB does not have a Nominations Committee.
3.1 / 3.2	The scope of the evaluation of the Board relates to the Board's and Committees' collective performance, and not to the individual performance of Board Members.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The system of internal control is designed to provide reasonable but not absolute assurance for the achievement of the following objectives:

- Effectiveness and efficiency of operations and safeguarding of the organisation's assets against loss
- Reliability of reporting for internal and external use
- Compliance with applicable laws and regulations

In order to discharge its responsibilities in a manner which ensures compliance with legislation and regulations, the Board has established an organisational structure with clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

The Group uses the integrated internal control framework as developed by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission as guidance for designing, implementing and conducting internal control and assessing its effectiveness. The COSO framework was first released in 1992 and updated in 2013.

ESB has in place a strong internal control framework, which includes the following:

- A Code of Ethics ("Our Code") that sets the tone from the top and requires all employees to maintain the highest ethical standards in conducting business
- Comprehensive Anti-Bribery, Corruption and Fraud and Whistleblowing and Protected Disclosures Policies
- A Group Tax Compliance Framework and an ESB Group Tax Policy
- Insider Trading policies and procedures for the prevention of market abuse
- A clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board, which support the maintenance of a strong control environment
- A corporate governance framework that includes risk analysis, financial control review and formal annual governance compliance statements by the management of business units and joint ventures (JVs)
- Policies and procedures relating to operational and financial controls as well as compliance obligations including regulatory licence and ring-fencing obligations
- Large capital projects requiring the approval of the Board are closely monitored on an ongoing basis by the Finance and Investment Committee
- Comprehensive budgeting systems with an annual budget and five-year plan approved by the Board
- A comprehensive system of financial reporting and non-financial reporting
- Cumulative actual results and KPIs are reported against budget and considered by the Board on a regular basis
- A telephone helpline and online webchat service that provides employees with a confidential and, if required, anonymous means of reporting any suspected wrongdoing or ethical concerns

An annual review of the effectiveness of the Group's system of internal control takes place and controls are reviewed systematically by Group Internal Audit. In these reviews, emphasis is placed on areas of greater risk as identified by risk analysis. Where weaknesses in the internal control system have been identified through the monitoring framework above, plans for addressing them are put in place and action plans are regularly monitored until completed.

Risk Management

Effective risk management is critical to the achievement of ESB's strategic objectives and the long-term sustainable growth of its business. The rapid changes taking place in ESB, the energy industry and the wider economy requires the Board to continuously re-assess the risks facing ESB and have clear strategies to manage those risks. Given the current volatile environment (which introduces increased operational risk), it is all the more important to have an enhanced focus on internal controls. The Board has overall responsibility for the Group's approach to risk, satisfying themselves that the systems of risk management are robust and defensible.

Specifically, the Board responsibilities in respect of risk include:

- Overall responsibility for Enterprise Risk Management and crisis management processes including the effectiveness of management's mitigation measures and controls
- Ensuring risk management is embedded into all processes and activities
- Approval of the Group Risk Plan
- Overseeing that an appropriate risk culture is embedded throughout the Group
- Establishing a clearly articulated risk appetite position that clarifies the level of risk ESB is willing to accept, which also ensures that management and the Board align their views on risk and that investments and expenditures are considered in light of that appetite

During 2021, an external review of ESB's Enterprise Risk Management processes was completed and improvements were made to the risk assessment process during 2022. Work is ongoing to address the remaining findings of this review and a dedicated project has been established to further strengthen ESB's Enterprise Risk Management, governance and compliance structures.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that might threaten its business model, future performance, solvency and liquidity. A cyclical review process for identifying, assessing and managing significant risks has been in place for the year under review and up to the date of approval of this Annual Report. The principal risks and uncertainties facing the Group and the mitigating strategies are set out on pages 24 to 42.

The Board is aware that it must lead by example in shaping and supporting the updated Group values that underpin the approach to risk. It also seeks to ensure that sufficient risk management skills and capabilities are available in the business and that the knowledge and

The Board's Governance Report (continued)

experience of all of the employees in ESB who understand the risks associated with operations is utilised. Regular reporting has facilitated the Board to stay abreast of changes in identified principal risks, in addition to emerging risks and uncertainties.

The Board focuses primarily on those risks that could undermine ESB's strategy, or which could adversely affect the long-term viability or reputation of the Group. The Board delegates responsibility for oversight of specific risks to Board Committees in accordance with the Committees' Terms of Reference and respective area of expertise. The Board agrees how Committees will keep one another, and the Board itself, informed about risks and risk oversight practices. Efficiency and effectiveness call for clear boundaries, communication channels, and handoff points. The Board defines these elements clearly, adjusting as needed. The Committees' Chairs report to the full Board on key risks falling within their remit, developments and matters requiring further discussion and consideration. The Audit and Risk Committee retains overall responsibility for ensuring that enterprise risks are properly identified, assessed, reported and controlled on behalf of the Board.

Risk appetite may also vary over time and the Board has explicitly considered the level of this appetite and how specific risks are managed within it. The propensity to take risk is always balanced by a focus on exercising appropriate control.

As well as regular reporting, two full sessions of the Audit and Risk Committee were dedicated to risk during 2022, with all Board Members invited to attend both meetings. One focused solely on risk appetite and a second deep dive session was held on ESB's principal risks. External speakers also attended the deep dive session where the focus was on climate change including the physical climate risks impacting ESB.

Activities undertaken by the Audit and Risk Committee during 2022 in respect of its risk responsibilities included:

Activity	Detail
Group Risk Plan	The Committee reviewed the 2023 Group Risk Plan and recommended it to the Board for approval.
Business Continuity Planning (BCP) and Crisis Management Review	The Committee reviewed the effectiveness of business continuity plans, crisis management and resilience testing arrangements across the Group.
Mid-Year Risk Review	The Committee considered and reported to the Board any changes to the Group principal risks and emerging risks as approved at the start of the year, including a review of material changes to the risk profile.
Quarterly Risk Reports	The Committee reviewed changes to the status of the principal risks, including the effectiveness of operation of controls and status of mitigating actions.
Supply Chain Risk Review	The Committee reviewed the assurance report on ESB supply chain risk management in the context of the Ukraine/Russia conflict.
Risk Deep Dive Meeting	The Committee was provided with an update on the impact of climate change with a specific focus on physical climate risks facing the business.
Data Protection	The Committee reviewed the bi-annual Data Protection Dashboard and half-year data protection report.
External Assessment of the Group Internal Audit (GIA) Function	The Committee reviewed the independent report on the internal audit function to assess whether it effectively delivers on its mandate of providing independent assurance on the adequacy and effectiveness of ESB's governance, risk management, internal controls and on the organisation's performance in achieving its goals and objectives.
Independent External Review of the ESB Enterprise Risk Management (ERM) Framework	The Committee reviewed progress on the actions arising from the 2021 Independent External Risk Review report on the assurance of the effectiveness of the ERM Framework. A specific project has now been established to address these findings.
Risk Appetite	The Committee approved the updated Group Risk Appetite Statement and Framework.

The 2022 review of the effectiveness of Internal Control and Risk Management

The Board retains overall responsibility for internal control and risk management. During 2022, the Board has directly and through delegated authority to the Audit and Risk Committee, reviewed the effectiveness of the Group's system of internal control covering financial, operational and compliance controls and risk management systems for 2022 and will ensure a similar review is performed in 2023.

The process used by the Board and the Audit and Risk Committee to review the effectiveness of the system of internal control includes:

- Review and consideration of the Annual Risk Plan, half-yearly risk review process, quarterly risk management updates and an annual risk deep dive review of a selection of principal risks (facilitated by ESB's dedicated risk management function)
- Review of the operation of cybersecurity risks and controls
- Independent advice on the adequacy of the current Enterprise Risk Management (ERM) process operating in ESB (last reviewed in 2021)
- Internal audit of the ERM process
- Review and consideration of confirmation from management of satisfactory and effective operation of systems of internal control, both financial and operational
- A review of the programme of Group Internal Audit (GIA) and consideration of its findings and reports. GIA also reports regularly on the status of implementation of recommendations raised previously from its own reports
- Independent assessment of the effectiveness of the internal audit function (this is carried out every five years and an assessment was last carried out in 2021)
- A review of reports from the external auditor which contain details of work carried out on the key audit risks and recommendations regarding internal control improvements

Separately, the Safety, Sustainability and Culture Committee reviews the effectiveness of processes in place to identify, assess, report and control risks in relation to health, safety and environment matters.

Based on this review, the Board confirms the following for 2022:

- There is an ongoing process for identifying, evaluating and managing the principal and emerging risks of ESB
- Systems of internal control have been in place for the year under review and up to the date of approval of this Annual Report
- The systems materially comply with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting
- A number of areas of improvement were identified, including in relation to tariff processes in ESB Networks and Electric Ireland. Processes are in place to ensure that the necessary action is taken, and progress is monitored until completed
- An allegation of wrongdoing was made against four ESB employees as set out on page 158
- No other significant failings or weaknesses in internal control were identified in the review

Through its ongoing involvement and overview of internal control and risk management activities, the Board is satisfied that internal control and risk management processes are effective.

Viability Statement

In accordance with the UK Code, the Board Members have assessed the prospects of ESB over a longer period than that required in adopting the going concern basis of accounting. ESB's assessment has been made over a five-year period, which is consistent with the time frame of ESB's business planning process. The assessment is based on consideration of ESB's current position and prospects, maintenance of its financial strength (page 58), progress against ESB's strategy (pages 20 and 21), risk appetite (page 25), principal risks (pages 29 to 42) and how these are managed. This includes consideration of the significant developments in the external environment (including the macroeconomic environment) in which ESB operates as set out on page 18 and the climate related risks and opportunities set out on page 106.

The Board has carried out a robust risk assessment of the principal and emerging risks facing ESB. As part of the ERM process the major and material potential consequences of a principal risk materialising are identified and, where possible and appropriate, the financial impact estimated. In addition, the ERM process considers the interdependency of principal risks, particularly in terms of impact. These risks and the way they are being managed and mitigated are outlined on pages 24 to 42.

Business Continuity, Crisis Management and Disaster Recovery Plans have been developed to mitigate risks which may impact ESB's operations. These plans are exercised as part of an annual test plan, based on scenarios that could adversely impact ESB and assess the degree to which these risks can be mitigated. Results and lessons learned arising from the annual review and testing programme are reported to the Audit and Risk Committee.

The Board believes that a five-year viability assessment is most appropriate as it aligns with the business planning process completed annually. The projections in the business plan consider ESB's cash flows, committed funding and liquidity positions and examine future funding requirements and financial covenants, along with other key financial ratios including those relevant to maintaining investment grade credit ratings.

The Board's Governance Report (continued)

The business plan also includes an assessment of performance against ESB's Strategic Performance Indicators (SPIs) (as set out on page 20) as well as consideration of a number of relevant risks and opportunities. This includes consideration of the impact of climate-related matters notably the challenge associated with the scale of energy infrastructure which ESB is targeting to deliver as well as the drive to greater electrification in ESB's markets. It also includes consideration of the impact of the Irish Government's Climate Action Plan.

The metrics in the business plan are subject to sensitivity analysis, which involves flexing a number of the main assumptions underlying the plan to assess their impact on key financial metrics, such as Net Debt and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and, where appropriate, analysis is carried out to evaluate the potential financial impact of ESB's principal risks actually occurring. The current five-year assessment included consideration of the risks outlined in the table below.

The Board recognises the significance of maintaining financial strength and this is called out as a principal risk and as a foundational strategic capability. ESB's funding operations support capital expenditure, the refinancing of maturing debt and the maintenance of adequate liquidity. ESB's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. In 2020, ESB negotiated a €1.4 billion sustainability-linked revolving credit facility (RCF) which provides ESB with a substantial level of standby liquidity. This facility currently extends to 2027. In 2022, ESB agreed an additional RCF of Stg £750 million with an initial tenor of 12 months. ESB was also in a position to raise 3 separate bonds to secure its funding position during 2022 with an additional bond raised in January 2023. ESB's funding position reflects its underlying financial strength and BBB+ (or equivalent) credit ratings from two major credit rating agencies on a standalone basis. Further details on debt maturity and ESB's funding are set out on page 63.

Relevant Principal Risks	Sensitivity considered
▪ Failing to maintain ESB's financial strength ▪ Exposure to volatility and competition in the energy markets and the impact of the global commodity crisis ▪ Failing to deliver the renewable pipeline required to deliver on strategy ▪ Failing to deliver the growing and increasingly complex network infrastructures and systems required to meet future customer and societal needs ▪ Inadequate ESB response to capture opportunities and manage challenges presented by policy measures to address climate change ▪ Macroeconomic downturn	▪ Delivery of performance improvement targets ▪ Capital expenditure delivery ▪ Inflation ▪ Commodity market movements ▪ Customer numbers ▪ Price control outcomes

Based on the results of the above analysis, the Board Members have a reasonable expectation that ESB will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Going Concern

ESB has delivered operating profits (before exceptional items) of €847 million for the year. ESB's cashflow and liquidity position has remained strong throughout the COVID-19 pandemic and throughout a period of significant volatility in energy markets in 2022.

The Group has considerable financial resources (with net assets of €4.8 billion and liquidity of over €2.2 billion) and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries, the Board is satisfied that ESB has sufficient cash flows, available liquidity and access to capital markets to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing ESB's financial statements as set out in note 1 of the financial statements. ESB's performance, business model, strategy and principal risks and uncertainties and how these are managed are set out in the Strategy and Performance report on pages 4 to 119.

ESB's financial position, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 58 to 64. Note 29 of the financial statements includes an overview of financial risk management, details of its financial instruments and hedging activities and its exposure to credit and liquidity risks.

5. Remuneration

The Terms of Reference of the Remuneration and Management Development Committee (December 2022) sets out the overall approach to executive remuneration. The Board adopts and implements a policy on executive remuneration which is clear, simple, predictable, proportionate and free from the risk of excessive reward. The objective of the policy is to attract, retain and motivate executive management of the calibre required to run the Group successfully and sustainably having regard to views of the Government as majority stockholder.

During 2022, a submission was made to the Department of Public Expenditure and Reforms' public consultation on Senior Public Service Recruitment and Pay processes including for Chief Executives of commercial semi-State companies. ESB's submission emphasised the Board's view of the importance for ESB to attract and retain the best talent based on competitive and market facing remuneration including for the position of Chief Executive.

Based on ESB's Group structure and its operations across a number of jurisdictions, there are a number of remuneration models in place across the Group. For employees covered by collective bargaining agreements, pay bands and rates are collectively bargained with the recognised trade unions. ESB informs and consults all of its employees on remuneration matters in a number of ways including one-to-one engagements, team briefings and on internal websites. ESB continuously reviews its reward offering to ensure that it continues to attract and maintain the capability to deliver its strategy.

Chief Executive's Remuneration

Paddy Hayes' remuneration is set by reference to Government policy on the payment arrangements for Chief Executives of commercial State Bodies. In line with Government policy that the Chief Executive of State Companies should not receive performance related payments, he did not receive any such payments during 2022. In accordance with the Government's "One Person, One Salary" rule, the Chief Executive is not entitled to receive a fee as a member of the Board.

Worker Board Members' Remuneration

Worker Board Members are appointed under the Worker Participation (State Enterprises) Act, 1977 and are employees of ESB. They are members of the ESB Pension Scheme. Worker Board Members are entitled to receive a separate fee in respect of their position as Board Members.

Executive Director and Senior Managements' Remuneration

ESB operates performance related remuneration for Executive Directors and senior managers linked to the achievement of financial and strategic objectives which fully reflect the Group's purpose and values. External market benchmarks are provided to the Remuneration and Management Development Committee.

ESB's performance management process is grounded in the Group's strategic objectives and values with specific individual objectives set for each member of the executive and senior management team aligned to the Group's strategic performance indicators as relevant to their areas of responsibility. For regulatory ringfencing reasons, the performance related remuneration for senior managers in the networks businesses is linked to the performance of the networks businesses only.

Independent Board Members' Remuneration

Independent Board Members (including the Chairman) serving on the Board of ESB are entitled to fees, at levels determined by the Minister for Public Expenditure and Reform. The current fee is set out in the warrants of appointment issued to each Board Member by the Minister for the Environment, Climate and Communications.

Board Members' Expenses

Board Members are entitled to reimbursement of reasonable expenses incurred for attending Board, Committee and other Board related meetings/events. Expenses are chargeable to income tax unless an exemption applies. A Board Members Fees and Expenses Policy has been approved by the Board setting out the governance arrangements which apply. In compliance with the State Code, disclosure is required of the expenses paid to Board Members. During 2022, €22,516 was reimbursed to, or paid on behalf of, Board Members for travel expenses, accommodation and other related expenses. The above expenses do not include those of the Chief Executive or the Worker Board Members in respect of their executive or employee duties.

The Board's Governance Report (continued)

Board Members' and Chief Executive Remuneration

Chairman

	2022 €	2021 €
Terence O'Rourke	**31,500**	31,500

Chief Executive

	Paddy Hayes 2022[1] €	Pat O'Doherty 2021 €	Paddy Hayes 2021[2] €	Total 2021 €
Salary and taxable benefits	**335,273**	376,101	89,121	465,222
Pension contributions	**54,013**	89,265	12,143	101,408
Payment in lieu of notice	**-**	79,520	-	79,520
Total[3]	**389,286**	544,886	101,264	646,150

1. Paddy Hayes' annual salary is €318,083. Remuneration in 2022 above includes remuneration earned in 2021 but which was paid in 2022
2. Remuneration since appointment in August 2021 to December 2021
3. Total remuneration is not inclusive of Employer PRSI

Independent/Worker Board Members

	2022 €	2021 €
Anne Butler[1]	**14,000**	15,750
Dave Byrne	**15,750**	15,750
Stephen Carrig	**15,750**	15,750
Andrew Hastings[2]	**11,219**	15,750
Seán Kelly	**15,750**	15,750
Paul Lynam[3]	**16,512**	11,813
Tony Merriman	**15,750**	15,750
Noreen O'Kelly	**15,750**	15,750
Alf Smiddy[3]	**16,512**	11,813
Noreen Wright[4]	**-**	7,744
Sara Venning[5]	**16,512**	-
Total	**153,505**	141,620

1. Retired in 2022
2. Resigned in 2022
3. Alf Smiddy and Paul Lynam's first term ended on 3 October 2021 and both were reappointed on 14 December 2021. Remuneration in 2022 is inclusive of accrued fees from 2021 which were paid in February 2022
4. Retired in 2021
5. Appointed in 2021. Remuneration in 2022 is inclusive of accrued fees from date of appointment through to year end 2021 which were paid in February 2022

Audit and Risk Committee Report

Noreen O'Kelly
Chair, Audit and Risk Committee

Chair's Introduction

On behalf of the Audit and Risk Committee, I am pleased to introduce the Audit and Risk Committee Report for the year ended 31 December 2022. The purpose of the report is to provide an insight into the workings of the Audit and Risk Committee over the last 12 months. I confirm that the Audit and Risk Committee has satisfied its responsibilities as set out in its Terms of Reference and under the Code of Practice for the Governance of State Bodies (the State Code), the UK Corporate Governance Code 2018 (the UK Code) and the Irish Corporate Governance Annex (Irish Annex) as applied on a voluntary basis insofar as is reasonably applicable (with explanations for any exceptions set out in the table on page 138).

The responsibilities of the Audit and Risk Committee are summarised on page 146 and are set out in full in its Terms of Reference. The Audit and Risk Committee for 2022 consisted of three Independent Board Members. In January 2023, Michael Barry was also appointed as a member of the Audit and Risk Committee. The members bring a broad range of experience and expertise from a wide range of industries, which is vital in supporting effective governance. The Board has confirmed that each member of the Audit and Risk Committee is independent, and that the membership meets the requirements of the State Code and the UK Code in terms of recent and relevant financial experience and competence relevant to the sector in which the Group operates.

Financial Statements

The Audit and Risk Committee has reviewed the Annual Report and Financial Statements, in the context that taken as a whole, they should be fair, balanced and understandable and provide all the necessary information for stockholders/stakeholders to assess the Group's performance, business model and strategy. The Committee is satisfied that they meet these criteria and has recommended them to the Board for approval. The Audit and Risk Committee also considered the significant issues relating to the financial statements and how these issues were addressed. This work is summarised on pages 148 to 150.

Fraud

In line with its Terms of Reference, the Audit and Risk Committee also reviewed and assessed reports on incidents of fraud and attempted fraud during the year as well as the processes in place to manage the risk of fraud. The Committee also approved the updated Anti-Bribery, Corruption and Fraud and Whistleblowing and Protected Disclosures Policies during the year.

Looking Ahead

The key areas of focus in 2023 for the Audit and Risk Committee will include the following:

- The principal risks facing ESB and corrective actions in place, particularly in light of the current macroeconomic environment and the issues impacting the energy sector
- The Group's Environmental, Social and Governance (ESG) reporting requirements, in particular as relevant to the annual report
- Monitor arrangements relating to business continuity planning and cybersecurity risk management

The Audit and Risk Committee will also continue to keep its activities under review, taking into consideration external developments and Board priorities.

Committee Meetings

The Audit and Risk Committee held 9 meetings during 2022. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of Service	Meetings Attended
Noreen O'Kelly, Chair[1]	Independent Board Member	9 years and 6 months	9
Paul Lynam[2]	Independent Board Member	2 years and 11 months	9
Alf Smiddy[1]	Independent Board Member	6 years	9

1. Fellow of Chartered Accountants Ireland
2. Executive positions held in industry

Note: Michael Barry was appointed to the Committee in January 2023 following his appointment to the Board

Audit and Risk Committee Report (continued)

Key Objectives

The role of the Audit and Risk Committee is set out in its Terms of Reference, a copy of which can be found on the ESB website. The Terms of Reference sets out the duties of the Audit and Risk Committee under the following headings:

- Financial Reporting
- Internal Control, Compliance and Risk Management Systems
- Whistleblowing, Fraud and Investigations
- Internal Audit
- External Audit

Duty	Activities carried out in 2022
Financial Reporting Including a review of ESB's Annual and Interim Report and Financial Statements to ensure that when taken as a whole, they are fair, balanced and understandable and that appropriate accounting standards, estimates and judgements have been applied	▪ Reviewed the clarity and completeness of the disclosures in the Annual Report and Financial Statements and the material information presented within them ▪ Reviewed ESB's Annual Report and Financial Statements to ensure that they were fair, balanced and understandable ▪ Considered and challenged the methods used to account for significant or unusual transactions and how these were presented and disclosed in the financial statements ▪ Reviewed whether the Group had applied appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor ▪ Reviewed going concern assumptions/viability statement ▪ Reviewed the interim results which consist of financial statements and explanatory notes ▪ Reviewed and considered the key messages for the financial results publications ▪ Reviewed and recommended to the Board for approval, the ESB Regulatory Accounts ▪ Reviewed and recommended to the Board of ESB Finance DAC for approval, the ESB Finance DAC Financial Statements ▪ Reviewed the status of large company subsidiary audits and financial statements (as defined by the Companies Act 2014) ▪ Reviewed the policy for the accounting for exceptional items ▪ Reviewed ESG disclosures in the annual report
Internal Control, Compliance and Risk Management Systems Review the effectiveness of internal control and risk management	▪ Reviewed and monitored the effectiveness of the Group's system of internal control ▪ Reviewed the arrangements for business continuity planning and crisis management ▪ Reviewed ESB's Risk Management Policy, Risk Plan, Risk Appetite Statement and regular risk reports (recommending them to the Board for approval) ▪ Reviewed the Enterprise Risk report and updates on the impacts of the Russia/Ukraine conflict ▪ Reviewed the biannual Data Protection Dashboard ▪ Received an update on industry trends and risks on the horizon ▪ Received an update on the cybersecurity strategy ▪ Reviewed compliance with UK Code and Irish Annex ▪ Reviewed procurement compliance ▪ Reviewed processes to comply with the State Code ▪ Reviewed the Group Tax Compliance Framework
Whistleblowing, Fraud and Investigations Review the adequacy and security of the arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters	▪ Reviewed the procedures and policies for preventing and detecting fraud and were informed of any instances of fraud or potential fraud, and other irregularities ▪ Reviewed and considered updates on the status of protected disclosures ▪ Approved the updated Anti-Bribery, Corruption and Fraud and Whistleblowing and Protected Disclosures policies
Internal Audit Monitor and assess the role and effectiveness of the internal audit function	▪ Reviewed the internal audit plan (including NIE Networks) and monitored progress against this plan to assess the effectiveness of the function ▪ Agreed the 2023 internal audit plan ▪ Reviewed reports detailing the results of key audits, management's response and the timeliness of resolution of actions ▪ Met with the Head of Internal Audit without management being present ▪ Reviewed internal audit key performance indicators ▪ Implemented the recommendations of the external assessment of the Group Internal Audit function
External Audit Monitor and review the objectivity, independence and quality of the external auditor and review the findings of the audit with the external auditor	▪ Monitored the external auditor transition from PwC to Deloitte ▪ Assessed the effectiveness of the external audit process including the independence and objectivity of the external auditor ▪ Reviewed and challenged the proposed external audit plan to ensure that Deloitte had identified all key risks and developed robust audit procedures ▪ Reviewed the report from the external auditor on its audit of the financial statements and their comments on accounting, financial control and other audit issues ▪ Considered and reviewed non-audit services provided by Deloitte and PwC and adherence to ESB policy (which was revised during 2022) ▪ Met with the external auditor without management being present, giving Deloitte and PwC the opportunity to raise any matters in confidence ▪ Reviewed the external auditor's internal control recommendations and management's response to these recommendations ▪ Approved the appointment of external auditor for NIE Networks

Financial Reporting

The Audit and Risk Committee receives and considers the interim and year-end financial statements from management, in addition to receiving reports from the internal audit team and discussing the audit strategy and focus of the external auditor.

Considering the information from these activities, the Audit and Risk Committee determined the key areas of judgement in the Group's financial statements related to the following:

- Carrying value of long-lived assets and goodwill
- Carrying value of investments in, and loans to, equity accounted investees (joint ventures)
- Completeness of asset retirement obligations
- Pension obligations – ESB defined benefit pension scheme
- Financial instruments and own use contracts

These issues were discussed with management during the year. The Audit and Risk Committee reviewed and agreed the auditor's Group audit plan, and the audit findings report at the conclusion of the audit of the year-end financial statements.

Audit and Risk Committee Report (continued)

Significant issues considered	How issues were addressed by the Audit and Risk Committee
Carrying value of long-lived assets and goodwill **Republic of Ireland (ROI) and United Kingdom (UK) generation portfolio** Where indications of potential impairment of the ROI and UK generation assets were identified, impairment reviews were performed to ensure the carrying values are supported by forecast future discounted cash flows. No impairment charge was necessary following these reviews. **Networks transmission and distribution long-lived assets** As at 31 December 2022, there were no indicators of impairment of the carrying value of the asset base of ESB Networks (€8.0 billion). **Northern Ireland Electricity Networks (NIE Networks) long-lived assets and goodwill** As at 31 December 2022, there were no indicators of impairment of the carrying value of the asset base of NIE Networks £2.1 billion. Goodwill recognised on the acquisition of NIE Networks and So Energy as at 31 December 2022 amounted to €192 million. An annual impairment test of the carrying value of this goodwill was carried out in accordance with IAS 36 and no impairment was required. The significant judgements used to carry out this test are explained fully in note 15 of the financial statements.	The Audit and Risk Committee recognises that the impairment reviews for the carrying value of assets involve a range of judgemental decisions largely related to the assumptions used to assess the value-in-use of the assets being tested. To assist with their decision on the level of impairment charge the Audit and Risk Committee carried out the following: ▪ Considered detailed papers prepared by management, including details of the methodologies and assumptions applied in determining the recoverable values including the discount rates and market and tariff assumptions used ▪ Considered the detailed reporting from, and findings of the external auditor Following the review above, the Audit and Risk Committee is satisfied with the impairment review approach and key assumptions used.
Carrying value of investments in, and loans to, equity accounted investees (joint ventures) An impairment assessment of the carrying value of the investment (and related shareholder loan) in Neart na Gaoithe (NNG) was carried out in accordance with IAS 36 and an impairment charge of €91 million was necessary following this review. Further details (including details of the assumptions used) are in note 6 of the financial statements.	To assist with their decision on the level of impairment charge the Audit and Risk Committee carried out the following: ▪ Considered detailed papers prepared by management, including details of the methodologies and assumptions applied in determining the recoverable values including the discount rates and market and tariff assumptions used ▪ Considered the detailed reporting from, and findings of the external auditor Following the review above, the Audit and Risk Committee is satisfied with the impairment review approach and key assumptions used.
Completeness of asset retirement obligations ESB has provided for the expected decommissioning costs associated with the closure of certain power stations, wind farms and asset retirement obligations for the ESB Networks' and NIE Networks' creosote treated wood poles in ROI. The costs are capitalised in property, plant and equipment and are depreciated over the useful economic lives of the assets to which they relate unless the related asset has reached the end of its useful life. Following a review of key inputs to the provision, including disposal costs and discount rate, the asset retirement provision has increased from €252 million to €351 million. This is primarily as a result of an increase in expected disposal costs and consideration of obligations regarding the disposal of poles in Northern Ireland with the relevant authorities. In Generation and Trading the provision decreased by €8 million in 2022. The closing provision as at 31 December 2022 is €192 million. The movements are primarily as a result of a change in discount rates offset by an increase in dismantling costs at specific locations. See note 2 (i)(c) and 28 of the financial statements for further details.	The accounting for asset retirement obligations reflected in the financial statements requires the exercise of judgement. The Committee have considered papers prepared and presented by management detailing the basis and assumptions for the provisions and have considered the detailed reporting from, and findings of, the external auditor. Following the review above, the Audit and Risk Committee is satisfied with the review of asset retirement obligations and the underlying basis for assumptions used.
Pension obligations - ESB defined benefit pension scheme (the Scheme) In accordance with IAS 19 Employee Benefits, ESB continues to reflect its existing committed obligations on the balance sheet as set out in note 24 of the financial statements. This treatment is based on the following key factors, none of which changed for the year ended 31 December 2022. ▪ The Scheme is registered as a Defined Benefit Scheme with the Pensions Authority. The regulations governing the Scheme stipulate the benefits that are to be provided and they also stipulate contributions to be paid by both ESB and the contributing members. ▪ The Scheme is not a typical balance of costs Defined Benefit Scheme (where the employer is liable to pay the balance of contributions required to fund benefits). ESB does not intend that any further contributions, other than the normal ongoing contributions will be made. ▪ Should a deficit arise in the future, ESB is obliged under the Scheme regulations to consult with the parties to the Scheme. However, ESB has no obligation to increase contributions to maintain benefits in the event of a deficit and its rate of contribution cannot be altered without the agreement of ESB and the approval of the Minister for Environment, Climate and Communications.	The accounting for the obligations to be reflected in the financial statements requires the exercise of judgement. The Audit and Risk Committee is satisfied that the appropriate accounting treatment, determined in accordance with IAS 19 Employee Benefits, is to reflect the Group's existing committed obligations, as set out in the notes to the financial statements.

Audit and Risk Committee Report (continued)

Significant issues considered	How issues were addressed by the Audit and Risk Committee
Financial Instruments and own use contracts Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments. Further details of the impact of the fair valuation of such contracts is included in note 23 of the financial statements.	The Committee has considered papers prepared and presented by management detailing the basis for the treatment of such commodity contracts and have considered the findings of the external auditor. The Audit and Risk Committee is satisfied that the appropriate accounting treatment has been determined in accordance with IFRS 9 - Financial Instruments.

The above description of significant issues considered should be read in conjunction with the Independent Auditor's Report on pages 163 to 172 and the use of estimates and judgements disclosed in note 2 of the financial statements.

Fair, Balanced and Understandable

At the request of the Board, the Audit and Risk Committee has considered whether, in its opinion, the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide all the necessary information for stockholders/stakeholders to assess ESB's performance, business model and strategy. Consideration is also given to whether the information is presented in a clear and concise format, avoids the use of jargon and is easily understood by the reader.

To assist in the process of supporting the fair, balanced and understandable assessment statement, management prepared a report to the Audit and Risk Committee setting out the key considerations in arriving at the statement and to assist in its challenge and testing of a fair, balanced and understandable assessment.

In reaching their conclusion, the Audit and Risk Committee considered the following:

- Board Members received copies of the Annual Report and Financial Statements to review early in the reporting cycle to ensure the key messages in the Annual Report were aligned with the Group's position, performance, business model and strategy and the narrative sections of the Annual Report were consistent with the financial statements
- That a robust process was put in place by management for the preparation of the Annual Report and Financial Statements for the year ended 31 December 2022, including early planning, taking into consideration regulatory changes and best practice
- Clear linkages to the strategic objectives are provided throughout the report
- That the key performance indicators (KPIs) used and reported in the Annual Report are consistent with those provided by management to the Board throughout the year
- Review of data and information included in the Annual Report by internal audit
- Review of the external auditor's report
- That all key events and issues reported to the Board during the year, both positive and negative, have been adequately referenced or reflected in the Annual Report

Following its review, the Audit and Risk Committee is of the opinion that the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide all the necessary information for stockholders/stakeholders to assess ESB's performance, business model and strategy.

Audit and Risk Committee Effectiveness

As part of the external Board evaluation process conducted in 2021, the operation of the Audit and Risk Committee was also evaluated. The review noted a committed, capable, hard-working committee with a strong depth of skills. As part of the internal evaluation conducted in 2022, the operation of the Audit and Risk Committee was evaluated. The key finding related to a review of the Committee induction training materials to ensure that they remain appropriate and are in line with best practice developments in accounting standards and corporate governance. Further detail on the Board effectiveness evaluation is included on page 136.

Additionally, on an annual basis, an end of year report is prepared for the Committee, which reviews materials that were presented to the Committee by reference to its Terms of Reference and the annual workplan to provide assurance that the Committee had adequate coverage of its oversight responsibilities and is delivering against its Terms of Reference.

External Audit

Audit Quality

To maintain audit quality and provide assurance on the integrity of financial reporting, the Audit and Risk Committee reviews and challenges the proposed external audit plan, including its scope and materiality prior to approval, to ensure that the external auditor has identified the key audit risks and developed a robust approach. The Audit and Risk Committee considers the external auditor's response to accounting, financial control and audit issues as they arise and meets with them at least once annually without management present, providing the external auditor with the opportunity to raise any matters in confidence. The Audit and Risk Committee met with Deloitte privately during 2022.

Discussions with External Auditor

The Audit and Risk Committee has received and discussed a report from the external auditor on the findings from the audit, including those relating to the judgement areas noted on pages 148 to 150.

After reviewing the presentations and reports from management and considering views expressed by the external auditor, the Audit and Risk Committee is satisfied that the financial statements appropriately address critical judgements and key estimates and that the external auditor has demonstrated appropriate levels of professional scepticism. The Audit and Risk Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust.

Throughout the year, ESB and Deloitte were engaged in ongoing, open communication on current matters as and when they arose.

Auditor Independence

The Audit and Risk Committee assesses the auditor's independence on an ongoing basis.

Auditor independence and objectivity is safeguarded by several control measures, including:

- A limit on the nature and value of non-audit services performed by the external auditor as covered under the policy for non-audit services
- Monitoring the changes in legislation related to auditor objectivity and independence
- Confirmation from Deloitte that they have appropriate internal safeguards in place that are consistent with applicable standards
- Audit partner rotation every five years
- Providing opportunities to meet with the Audit and Risk Committee privately
- Annual review of the effectiveness of the external audit process
- Annual confirmation of independence by the external auditor

The Audit and Risk Committee is satisfied that the auditor, Deloitte, is both independent and objective.

The Committee considers the appointment of the external auditor and this process is subject to public tender. The last tender process was completed in 2021.

Audit Process Effectiveness

The effectiveness of the current external audit process is reviewed annually, taking into account feedback from a questionnaire on the evaluation of the external auditor and the external audit process by the Audit and Risk Committee. The evaluation focuses on such areas as the robustness of the audit planning process, audit execution, reporting and the role of management.

A review was carried out in 2022 although given the change in external auditor during the year, this was an initial assessment with a more thorough review to be completed in 2023. Overall, the Audit and Risk Committee is satisfied with the effectiveness of the external audit process.

Non-Audit Services

Following the appointment of Deloitte as the Group's external auditor, during 2022 the Audit and Risk Committee approved an updated policy on the engagement of ESB's external auditor for non-audit services. The revised policy takes into account the EU Audit Regulation and Directive on non-audit services in compliance with Statutory Instrument No. 312/2016 - European Union (Statutory Audits) Regulations 2016 in Ireland (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No. 537/2014) as well as the relevant ethical standards, namely the Ethical Standard for Auditors issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) which was updated in November 2020 and the Financial Reporting Council (FRC) Revised Ethical Standard 2019.

Audit and Risk Committee Report (continued)

The policy outlines the governance arrangements that apply to the provision of non-audit services. This policy includes a list of prohibited services and outlines the governance arrangements that apply to the provision of permitted non-audit services. The policy includes a defined approval process and follows ESB procurement procedures and Group authority levels.

An update on the nature of non-audit services provided by Deloitte and the value of such services is presented to the Audit and Risk Committee at least annually to demonstrate that the services comply with the policy (including that they are within the fee cap set out in the policy).

A summary of the audit and non-audit fees paid to the external auditor is set out in note 11 of the financial statements. The primary non-audit related services provided by the external auditor during the year were in respect of permitted work on the provision of IT and tax services, and comfort letters in connection with bond issuance.

The Audit and Risk Committee is satisfied that the fees paid in 2022 did not compromise the independence or integrity of the external auditor. The Committee will continue to monitor the type and level of services provided to prevent any perceived or actual impact on auditor's independence.

Meetings

The internal and external auditors have full and unrestricted access to the Audit and Risk Committee. The Audit and Risk Committee Chair reports the outcome of its meetings to the Board. Meetings, or part thereof, are routinely attended by the Board Chairman, Chief Executive and/or Deputy Chief Executive, Executive Director, Group Finance and Commercial, Head of Group Internal Audit, the Group Compliance Manager and representatives of the external auditor. Committee-only sessions are arranged at the beginning/end of meetings, as determined by the Audit and Risk Committee Chair.

On behalf of the Audit and Risk Committee

Noreen O'Kelly
Chair, Audit and Risk Committee
09 March 2023

Board Committees in 2022

Sara Venning
Chair

Role

The Safety, Sustainability and Culture Committee's responsibilities are set out in its Terms of Reference. The Committee Chair meets as required with the Chair of the Audit and Risk Committee to agree and update as appropriate the specific risk responsibilities of the Safety, Sustainability and Culture Committee.

Safety, Sustainability and Culture Committee

Committee Meetings

The Committee held 6 meetings during 2022. The Members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of Service	Meetings attended
Sarah Venning (Chair)^	Independent Board Member	1 year and 1 month	6
Anne Butler*	Independent Board Member	7 years and 2 months	6
Paul Lynam	Independent Board Member	6 years	6
Stephen Carrig	Worker Board Member	4 years	5
Paddy Hayes	Chief Executive	10 months	5

^ Sara Venning was appointed as Chair of the Committee in January 2023.
* Anne Butler retired in November 2022 and was Chair of the Committee up until that date.

Key Activities of the Safety, Sustainability and Culture Committee in 2022

Duty	Activity
Safety, Health, Sustainability and Environment	Reviewed and considered: ▪ Key safety risk and KPI updates including lost time injuries, high potential (P1) incidents, near-misses and good catches ▪ Health and wellbeing update on mental health first aid ▪ Environment and sustainability updates ▪ Environmental incidents updates ▪ Update on ESB Networks environmental risk register ▪ Climate risk update ▪ Sustainability annual report ▪ Statement on the Prevention of Slavery and Human Trafficking ▪ Fisheries update ▪ Annual dam safety review and hydro update ▪ NIE Networks environment and sustainability update ▪ Carbon Disclosure Project (CDP) outcome ▪ Safety arrangement for lone/remote working and work in vicinity of dangerous animals ▪ Sourcing of coal supplies ▪ ESG Programme update ▪ Safe & Sound update ▪ Update on electrical safety incidents in ESB Networks ▪ Sustainable Procurement update ▪ Safety performance - industry comparisons update ▪ Asbestos management in ESB Networks
Culture and People	Reviewed and considered: ▪ Gender pay gap update ▪ Culture dashboard update ▪ Coaching and mentoring in ESB ▪ Staff Survey results ▪ Inclusion and Diversity Strategy update ▪ People Capability Sourcing Programme

See pages 87 to 119 for further information on Safety, Sustainability and Culture in 2022 as set out in the Responsible Business Report.

Board Committees in 2022 (continued)

Terence O'Rourke
Chairman

Remuneration and Management Development Committee

Committee Meetings

The Committee held 5 meetings during 2022. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of Service	Meetings attended
Terence O'Rourke (Chairman)	Chairman	2 years and 2 months	5
Andrew Hastings*	Independent Board Member	6 years and 11 months	3
Noreen O'Kelly	Independent Board Member	10 months	3

* Andrew Hastings resigned in September 2022.

Role

The Remuneration and Management Development Committee's responsibilities are set out in its Terms of Reference, which were reviewed and approved by the Board in 2022.

Key Activities of the Remuneration and Management Development Committee in 2022

Duty	Activity
Board and main subsidiary Board Members' remuneration	▪ Approval of remuneration arrangements for Worker Board Members ▪ Recommendation to the Minister for the Environment, Climate and Communications for the appointment of a new Chairman to the Board of ESB Networks DAC ▪ Approved the contractual and remuneration arrangements for NIE Networks' Managing Director and recommended the appointment to the Board
Chief Executive remuneration (including objectives/key results)	▪ Reviewed Chief Executive's performance against 2021 targets ▪ Agreed 2022 performance targets for the Chief Executive ▪ Submission to the Department of Public Expenditure and Reforms' public consultation on Senior Public Service Recruitment and pay processes including for Chief Executives of commercial semi-State companies
Executive Remuneration	▪ Reviewed executive remuneration benchmarks ▪ Reviewed performance against 2021 targets ▪ Agreed 2022 performance targets with the Chief Executive ▪ Reviewed and approved remuneration for the Executive Committee ▪ Update on public consultation on Pay Determination Processes for Chief Executives of commercial semi-State companies
Succession planning and leadership development	▪ Review of succession planning and development planning report for Executive Director roles ▪ Recommendation to the Board for the appointment of new Managing Director, NIE Networks and for his appointment to the Board of NI Electricity Networks Limited. ▪ Review of Chief Executive and Executive Director career and personal development plans
Termination payments	▪ Gardening leave arrangements for departing Executive Director

Paul Lynam
Chairman

Finance And Investment Committee

Committee Meetings

The Committee held 10 meetings during 2022. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of Service	Meetings attended
Paul Lynam (Chairman)^	Independent Board Member	6 years	10
Terence O'Rourke*	Chairman	4 months	3
Andrew Hastings*	Independent Board Member	6 years and 11 months	7
Dave Byrne	Worker Board Member	9 years and 9 months	9
Seán Kelly	Worker Board Member	7 years and 3 months	10
Noreen O'Kelly	Independent Board Member	7 years and 3 months	10
Paddy Hayes	Chief Executive	10 months	9

^ Paul Lynam was appointed as Chair of the Committee in January 2023.
* Andrew Hastings resigned and Terence O'Rourke was appointed Chairman in September 2022.

Role

The Finance and Investment Committee's responsibilities are set out in its Terms of Reference which were reviewed and approved by the Board in 2022.

Key Activities of the Finance and Investment Committee in 2022

Duty	Activity
Investments and Capital Expenditure	Reviewed and recommended to the Board (where applicable): ▪ Renewable investments (offshore wind, battery and solar) ▪ Other major capital investments ▪ Major property and asset disposals ▪ SIRO business update ▪ So Energy (GB) updates ▪ Quarterly capital expenditure reports ▪ PR5 delivery update ▪ Investment hurdle rates ▪ Smart Metering Project update ▪ Temporary Emergency Generation (2023) approval
Financial Performance/ Stockholder matters	Reviewed and recommended to the Board (where applicable): ▪ Integrated Business Planning 2023 - 2027 update ▪ ESB Networks and NIE Networks business plans ▪ ESB Dividend Policy ▪ Quarterly financial updates
Funding	Reviewed and recommended to the Board (where applicable): ▪ Credit rating update ▪ ESB funding requirements ▪ Loans, swaps and bonds reports ▪ Energy markets including collateral and liquidity update
Energy Markets and Trading	Reviewed and considered: ▪ Energy trading strategy update ▪ ESB electricity tariffs ▪ Security of supply updates ▪ Energy Trading Strategy

Board Committees in 2022 (continued)

Alf Smiddy
Chairman

Role

The Customer, Marketing and Innovation Committee's responsibilities are set out in its Terms of Reference which were reviewed and approved by the Board in 2022.

Customer, Marketing and Innovation Committee

Committee Meetings

The Committee held 4 meetings during 2022. The members of the Committee, length of service and the number of meetings attended are set out below:

Members	Designation	Length of Service	Meetings attended
Alf Smiddy (Chairman)	Independent Board Member	6 years	4
Anne Butler*	Independent Board Member	5 years and 9 months	2
Tony Merriman	Worker Board Member	6 years	4
Paddy Hayes	Chief Executive	10 months	3

*Anne Butler retired in November 2022.

Key Activities of the Customer, Marketing and Innovation Committee in 2022

Duty	Activity
Customer	Reviewed and considered: ▪ Customer Solutions customer and market update ▪ Electricity Costs Emergency Benefits Scheme ▪ Update on the Commission for Regulation of Utilities Customer Care Report and Customer Switching Report ▪ Empowering customers with digital self-serve tools ▪ Electric Ireland marketing campaigns ▪ Review of ROI residential market growth and outlook going forward ▪ Update on Beat the Peak campaign ▪ Customer supports for winter period ▪ Pricing and competitiveness for 2022
Reputational and Stakeholder Management	Received an update on: ▪ ESB reputation survey update ▪ Proactive Public Relations Strategy ▪ ESB Sponsorship Strategy
Innovation and Technology	Reviewed and considered: ▪ ESB Networks' Smart Metering Programme update ▪ Innovation strategy benchmarking ▪ Innovation revenue opportunity update ▪ ESB's Smart Energy Services strategy ▪ ESB's Accelerate Digital update ▪ Emerging technology insights report ▪ ESB eBikes product launch

Each Board Committee has its Terms of Reference reviewed and approved by the Board annually. Terms of Reference of all Committees are available on the Governance section of the ESB website, www.esb.ie or upon request from the Company Secretary.

Board Members' Report

The Board Members present their report together with the audited financial statements of ESB and of the Group for the year ended 31 December 2022.

Principal Activities

The principal activities of the Group are the generation, transmission, distribution and supply of electricity, gas and energy services in the Republic of Ireland (ROI) and Northern Ireland (NI). The Group also operates internationally, in the generation and supply of electricity in Great Britain (GB) and is involved in several international engineering consultancy projects notably in the Middle East, Africa and Asia.

ESB Annual General Meeting (AGM)

ESB holds an AGM each year, no later than 15 months after the last AGM. The 2022 AGM was held on 27 April 2022. The Chairman gave an overview of the year and invited representatives of the Ministerial stockholders and of the Trustee of the ESB Employee Share Ownership Plan (ESOP) to make comments. The external auditor also attends the AGM.

Business Review

Commentaries on performance in the year ended 31 December 2022, including information on recent events and potential future developments, are contained in the Chairman's Statement and the Chief Executive's Review. The performance of the business, its financial position and the principal risks faced by the Group are reflected in the reviews for each major business unit on pages 66 to 85, the Financial Review on pages 58 to 64 and the Risk Report on pages 24 to 42.

Results and Dividend for the year

The financial results of the Group show a profit after tax before exceptional items of €649 million for the financial year 2022, compared with a profit of €266 million for 2021. Profit after tax and exceptional items is €558 million (2021: €191 million). The dividend policy updated in 2021 and agreed with the Government in 2022 provides for targeted dividends at a rate of 40% of adjusted profit after tax. Given the extraordinary wholesale market conditions prevailing in 2022, which led to unexpectedly high profits for ESB's Generation and Trading business, the Board is recommending a one-off enhanced dividend for 2022 of 16.84 cent per unit of stock, or €327 million. While the level of dividend recommended for this year is higher than the dividend policy target, it is the Board's intention to propose dividends in line with policy for future years.

Share Capital

An Employee Share Ownership Plan (ESOP) market liquidity proposal was approved by ESB's Board in 2015. ESB approved the expenditure of up to €25 million to acquire capital stock in internal ESOP markets, commencing in 2017, with the objective of improving liquidity in the market. This expenditure commitment by ESB matched the expenditure committed by the ESOP Trustee under the proposal. In 2021, ESB (or a subsidiary) committed up to €35 million of additional funds to purchase shares in future markets from 2021 onwards on the same basis as the funds committed in 2015. ESB purchased and cancelled capital stock worth €12.4 million in 2022 (2021: €9.6 million). Further details are outlined in notes 20 and 32 of the financial statements. Details of the Group's share capital are outlined in note 20 of the financial statements.

Future Developments

ESB is a strong diversified, vertically integrated utility operating right across the electricity/gas and energy services markets from generation, through transmission and distribution to supply of customers, with an expanding presence in the GB market. ESB's strategy is designed to ensure that the business continues to grow while maintaining the financial strength to invest at the necessary scale and pace to deliver on its commitment to Net Zero by 2040 (see pages 16 to 21 for more information on the strategy).

Principal Risks and Uncertainties

A description of the principal risks and uncertainties facing the Group is set out in the Risk Report on pages 29 to 42.

Financial Instruments

The financial risk management objectives and policies of the Group along with a description of the use of financial instruments is set out in note 29 of the financial statements.

Accounting Records

The Board Members believe that they have employed accounting personnel with appropriate expertise and provided adequate resources to the finance function to ensure compliance with ESB's obligation to keep proper books of account. The books of account of ESB are held at 27 Fitzwilliam Street Lower, Dublin 2, D02 KT92.

Report under Section 22 of the Protected Disclosures Act 2014

Section 22 of the Protected Disclosures Act, 2014 as amended by the Protected Disclosures Amendment Act 2022 requires ESB to publish an annual report relating to reports made to it under the Protected Disclosures Act, 2014 in the proceeding year, and confirming the internal and external channels in place for the making of such reports. In accordance with this requirement, ESB confirms that (a) it has internal reporting channels set out in its Group Policy on Whistleblowing and Protected Disclosures, which includes a confidential reporting line managed by an external third party; and (b) 2 protected disclosures were made to ESB in 2022. One of the matters reported has been investigated and no wrongdoing was deemed to have taken place. The other matter is in the course of being investigated in accordance with applicable ESB Group policies.

Regulation of Lobbying Act 2015

In accordance with the requirements of the Regulation of Lobbying Act, ESB is registered on the Lobbying Register at www.lobbying.ie and has made the required returns for the three return periods across 2022.

Board Members' Report (continued)

Human Rights (including Protection Against Modern Slavery)

ESB is committed to respecting all internationally recognised human rights including those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. This commitment is supported by a range of policies covering focus areas within human rights including employee rights, non-discrimination, inclusion and diversity as well as modern slavery. The ESB's employee Code of Ethics ("Our Code") requires all employees to operate fairly and to respect all human rights.

Modern slavery is a criminal offence under the UK Modern Slavery Act, 2015. The Act imposes obligations on organisations of a certain size, which carry on a business in the United Kingdom. Modern slavery can occur in various forms, including servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. As the parent of a number of subsidiary companies with significant operations in the UK, ESB has adopted a policy on modern slavery with the aim of preventing opportunities for modern slavery occurring within its business and supply chains. In accordance with the Act, ESB publishes an annual statement setting out the steps that ESB has taken during the previous financial year to ensure that slavery and human trafficking is not operating within either its own business or its supply chains. No incidents of modern slavery have been found to date. The most recent Annual Statement was published in April 2022 and it included details of the steps taken by ESB to prevent acts of modern slavery from occurring within its supply chain. The statement is available on ESB's website.

ESB has assessed its business areas and locations to identify potential human rights issues and risks and preventive measures, both within the Group and in other organisations that provide goods and services to ESB. ESB's assessment of human rights and equality issues (it believes to be relevant to its functions) and the policies, plans and actions in place or proposed to be put in place to address those issues in compliance with Section 42(s) of the Irish Human Rights and Equality Act, 2014, is published separately on ESB's website.

Further details can be found in ESB's Responsible Business Report on page 101 and in ESB's Sustainability Report published on ESB's website.

Anti-Bribery, Corruption and Fraud

ESB has a detailed Anti-Bribery, Corruption and Fraud Policy in place, which outlines the standards of behaviour expected of staff in how they work and to promote controls to prevent, deter and detect bribery, corruption and fraud. The policy is available on the ESB website. ESB has a zero-tolerance approach to bribery, corruption and fraud. During 2022, an allegation of wrongdoing was made by a third party against four ESB employees. ESB reported the allegations to An Garda Síochána and a Garda investigation is in progress. Incidents or attempted incidents of fraud are reported to the Audit and Risk Committee on a quarterly basis.

Environment and Sustainability

As the world faces the twin crises of climate and biodiversity, sustainability is a critical issue for organisations. ESB's strategy is a decarbonisation strategy. It commits to leadership in reducing carbon emissions and supporting the electrification of heat and transport as well as the development of a science-based carbon target and net-zero emissions by 2040. ESB is a CDP B rated entity and is a member of the All-Ireland Pollinator Plan.

Sustainability in its fullest sense includes carrying out business operations with a purpose that seeks to benefit society overall. Rather than adding to climate change or otherwise depleting environmental, natural and social resources, a sustainable business aims, over time, to contribute to regenerating these resources where possible. ESB's strategy and purpose seek to progress in this direction. ESB's policies, including the Environment and Sustainability Policy and Human Rights policies, set out the high-level principles to integrate sustainability into decision-making and to progress towards these goals throughout the organisation. Environmental Management Systems are operated throughout the Group. ESB reports on its ESG performance annually, including full disclosure of direct and indirect carbon emissions in its Sustainability Report. ESB has made initial disclosures under the Task Force on Climate-Related Financial Disclosures (TCFD) framework and voluntarily discloses under the EU Taxonomy Regulation in this Annual Report. An ESG Programme is underway to increase organisational capability in sustainability, including enhanced reporting and governance to meet EU regulations and the growing needs of investors, and stakeholders. Information on the Group's sustainability performance, including social programmes (or Corporate Social Responsibility) is set out on pages 88 to 108.

Electoral Act 1997

ESB made no political donations during the year.

Principal Subsidiary, Joint Venture and Associated Undertakings

Details of the principal subsidiary, joint venture and associated undertakings are outlined in note 35 of the financial statements.

Prompt Payments Regulation

The Board acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the Prompt Payment of Accounts Act, 1997 and European Communities (Late Payments in Commercial Transactions) Regulations, 2012 (S.I. No. 580 of 2012) as amended by European Communities (Late Payment in Commercial Transactions) (Amendment) Regulations 2016 (S.I. No. 281 of 2016). The Board is satisfied that ESB has complied with the requirements of the Regulations.

Related Party Transactions

Related party transactions are set out in note 31 of the financial statements.

Research and Development

ESB's business is involved in innovative projects and programmes related to the energy sector. A number of these projects and programmes are referred to in the Strategy and Performance Section on pages 4 to 119.

Statement under Section 330 of the Companies Act 2014

The ESB Regulations require ESB to observe the provisions of the Companies Act, 2014 applying to a Companies Act entity in regard to audit and/or auditors. This requires the Board Members to make a statement in the form required by Section 330 of the 2014 Act. In compliance with this requirement, the Board confirms that it complies with Section 330 of the Companies Act 2014 and, in this regard, each of the Board Members confirms that:

- so far as the Board Member is aware, there is no relevant audit information of which ESB's statutory auditor are unaware
- each Board Member has taken all the steps that he or she ought to have taken as a Board Member in order to make himself or herself aware of any relevant audit information and to establish that ESB's auditor is aware of that information (within the meaning of Section 330)

Audit and Risk Committee

ESB has an Audit and Risk Committee, the members of which are set out on page 145.

Auditor

At the Annual General Meeting (AGM) held during 2022, Deloitte Ireland LLP was reappointed as ESB's auditor for the 2023 financial year in accordance with Section 7(2) of the Electricity (Supply) Act, 1927 (as amended).

At the 2023 AGM, the stockholders will be asked to authorise the Board Members to fix the remuneration of the auditor in respect of the year ended 31 December 2023.

Approval of the 2022 Annual Report And Financial Statements

The Board is satisfied, after taking into account the recommendation of the Audit and Risk Committee, that the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provides the information necessary for stockholders to assess ESB's position, performance, business model and strategy.

Terence O'Rourke
Chairman

Paddy Hayes
Chief Executive

09 March 2023

Chapter 3

Financial Statements

Across Ireland, ESB is currently undertaking a programme to expand and enhance the public EV charging network which is part funded by the Irish Government's Climate Action Fund. The focus of this programme is the build of a high-power EV charging network. This is to help meet the expected growth of EV's in the coming years and drive us on our way towards a lower-carbon future.

EMPOWERED CUSTOMERS

Statement of Board Members' Responsibilities

The Board Members are responsible for preparing the annual report, incorporating financial statements for ESB and for the ESB Group, comprising ESB and its subsidiaries "the Group".

Under Regulation 78 of ESB's governing regulations, adopted pursuant to Section 6 (1) of the Electricity (Supply) Act 1927 (as amended) ("the ESB Regulations"), the Board is required to prepare financial statements comprised of and in the form required for Companies Act entities under Section 292 of the Companies Act and (for group financial statements) under Section 295 of the Companies Act.

ESB is also required under Section 7(4) of the Electricity (Supply) Act 1927 (as amended) and Regulation 78 of the ESB Regulations to furnish its annual report, which incorporates the financial statements, to the Minister for the Environment, Climate and Communications.

The Code of Practice for the Governance of State Bodies provides[1] that the Board is responsible for the preparation of the annual report and financial statements in accordance with relevant accounting standards. The Board has elected to prepare ESB's financial statements in accordance with IFRS as adopted by the European Union and as applied in accordance with the applicable provisions of the Companies Act 2014 and the ESB Regulations.

The Board Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and of ESB and of the Group's profit or loss for that year.

In preparing the financial statements the Board Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union, and as regards ESB, as applied in accordance with the Companies Act 2014 and the ESB Regulations; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and ESB will continue in business.

The Board Members are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of ESB, and which enable them to ensure that the financial statements of ESB and the Group are prepared in accordance with applicable IFRS as adopted by the European Union and as applied in accordance with applicable provisions of the Companies Act 2014 and the ESB Regulations.

The Board Members are also responsible for safeguarding the assets of ESB and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members are responsible for the maintenance and integrity of the corporate and financial information included on ESB's website www.esb.ie. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Board Members confirms that, to the best of his or her knowledge and belief:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union and ESB's financial statements prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014, and as applied by the ESB Regulations, give a true and fair view of the assets, liabilities, financial position of the Group and of ESB at 31 December 2022 and of the profit of the Group for the year then ended 31 December 2022;
- the Board Members' report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group and ESB, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, provides the information necessary to assess the Group's position, performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for stockholders to assess ESB's position, performance, business model and strategy.

On behalf of the Board

Terence O'Rourke
Chairman

Paddy Hayes
Chief Executive

09 March 2023

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[1] Paragraph 1.2 - Code of Practice for the Governance of State Bodies - Business and Financial Reporting Requirements.

Independent auditor's report to the stockholders of Electricity Supply Board (ESB)

Report on the audit of the financial statements

Opinion on the financial statements of ESB (the 'Group')

In our opinion the Group and Parent financial statements:

- give a true and fair view of the assets, liabilities, and financial position of the Group and Parent as at 31 December 2022 and of the profit of the Group and Parent for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014 as applied by the ESB Acts 1927 to 2014.

The financial statements we have audited comprise:

- the Group financial statements:
- the Group Income Statement;
- the Group Statement of Comprehensive Income;
- the Group Statement of Changes in Equity;
- the Group Balance Sheet;
- the Group Cash Flow Statement; and
- the related notes 1 to 35, including a summary of significant accounting policies as set out in note 1.

- the Parent financial statements:
- the Parent Balance Sheet;
- the Parent Statement of Changes in Equity;
- the Parent Cash Flow Statement; and
- the related notes 1 to 35, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group and Parent financial statements is the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014) and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and Parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▪ Revenue recognition- Retail electricity receivables – unbilled ▪ Carrying value of long lived assets ▪ Valuation of asset retirement obligations ▪ Recoverability of the carrying value of investments in joint ventures: Neart na Gaoithe (Group only) ▪ Completeness of pension obligations ▪ Energy Derivatives – classification and valuation of own use contracts
Materiality	The materiality that we used in the current year for Group was €40 million which was determined on the basis of profit before tax and exceptional items. The materiality that we used for the Parent was €35 million which was determined as 90% of Group materiality.
Scoping	We conducted our work across the four reportable segments and the head office function. Our audit work covered in excess of 90% of Group revenues, profit before taxation and exceptional items, total assets and total liabilities.
First year audit transition	This is the first year we have been appointed as auditors to the Group. We undertook a number of transitional procedures to prepare for the audit. ▪ Before we commenced our audit, we had to establish our independence of the Group, which involved ceasing a number of services. ▪ We became independent of the Group and commenced our audit planning from 1 January 2022. From this date, we attended all Audit and Risk Committee meetings, initially in an observer capacity. ▪ We shadowed the former auditor in certain key audit meetings with management and reviewed their working papers to gain an understanding of the Group's processes, their audit risk assessment, the controls on which they relied for the purposes of issuing their audit opinion, as well as understanding the evidence they obtained on the key complex or significant judgements which they made. ▪ We followed a phased approach to the audit commencing with a series of meetings with management of each segment, understanding controls over information technology and controls over areas of significant risk to build our understanding of the Group. ▪ Key audit matters considered by the Group's auditor in the prior year were broadly aligned with the items identified above.

Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Board Members' assessment of the Group and Parent's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the Group's process and relevant controls for assessing going concern and reviewing management's and the Board Members' output of that assessment;
- Evaluating the financial forecast prepared by the Group, including challenging whether key assumptions used in the preparation of the forecast are reasonable and whether the forecast reflects the estimated economic impacts of relating to the Group;
- Evaluating management's ability to forecast accurately based on assessment of the historical accuracy of forecasts;
- Evaluating the Group's financing arrangements, including the agreements in respect of the undrawn committed bank facilities in place, collateral requirement sensitivities and overall headroom within the Group;
- Reading and considering the key terms of revolving credit facility agreements to confirm their availability; and
- Reviewing the adequacy of the disclosures included in the financial statements on going concern and, through our audit procedures, assessing whether they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code and the Irish Corporate Governance Annex, we have nothing material to add or draw attention to in relation to the Board Members' statement in the financial statements about whether the Board Members considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Board Members with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – Retail electricity receivables - unbilled

Key audit matter description	Retail electricity receivables - unbilled is the revenue from energy supplied to the customer between the date of their last bill and the financial year end date and requires estimation ("unbilled revenue"). In determining the unbilled revenue at the financial year end, volumes are estimated by reference to key assumptions including electricity volume purchases. We consider unbilled revenue relating to retail electricity as a key audit matter as revenue recognition is a presumed fraud risk under auditing standards, the unbilled revenue balances are based on management estimates and derived from complex models. At 31 December 2022 the unbilled revenue balance was €666.6 million (2021: €413.9 million). The Group's accounting policy for unbilled revenue is disclosed in note 1(xix) to the financial statements. The key sources of estimation uncertainty in relation to unbilled revenue are disclosed in note 2 to the financial statements and further disclosures are presented in note 18 to the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated the design, determined the implementation, and tested the operating effectiveness of relevant controls relating to unbilled revenue including relevant IT controls. We discussed with management the revenue recognition policy for each of the revenue streams, including those that rely on estimates or are derived from output of unbilled revenue models / calculations. We assessed and challenged the key assumptions used in the unbilled revenue models and assessed the integrity of the model used. We agreed the key inputs on sample basis in the calculation for accuracy to source data. We reviewed actual billings, mapped the trends over time and compared to the accrued unbilled amount to identify any over/under provision.
Key observations	We have no observations that impact on our audit in respect of the amounts related to unbilled revenue.

Carrying value of long lived assets

Key audit matter description	The Group has material Plant and Equipment assets (PPE) in the Generation and Trading segment ('long lived assets') whose carrying values are dependent upon estimated future cash flows. In accordance with Group policies an impairment review is required where there is an indication that an asset may be impaired. There is a risk, including the risk of management bias, that reviews for indicators of impairment may not take into account up to date information including the impact of climate change and the Group's strategy in respect of net zero. In addition, there is a risk that key assumptions in the impairment reviews relating to the useful lives of the long lived assets, the future cash flows and the discount rate applied to arrive at net present value may be misstated. We consider the carrying values of long lived assets to be a key audit matter as significant management judgements, which may be subject to management bias, are required in assessing long lived assets for indicators of impairment and where indicators exist, determining inputs for impairment review models. At 31 December 2022 the carrying value of long lived assets were €10,097.1 million (2021: €9,846.2 million). The Group's accounting policy for long lived assets is disclosed in notes 1(vii) and 1(viii) to the financial statements. The key sources of estimation uncertainty in relation to long lived assets are disclosed in note 2 to the financial statements and further disclosures are presented in note 12 to the financial statements. This matter has been included as a significant issue in page 148 of the Audit and Risk Committee section in Chapter 2.
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of relevant controls relating to the impairment review assessment of long lived assets including the relevant controls over the models used within the assessment. We reviewed management's assessment of indicators of impairment and challenged the assessment including for the impact of climate change considerations and the impact of the Group strategy for net zero. For assets where indicators existed, with the assistance of our valuation specialists as part of our engagement team, we reviewed the impairment models used to assess value in use. We assessed the appropriateness of key assumptions and inputs used in the models, including the discount rates, cash flow projection forecasts and determination of useful lives of long lived assets. We tested the model for integrity and accuracy of calculations. We performed stress testing on the model to determine the impact of reasonably possible changes to the assumptions on the outcome of the model. We also considered the adequacy of the disclosures in the financial statements in relation to these matters.
Key observations	We noted impairment reviews have been carried out on certain generation assets displaying indicators of impairments and no impairments were identified. Based on the audit procedures performed, we concluded that the data and assumptions used by management in determining the carrying value of long lived assets are within a range we consider to be reasonable.

Independent auditor’s report to the stockholders of Electricity Supply Board (ESB) (continued)

Valuation of asset retirement obligations

Key audit matter description	The Group holds significant provisions for asset retirement obligations (ARO) in respect of generation station closures, creosote treated wood poles and other assets. Given the level of change and focus on environmental obligations, including operational decisions as to how and when assets are disposed of, the identification and quantification of all asset retirement obligations requires significant management judgement. Key assumptions used in management’s estimate include the existence of an obligation, the estimated useful life of the asset, the estimated decommissiong and environmental rehabilitation costs and discount and inflation rates used in the cash flow models. We determined the provision in respect of creosote treated wood poles and station closures to be a key audit matter due to the level of management judgement and estimation in determining the amount of provision required and complexity of models used. At 31 December 2022 the Group’s provisions for asset retirements were €542.9 million (2021: €453.6 million). The Group’s accounting policy for provision for asset retirement obligations is disclosed in note 1(xvi) to the financial statements. The key sources of estimation uncertainty in relation to asset retirement obligations are disclosed in note 2 to the financial statements and further disclosures are presented in note 28 to the financial statements. This matter has been included as a significant issue in page 149 of the Audit and Risk Committee section in Chapter 2.
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of relevant controls relating to the valuation of asset retirement obligations. We discussed with management the policy for each class of asset requiring a provision for asset retirement including the consideration of any changes in laws and regulations or management’s intent. We assessed and challenged the key assumptions used in determining provisions for each relevant asset class and assessed the integrity of the models used. We challenged the key assumptions and evaluated the appropriateness of provisions by reference to internal and external reports on the costs of decommissioning and environmental rehabilitation. We also considered the adequacy of disclosures in the financial statements in relation to these matters.
Key observations	Based on the audit procedures performed, we concluded that assumptions and methodologies adopted by management to determine the Group’s asset retirement obligations were reasonable.

Recoverability of the carrying value of investments in joint ventures: Neart na Gaoithe (Group only)

Key audit matter description	The Group has an investment in a windfarm project, being a joint arrangement between ESB II UK Limited and EDF Renewables UK Limited to develop a wind farm off the east coast of Scotland. The valuation methodology used to value the Group’s equity accounted investment in Neart Na Gaoithe is based on a discounted cash flow model to determine a fair value less cost to sell approach in line with IFRS 13. There is a significant risk, including the risk of management bias, that the valuation model may not take into account up to date information or the key assumptions in the fair value model to arrive at net present value may be misstated. The key assumptions include future energy prices, estimated costs to completion, project timelines, assumed commercial operational date and the discount rate applied. We consider the recoverability of the carrying values of investments in Nearth na Gaoithe to be a key audit matter as significant management judgements are required in determining inputs and assumptions and the complexity of models used. At 31 December 2022 the carrying value of investments in Nearth na Gaoithe was €41.2million (2021: €35.3 million). An impairment charge of €91.2 million was recognised during the financial year (2021: €153.5 million). The Group’s accounting policy for investments in joint ventures is disclosed in note 1(iii), 1(xiii) and 1(xxiii) to the financial statements. The key sources of estimation uncertainty in relation to investments in joint ventures are disclosed in note 2 to the financial statements and further disclosures are presented in notes 6 and 16 to the financial statements. This matter has been included as a significant issue in page 148 of the Audit and Risk Committee section in Chapter 2.
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of relevant controls relating to the valuation of investments in joint ventures. We obtained management’s impairment model and the third-party valuation report prepared by management’s expert. With the assistance of our valuation specialists: ▪ We assessed the appropriateness of key assumptions and inputs used in the model including agreeing inputs to third party information where available. ▪ We tested the model for integrity and accuracy of calculations. ▪ We performed stress testing on the model to determine the impact of reasonably possible changes to the assumptions on the outcome of the model and challenged assumptions for robustness. ▪ We challenged the key facts and assumptions including the discount rates, estimated costs to completion; future energy prices; project timelines and assumed commercial operational dates. We reviewed the third-party valuation report and considered the consistency of assumptions and information used by the management’s expert. We assessed the competency of management’s expert and the scope of the work performed. We agreed the carrying value before impairment to the Group’s share of net assets based on the share of the joint venture and compared this to the fair value and determined whether the appropriate impairment was calculated. We also considered the adequacy of the disclosures in the financial statements in relation to these matters.
Key observations	Based on the audit procedures performed, we concluded that the impairment charge recognised in the financial statements is reasonable and that the related disclosures included in the financial statements were appropriate.

Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

Completeness of pension obligations

Key audit matter description	As set out in Note 24 to the financial statements, the regulations governing the "ESB Defined Benefit Scheme" (the "Scheme") stipulate the benefits that are to be provided and the contributions to be paid by both ESB and the contributing members. ESB has determined that its legal and/or constructive obligations in respect of Pension contributions payable by it to the ESB Defined Benefit Scheme Fund are limited to the amounts provided for in the Scheme Rules, namely, the normal ongoing contributions and the contribution which was committed and already paid by ESB under the 2010 Pensions agreement. The Defined Benefit Pension Scheme is not a typical "balance of costs" scheme where the employer is liable to pay the balance of contributions required to fund benefits. We determined this to be a key audit matter as there is a high level of complexity and management judgement involved in the interpretation of the Scheme rules and the determination of the related accounting and adequacy of disclosures in the financial statements. The Group's accounting policy for pension obligations is disclosed in note 1(xviii) to the financial statements. The key sources of estimation uncertainty in relation to retirement benefits are disclosed in note 2 to the financial statements and further disclosures are presented in note 24 to the financial statements. This matter has been included as a significant issue in page 149 of the Audit and Risk Committee section in Chapter 2.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the ESB obligations in respect of the ESB Defined Benefit Scheme including management's assessment from prior periods and made enquiries of senior management and internal legal counsel. We reviewed board minutes and any other relevant correspondences to determine whether there had been any changes in circumstances in the current financial year. We obtained representations from the Board that ESB does not intend to make any further payments to the Scheme, including to the extent that there are any deficits or future deficits under the minimum funding standard, other than ESB's regular fixed rate contributions, which are specified within the Scheme Rules.
Key observations	Based on the audit procedures performed, we concluded that the accounting treatment and disclosure is reasonable.

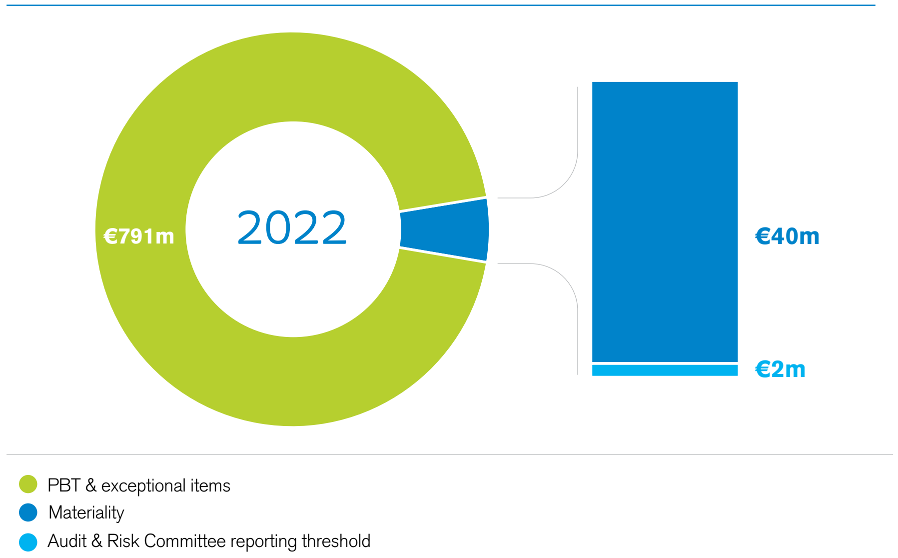
Energy Derivatives – classification and valuation of own use contracts

Key audit matter description	Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas, carbon, and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 Financial Instruments. The application of the "own use" exemption in IFRS 9 requires significant management judgement. There is a significant risk that own use contracts may be incorrectly classified and consequently not recorded at fair value. The Group's accounting policy for own use contracts is disclosed in note 1(xiii) to the financial statements. The key sources of estimation uncertainty are disclosed in note 2 to the financial statements and further disclosures are presented in note 23 to the financial statements. This matter has been included as a significant issue in page 150 of the Audit and Risk Committee section in Chapter 2.
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of relevant controls relating to the classification of contracts as own use and the on-going monitoring that contracts continue to meet the requirements for own use determination including the retrospective review of usage. We reviewed the Group's material own use contracts to determine whether the application of the own-use treatment under IFRS 9 was appropriate. We tested the prospective and retrospective demand tests performed by the Group to determine whether the contract volumes exceed the amount of estimated own use demand in the relevant periods. This also included an evaluation of the contracts for net settlement activity. We assessed plans to amend certain own-use contracts in the year to ensure whether such plans would invalidate the own use assessment.
Key observations	Based on the audit procedures performed, we concluded that the accounting treatment and disclosure in relation to the classification and valuation of own use contracts is reasonable.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.



Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

We determined the materiality for the Group to be €40 million, which is approximately 5% of profit before tax and exceptional items. We have considered profit before tax and exceptional items to be the critical component for determining materiality because it is the most important measure for the users of the Group's financial statements and the impact of exceptionals is excluded to avoid distortion of the critical component on an annual basis. In setting our benchmark, we have considered quantitative and qualitative factors such as our understanding of the Group and its environment, history of misstatements, complexity of the Group and the reliability of the control environment.

We considered it appropriate to restrict materiality for the Parent financial statements to €35 million, which is based on 90% of materiality that we applied to the Group financial statements.

The materiality used by the former auditor in the audit of the prior year's Group and Parent financial statements was €23 million.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2022 audit. In determining performance materiality, we considered the following factors:

- that this was our first year auditing the Group
- the quality of the control environment and whether we were able to rely on controls,
- control deficiencies reported in prior years,
- the nature, volume, and size of misstatements (corrected and/or uncorrected) in the previous audit, and
- significant changes in the business might affect our ability to forecast misstatements.

We agreed with the Audit and Risk Committee that we would report to them any audit differences in excess of €2 million as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We determined the scope of our audit by updating our understanding of the Group and its operating environment, including the identification of key controls, and assessing the risks of material misstatement.

We conducted our work across the four reportable segments and the head office function. Our audit work covered in excess of 90% of Group revenues, profit before taxation and exceptional items, total assets and total liabilities. With the exception of NIE Networks and So Energy all audit work was performed by the Group audit team. For the NIE Networks business within the Networks segment and the So Energy business within the Customer Solutions segment, the Group team utilised component audit teams. We provided detailed instructions to component audit teams; held on-going status calls and reviewed workpapers prepared by the component teams. Our audit work for all components was executed at levels of materiality applicable to each individual component which were lower than Group materiality and ranged from €8.75 million to €14 million.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Board Members are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Board Members

As explained more fully in the Statement of Board Member's Responsibilities, the Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014), and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board Members are responsible for assessing the Group and Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the Group and Parent or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for key management's remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 13 December 2022;
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant component audit team members, internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: 'Revenue recognition-Retail electricity receivables-unbilled', 'Carrying value of long lived assets', and 'Recoverability of the carrying value of investments in joint ventures: Neart na Gaoithe'. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group and Parent operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Corporate Governance Code, Companies Act 2014, ESB Acts 1927 to 2014, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and Parent's ability to operate or to avoid a material penalty. These included the Group's operating licence, energy and utility regulator requirements in the Republic of Ireland, Northern Ireland and the UK and environmental regulations.

Audit response to risks identified

As a result of performing the above, we identified 'Revenue recognition-Retail electricity receivables-unbilled', 'Carrying value of long lived assets', and 'Recoverability of the carrying value of investments in joint ventures: Neart na Gaoithe' as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the licensing authority; and

Independent auditor's report to the stockholders of Electricity Supply Board (ESB) (continued)

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Parent were sufficient to permit the financial statements to be readily and properly audited.
- The Parent balance sheet is in agreement with the accounting records.
- In our opinion the information given in the Board Members' report is consistent with the financial statements and the Board Members' report has been prepared in accordance with the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014).

Corporate Governance Statement

ISAs (Ireland) require us to review the Board Members' statement in relation to going concern, longer-term viability and the part of the Corporate Governance Statement relating to the Group's voluntary compliance with the provisions of the UK Corporate Governance Code and Irish Corporate Governance Annex specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Board Members' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified on page 142;
- the Board Members' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 141;
- the Board Members' statement on fair, balanced and understandable set out on page 162;
- the Board Members' confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and an explanation of how they are being managed or mitigated set out on page 141;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 141; and
- the section describing the work of the Audit and Risk Committee set out on page 145.

Matters on which we are required to report by exception

Under the Code of Practice for the Governance of State Bodies (the "Code") we are required to report to you if the statement regarding the system of internal control included in the Board Governance Report on pages 130 to 144 does not reflect the Group's compliance with paragraph 1.9(iv) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Based on the knowledge and understanding of the Group and the Parent and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Members' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 (as applied by the ESB Acts 1927 to 2014) which require us to report to you if, in our opinion, the disclosures of Board Members' remuneration and transactions specified by law are not made.

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee and subsequent approval by the Minister for State, we were appointed by the Board Members on 22 May 2022 (the date of our engagement letter) to audit the financial statements for the financial year ending 31 December 2022. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ended 31 December 2022.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISA (Ireland) 260.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Glenn Gillard
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace,
Dublin 2

09 March 2023

Group Income Statement

For the financial year ended 31 December 2022

		2022			2021		
	Notes	Excluding exceptional items €m	Exceptional items note 6 €m	Total €m	Excluding exceptional items €m	Exceptional items note 6 €m	Total €m
Revenue	4	**7,596.1**	**-**	**7,596.1**	5,248.0	152.0	5,400.0
Other operating income (net)	7	**19.1**	**-**	**19.1**	19.2	3.2	22.4
Net impairment losses on financial assets	8/18	**(38.5)**	**-**	**(38.5)**	(21.8)	-	(21.8)
Operating costs (net)	8	**(6,730.0)**	**-**	**(6,730.0)**	(4,566.8)	(64.3)	(4,631.1)
Operating profit		**846.7**	**-**	**846.7**	678.6	90.9	769.5
Net interest on borrowings	9	**(131.3)**	**-**	**(131.3)**	(118.6)	-	(118.6)
Financing charges	9	**(15.2)**	**-**	**(15.2)**	(12.9)	-	(12.9)
Fair value movement on financial instruments	9	**85.9**	**-**	**85.9**	(126.9)	-	(126.9)
Finance income	9	**36.2**	**-**	**36.2**	6.7	-	6.7
Net finance cost		**(24.4)**	**-**	**(24.4)**	(251.7)	-	(251.7)
Impairment of equity accounted investees		**-**	**(91.2)**	**(91.2)**	-	(153.5)	(153.5)
Share of equity accounted investees loss, net of tax	16	**(30.9)**	**-**	**(30.9)**	(75.9)	-	(75.9)
Profit before taxation		**791.4**	**(91.2)**	**700.2**	351.0	(62.6)	288.4
Income tax expense	21	**(142.1)**	**-**	**(142.1)**	(85.1)	(12.6)	(97.7)
Profit after taxation		**649.3**	**(91.2)**	**558.1**	265.9	(75.2)	190.7
Attributable to:							
Equity holders of the Parent		**678.4**	**(91.2)**	**587.2**	290.3	(75.2)	215.1
Non-controlling interest		**(29.1)**	**-**	**(29.1)**	(24.4)	-	(24.4)
Profit for the financial year		**649.3**	**(91.2)**	**558.1**	265.9	(75.2)	190.7

Group Statement of Comprehensive Income

For the financial year ended 31 December 2022

	2022 €m	2021 €m
Profit for the financial year	**558.1**	190.7
Items that will not be reclassified subsequently to the income statement:		
NIE Networks pension scheme actuarial gains	**51.5**	98.4
Tax on items that will not be reclassified to the income statement	**(6.1)**	(11.2)
	45.4	87.2
Items that are or may be reclassified subsequently to the income statement:		
Translation differences on consolidation of foreign subsidiaries	**1.7**	4.0
Fair value gains / (losses) on cash flow hedges	**1.4**	(12.0)
Fair value gains on cash flow hedges in equity accounted investees	**260.2**	59.1
Transferred to the income statement on cash flow hedges	**(22.0)**	24.2
Tax on items that are or may be reclassified subsequently to the income statement	**(1.9)**	1.5
Tax on items that are or may be reclassified subsequently to the income statement for equity accounted investees	**(58.5)**	(11.3)
Tax on items transferred to the income statement	**2.7**	(3.0)
	183.6	62.5
Other comprehensive income for the financial year, net of tax	**229.0**	149.7
Total comprehensive income for the financial year	**787.1**	340.4
Attributable to:		
Equity holders of the Parent	**816.2**	364.8
Non-controlling interest	**(29.1)**	(24.4)
Total comprehensive income for the financial year	**787.1**	340.4

Group Balance Sheet

As at 31 December 2022

	Notes	2022 €m	2021 €m
Assets			
Non-current assets			
Property, plant and equipment	12	**11,614.1**	11,353.3
Intangible assets	13	**512.0**	466.9
Right-of-use assets	14	**123.2**	113.3
Goodwill	15	**191.9**	201.3
Investments in equity accounted investees	16	**332.2**	282.5
Financial asset investments at fair value through profit or loss	16	**5.0**	5.3
Trade and other receivables	18	**584.9**	216.0
Derivative financial instruments	23	**125.3**	86.3
Deferred tax assets	21	**1.5**	1.8
Asset – NIE Networks pension scheme	24	**65.8**	-
Total non-current assets		**13,555.9**	12,726.7
Current assets			
Inventories	17	**225.9**	131.4
Intangible assets	13	**678.0**	329.0
Derivative financial instruments	23	**843.7**	595.7
Current tax asset		**31.3**	32.2
Trade and other receivables	18	**2,915.3**	1,638.9
Cash and cash equivalents	19	**990.0**	537.0
Total current assets		**5,684.2**	3,264.2
Total assets		**19,240.1**	15,990.9
Equity			
Capital stock	20	**1,941.4**	1,949.4
Capital redemption reserve		**38.5**	30.5
Translation reserve		**(0.1)**	(2.4)
Other reserves		**(125.9)**	(192.5)
Cash flow hedging reserve		**189.5**	7.6
Retained earnings		**2,786.5**	2,367.8
Equity attributable to equity holders of the Parent		**4,829.9**	4,160.4
Non-controlling interest		**(48.3)**	(49.1)
Total equity		**4,781.6**	4,111.3
Liabilities			
Non-current liabilities			
Borrowings and other debt	22	**6,329.4**	5,292.5
Lease liabilities	14	**112.8**	106.7
Liability – ESB pension scheme	25	**78.2**	84.2
Liability – NIE Networks pension scheme	24	**-**	6.7
Employee related liabilities	25	**23.7**	39.4
Trade and other payables	26	**-**	9.3
Deferred income	27	**1,419.1**	1,355.1
Provisions	28	**616.2**	560.7
Deferred tax liabilities	21	**555.6**	498.6
Derivative financial instruments	23	**505.6**	805.1
Total non-current liabilities		**9,640.6**	8,758.3
Current liabilities			
Borrowings and other debt	22	**563.4**	70.7
Lease liabilities	14	**16.0**	12.8
Liability – ESB pension scheme	25	**10.5**	10.5
Employee related liabilities	25	**82.2**	80.4
Trade and other payables	26	**2,362.0**	1,763.5
Deferred income	27	**99.3**	93.3
Provisions	28	**594.7**	443.7
Derivative financial instruments	23	**1,089.8**	646.4
Total current liabilities		**4,817.9**	3,121.3
Total liabilities		**14,458.5**	11,879.6
Total equity and liabilities		**19,240.1**	15,990.9

Terence O'Rourke
Chairman

Paddy Hayes
Chief Executive

Paul Stapleton
Executive Director, Group Finance and Commercial

Group Statement of Changes in Equity
For the financial year ended 31 December 2022

Reconciliation of changes in equity	Capital stock €m	Translation reserve €m	Capital redemption reserve €m	Cash flow hedging reserve €m	Other reserves[1] €m	Retained earnings €m	Total €m	Non-controlling interest €m	Total equity €m
Balance at 1 January 2021	1,957.7	(6.4)	22.2	(50.9)	(243.4)	2,243.1	**3,922.3**	(14.2)	**3,908.1**
Total comprehensive income for the year									
Profit for the financial year	-	-	-	-	-	215.1	**215.1**	(24.4)	**190.7**
NIE Networks pension scheme actuarial gain	-	-	-	-	98.4	-	**98.4**	-	**98.4**
Foreign currency translation adjustments	-	4.0	-	-	-	-	**4.0**	-	**4.0**
Cash flow hedges:									
▪ Net fair value losses	-	-	-	(12.0)	-	-	**(12.0)**	-	**(12.0)**
▪ Transfers to the income statement									
- Finance cost (interest)	-	-	-	4.7	-	-	**4.7**	-	**4.7**
- Finance cost (foreign translation movements)	-	-	-	(18.2)	-	-	**(18.2)**	-	**(18.2)**
- Other operating expenses	-	-	-	37.7	-	-	**37.7**	-	**37.7**
Fair value gain for hedges in equity accounted investees	-	-	-	59.1	-	-	**59.1**	-	**59.1**
Tax on items taken directly to OCI	-	-	-	1.5	(11.2)	-	**(9.7)**	-	**(9.7)**
Tax on items transferred to the income statement	-	-	-	(3.0)	-	-	**(3.0)**	-	**(3.0)**
Tax on items taken directly to OCI for equity accounted investees	-	-	-	(11.3)	-	-	**(11.3)**	-	**(11.3)**
Total comprehensive income for the year	-	4.0	-	58.5	87.2	215.1	**364.8**	(24.4)	**340.4**
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	(80.8)	**(80.8)**	-	**(80.8)**
Repurchase of own shares	(8.3)	-	8.3	-	-	(9.6)	**(9.6)**	-	**(9.6)**
ESOP repurchase provision[2]	-	-	-	-	(27.0)	-	**(27.0)**	-	**(27.0)**
Redemption reserve	-	-	-	-	(9.3)	-	**(9.3)**	-	**(9.3)**
Non-controlling interest on acquisition of So Energy	-	-	-	-	-	-	**-**	(10.5)	**(10.5)**
Balance at 31 December 2021	1,949.4	(2.4)	30.5	7.6	(192.5)	2,367.8	**4,160.4**	(49.1)	**4,111.3**
Balance at 1 January 2022	**1,949.4**	**(2.4)**	**30.5**	**7.6**	**(192.5)**	**2,367.8**	**4,160.4**	**(49.1)**	**4,111.3**
Total comprehensive income for the year									
Profit for the financial year	-	-	-	-	-	587.2	**587.2**	(29.1)	**558.1**
NIE Networks pension scheme actuarial gain	-	-	-	-	51.5	-	**51.5**	-	**51.5**
Foreign currency translation adjustments	-	2.3	-	-	(0.5)	(0.1)	**1.7**	-	**1.7**
Cash flow hedges									
▪ Net fair value gains	-	-	-	1.4	-	-	**1.4**	-	**1.4**
▪ Transfers to the income statement									
- Finance cost (interest)	-	-	-	2.6	-	-	**2.6**	-	**2.6**
- Finance cost (foreign translation movements)	-	-	-	(14.8)	-	-	**(14.8)**	-	**(14.8)**
- Other operating expenses	-	-	-	(9.8)	-	-	**(9.8)**	-	**(9.8)**
Fair value gain for hedges in equity accounted investees	-	-	-	260.2	-	-	**260.2**	-	**260.2**
Tax on items taken directly to OCI	-	-	-	(1.9)	(6.1)	-	**(8.0)**	-	**(8.0)**
Tax on items transferred to the income statement	-	-	-	2.7	-	-	**2.7**	-	**2.7**
Tax on items taken directly to OCI for equity accounted investees	-	-	-	(58.5)	-	-	**(58.5)**	-	**(58.5)**
Total comprehensive income for the year	**-**	**2.3**	**-**	**181.9**	**44.9**	**587.1**	**816.2**	**(29.1)**	**787.1**
Transactions with owners recognised directly in equity									
Dividends	-	-	-			(126.1)	**(126.1)**	-	**(126.1)**
Repurchase of own shares	(8.0)	-	8.0	-	-	(12.4)	**(12.4)**	-	**(12.4)**
ESOP repurchase provision[2]	-	-	-	-	12.4	-	**12.4**	-	**12.4**
Redemption reserve	-	-	-	-	9.3	-	**9.3**	-	**9.3**
Transfer from minority interest to equity attributable to equity holders of the Parent[3]	-	-	-	-	-	1.8	**1.8**	(1.8)	**-**
Transfer from minority interest to equity attributable to equity holders of the Parent[4]	-	-	-	-	-	(31.7)	**(31.7)**	31.7	**-**
Balance at 31 December 2022	**1,941.4**	**(0.1)**	**38.5**	**189.5**	**(125.9)**	**2,786.5**	**4,829.9**	**(48.3)**	**4,781.6**

[1] Other reserves include (i) other reserves relating to the Northern Ireland Electricity Networks Limited (NIE Networks) pension scheme of (€105.1) million (2021: (€150.0) million), (ii) a non-distributable reserve of (€5.0) million which was created on the sale of the Group's share in Ocean Communications Limited in 2001; (iii) an ESOP repurchase provision which relates to the amount that ESB has committed to date to purchase from the ESOP internal market (€14.6) million (2021: (€27.0) million), and (iv) (€nil) million redemption reserve relating to a put option in So Energy (2021: (€9.3) million). See note 20 for further details on other reserves and note 32 for information on the ESOP repurchase.

[2] Refer to note 28 for information on the ESOP repurchase provision.

[3] Transfer from minority interest to equity attributable to equity holders of the Parent relates to a reduction in the minority interest in Kirk Hill Wind Farm Ltd.

[4] Transfer from minority interest to equity attributable to equity holders of the Parent relates to a reduction in the minority interest in So Energy.

Parent Balance Sheet
As at 31 December 2022

	Notes	2022 €m	2021 €m
Assets			
Non-current assets			
Property, plant and equipment	12	**8,162.8**	7,721.0
Intangible assets	13	**462.5**	411.8
Right-of-use assets	14	**61.7**	59.9
Investments in equity accounted investees	16	**43.9**	24.1
Investments in subsidiary undertakings	16	**61.8**	61.8
Trade and other receivables	18	**2,412.0**	2,067.4
Derivative financial instruments	23	**131.4**	90.9
Total non-current assets		**11,336.1**	10,436.9
Current assets			
Inventories	17	**194.2**	91.8
Intangible assets	13	**649.2**	284.1
Derivative financial instruments	23	**824.6**	553.5
Current tax asset		**46.7**	5.9
Trade and other receivables	18	**4,589.8**	2,198.2
Cash and cash equivalents	19	**256.4**	463.3
Total current assets		**6,560.9**	3,596.8
Total assets		**17,897.0**	14,033.7
Equity			
Capital stock	20	**1,941.4**	1,949.4
Capital redemption reserve		**38.5**	30.5
Translation Reserves		**(0.3)**	-
Cash flow hedging and other reserves		**14.6**	(5.2)
Other Reserves		**(14.2)**	(26.6)
Retained earnings		**2,402.6**	2,037.9
Equity attributable to equity holders of the Parent		**4,382.6**	3,986.0
Liabilities			
Non-current liabilities			
Borrowings and other debt	22	**502.1**	833.5
Lease liabilities	14	**56.7**	56.8
Liability – ESB pension scheme	25	**78.2**	84.2
Employee related liabilities	25	**23.7**	39.4
Deferred income	27	**964.9**	887.5
Provisions	28	**507.1**	475.0
Deferred tax liabilities	21	**395.1**	382.3
Derivative financial instruments	23	**162.0**	110.2
Total non-current liabilities		**2,689.8**	2,868.9
Current liabilities			
Bank overdraft	19	**319.5**	-
Borrowings and other debt	22	**563.4**	70.7
Lease liabilities	14	**7.9**	6.1
Liability – ESB pension scheme	25	**10.5**	10.5
Employee related liabilities	25	**74.6**	72.0
Trade and other payables	26	**8,638.7**	6,128.0
Deferred income	27	**68.7**	65.2
Provisions	28	**327.8**	233.5
Derivative financial instruments	23	**813.5**	592.8
Total current liabilities		**10,824.6**	7,178.8
Total liabilities		**13,514.4**	10,047.7
Total equity and liabilities		**17,897.0**	14,033.7

Terence O'Rourke
Chairman

Paddy Hayes
Chief Executive

Paul Stapleton
Executive Director, Group Finance and Commercial

Parent Statement of Changes in Equity

For the financial year ended 31 December 2022

Reconciliation of changes in equity	Capital stock €m	Capital redemption reserve €m	Cash flow hedging and other reserves €m	Retained earnings €m	Total €m
Balance at 1 January 2021	1,957.7	22.2	(11.4)	1,707.9	**3,676.4**
Total comprehensive income for the year					
Profit for the financial year	-	-	-	410.8	**410.8**
Cash flow hedges:					
▪ Net fair value losses	-	-	(1.4)	-	**(1.4)**
▪ Transfers to the income statement					
- Finance cost (interest)	-	-	4.7	-	**4.7**
- Finance cost (foreign translation movements)	-	-	(18.2)	-	**(18.2)**
- Other operating expenses	-	-	22.4	-	**22.4**
Tax on items taken directly to OCI	-	-	0.2	-	**0.2**
Tax on items transferred to the income statement	-	-	(1.1)	-	**(1.1)**
Total comprehensive income for the year	-	-	6.6	410.8	**417.4**
Transactions with owners recognised directly in equity					
Dividends	-	-	-	(80.8)	**(80.8)**
Repurchase of own shares[1]	(8.3)	8.3	-	-	**-**
ESOP repurchase provision[1]	-	-	(27.0)	-	**(27.0)**
Balance at 31 December 2021	1,949.4	30.5	(31.8)	2,037.9	**3,986.0**
Balance at 1 January 2022	**1,949.4**	**30.5**	**(31.8)**	**2,037.9**	**3,986.0**
Total comprehensive income for the year					
Profit for the financial year	-	-	-	490.8	**490.8**
Other changes	-	-	(0.3)	-	**(0.3)**
Cash flow hedges:					
▪ Net fair value gains	-	-	27.5	-	**27.5**
▪ Transfers to the income statement					
- Finance cost (interest)	-	-	2.6	-	**2.6**
- Finance cost (foreign translation movements)	-	-	(14.8)	-	**(14.8)**
- Other operating expenses	-	-	(13.5)	-	**(13.5)**
Fair value gains for hedges in equity accounted investees	-	-	20.8	-	**20.8**
Tax on items taken directly to OCI	-	-	(3.4)	-	**(3.4)**
Tax on items transferred to the income statement	-	-	3.2	-	**3.2**
Tax on items taken directly to OCI for equity accounted investees	-	-	(2.6)	-	**(2.6)**
Total comprehensive income for the year	**-**	**-**	**19.5**	**490.8**	**510.3**
Transactions with owners recognised directly in equity					
Dividends	-	-	-	(126.1)	**(126.1)**
Repurchase of own shares[1]	(8.0)	8.0	-	-	**-**
ESOP repurchase provision[1]	-	-	12.4	-	**12.4**
Balance at 31 December 2022	**1,941.4**	**38.5**	**0.1**	**2,402.6**	**4,382.6**

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[1] Refer to note 32 for information on the ESOP repurchase.

Group Cash Flow Statement

For the financial year ended 31 December 2022

	Notes	2022 €m	2021 €m
Cash flows from operating activities			
Profit before taxation		**700.2**	288.4
Adjustments for:			
Depreciation and amortisation	8	**914.6**	877.2
Transfer to the income statement from intangibles	13	**24.5**	27.4
Revenue from supply contributions and amortisation of other deferred income	4/27	**(111.8)**	(109.9)
Net emissions movements		**(191.0)**	(12.4)
Loss/(profit) on disposal of non-current assets	7	**0.9**	(14.0)
Profit on disposal of equity accounted investees	7	**-**	(3.2)
Profit on disposal of subsidiaries	7	**(3.4)**	-
Inventory write back	17	**-**	(3.2)
Net finance cost	9	**24.4**	251.7
Impact of fair value adjustments in operating costs		**(12.8)**	19.5
Losses from equity accounted investees	16	**30.9**	75.9
Impairment of equity accounted investees		**91.2**	153.5
Dividend received	7	**(4.0)**	-
Net impairment losses on financial assets	8/18	**38.5**	21.8
Impairment charge	8	**2.8**	63.7
Impairment gain	8	**-**	(79.0)
Operating cash flows before changes in working capital and provisions		**1,505.0**	1,557.4
Restricted cash[1]		**754.0**	-
Charge/(credit) in relation to provisions		**107.7**	(10.0)
Charge in relation to employee related liabilities		**64.8**	96.9
Utilisation of provisions		**(69.2)**	(14.4)
Payments in respect of employee related liabilities		**(114.7)**	(151.1)
Deferred income received		**23.4**	22.1
Networks supply contributions received		**181.0**	156.2
Net exchanged traded collateral (paid)/received		**(1,009.0)**	205.6
Increase in trade and other receivables		**(654.9)**	(585.7)
(Increase)/decrease in inventories		**(94.6)**	31.9
Increase in trade and other payables		**248.3**	471.4
Cash generated from operations		**941.8**	1,780.3
Current tax paid (net)		**(103.4)**	(82.5)
Payments on inflation linked interest rate swaps		**(22.3)**	(28.1)
Financing costs paid		**(153.6)**	(139.9)
Net cash inflow from operating activities		**662.5**	1,529.8
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		**-**	(18.7)
Purchase of property, plant and equipment		**(1,193.7)**	(971.5)
Purchase of intangible assets		**(129.0)**	(119.6)
Proceeds from sale of non-current assets		**-**	21.4
Proceeds from sale of investments		**3.1**	3.2
Amounts advanced to equity accounted investees as shareholder loans		**(286.8)**	(113.1)
Amounts repaid by equity accounted investees		**-**	89.7
Dividends received from joint venture undertakings	16	**29.0**	8.6
Dividends received from investments measured at fair value through profit or loss		**4.0**	-
Purchase of financial asset investments		**(1.2)**	(61.0)
Interest received		**13.1**	0.8
Net cash outflow from investing activities		**(1,561.5)**	(1,160.2)
Cash flows from financing activities			
Dividends paid	20	**(126.1)**	(80.8)
Principal elements of lease payments		**(15.6)**	(14.8)
Repurchase of ESOP shares		**(12.4)**	(9.6)
Repayments of bonds, revolving credit and term debt facilities		**(69.0)**	(144.9)
Proceeds from the issue of bonds		**1,382.1**	-
Proceeds from revolving credit facility and other borrowings		**216.5**	150.1
Net cash inflow/(outflow) from financing activities		**1,375.5**	(100.0)
Net increase in cash and cash equivalents		**476.5**	269.6
Cash and cash equivalents at 1 January	19	**537.0**	248.7
Effect of exchange rate fluctuations on cash held		**(23.5)**	18.7
Cash and cash equivalents at 31 December	19	**990.0**	537.0

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[1] Included in cash and cash equivalents at 31 December 2022 is €754.0 million in relation to cash received from the Irish and UK Government in relation to energy credits that will ultimately be paid to various energy suppliers to offset customers' bills. This cash is not freely available in the normal course of business.

Parent Cash Flow Statements

For the financial year ended 31 December 2022

	Notes	2022 €m	2021 €m
Cash flows from operating activities			
Profit before taxation		**565.2**	472.4
Adjustments for:			
Depreciation and amortisation		**606.0**	590.3
Revenue from supply contributions and other deferred income	27	**(67.0)**	(63.1)
Net emissions movements		**(310.8)**	(55.1)
Profit on disposal of non-current assets		**(0.1)**	(0.3)
Net finance cost		**35.1**	46.0
Impact of fair value movement on financial instruments in operating costs		**18.5**	22.3
Loss from equity accounted investees		**15.8**	9.8
Dividend received from subsidiary undertakings		**(10.0)**	(8.9)
Inventory write back		**(0.5)**	(3.7)
Provision for amounts due from related undertakings		**-**	53.0
Net impairment losses on financial assets		**15.2**	14.3
Impairment charge	13	**-**	0.4
Operating cash flows before changes in working capital and provisions		**867.4**	1,077.4
Restricted cash[1]		**107.4**	-
Charge in relation to provisions		**89.3**	1.6
Charge in relation to employee related liabilities	25	**53.5**	82.5
Utilisation of provisions		**(124.6)**	(9.2)
Payments in respect of employee related liabilities	25	**(77.1)**	(116.1)
Networks supply contributions received		**141.1**	109.2
Net exchanged traded collateral (paid)/received		**(1,001.0)**	209.1
Increase in trade and other receivables		**(1,708.5)**	(1,001.1)
Increase in inventories		**(102.0)**	(45.4)
Increase in trade and other payables		**2,721.6**	1,000.4
Cash generated from operations		**967.1**	1,308.4
Current tax paid		**(96.0)**	(54.8)
Interest paid		**(112.0)**	(94.7)
Net cash inflow from operating activities		**759.1**	1,158.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(907.2)**	(691.7)
Purchase of intangible assets		**(118.2)**	(108.9)
Proceeds from the sale of non-current assets		**-**	2.0
Amounts advanced to equity accounted investees as shareholder loans		**(12.8)**	-
Amounts advanced to subsidiary undertakings		**(322.9)**	(61.2)
Interest received		**70.6**	45.1
Dividends received from subsidiary undertakings		**10.0**	8.9
Net cash outflow from investing activities		**(1,280.5)**	(805.8)
Cash flows from financing activities			
Dividends paid	20	**(126.1)**	(80.8)
Principal elements of lease payments		**(8.5)**	(7.9)
Repurchase of ESOP shares		**(12.4)**	-
Repayments of term debt facilities		**(74.1)**	(131.8)
Proceeds from revolving credit facility and other borrowings		**236.8**	150.0
Net cash inflow/(outflow) from financing activities		**15.7**	(70.5)
Net (decrease)/increase in cash and cash equivalents		**(505.7)**	282.6
Effect of exchange rate fluctuations on cash held		**(20.7)**	16.6
Cash and cash equivalents at 1 January	19	**463.3**	164.1
Cash and cash equivalents at 31 December	19	**(63.1)**	463.3

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[1] Included in cash and cash equivalents at 31 December 2022 is €107.4 million in relation to cash received from the Irish Government in relation to energy credits that will ultimately be paid to various energy suppliers to offset customers' bills. This cash is not freely available in the normal course of business.

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

(i) General Information and basis of preparation

Electricity Supply Board (ESB) is a statutory corporation established under the Electricity (Supply) Act, 1927 and is domiciled in Ireland. The consolidated financial statements of ESB as at and for the financial year ended 31 December 2022 comprise the Parent and its subsidiaries (together referred to as "ESB" or "the Group") and the Group's interests in associates and jointly controlled entities.

The Parent and consolidated financial statements are prepared under IFRS (International Financial Reporting Standards) as adopted by the EU (EU IFRS) as applied in accordance with the Companies Act 2014 as applied by ESB Acts 1927 to 2014. The Companies Act 2014 provide a Parent entity that presents its individual financial statements together with its consolidated financial statements with an exemption from publishing the Parent income statement and statement of comprehensive income which forms part of the Parent financial statements prepared and approved in accordance with the Act. The financial statements of the Parent and Group have been prepared in accordance with the EU IFRS standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective for accounting periods ending on or before 31 December 2022. The Parent and consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and certain financial asset investments which are measured at fair value.

The policies set out below have been consistently applied to all years presented in these consolidated financial statements and have been applied consistently by all Group entities – with the exception of adoption of amended standards as set out at note 1 (iv) below. Parent accounting policies are consistent with the consolidated financial statements policies outlined below except where otherwise stated.

Going concern

The Group's position, performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the annual report. The going concern statement in Chapter 2 forms part of the Group financial statements.

The funding and liquidity management of the Group are described in note 22. The amount of cash and cash equivalents that the Group had on hand on 31 December 2022 excluding restricted cash was €236.0 million (see note 19). The Group also has undrawn revolving credit facilities of €2.0 billion providing standby liquidity to February 2027. Including cash and other facilities, the Group has overall liquidity of over €2.2 billion at 31 December 2022. ESB successfully raised a €350 million bond after the balance sheet date. The unprecedented price volatility in wholesale energy markets has impacted the cash collateral positions of the group in relation to exchange traded gas, carbon and power hedging contracts. ESB continues to effectively manage this position. Note 22 and Note 29 includes an overview of financial risk management, details of the Group's financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries, the Board is satisfied that ESB has sufficient cash flows, available strong liquidity and access to capital markets to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, the consolidated and Parent financial statements are prepared on the going concern basis of accounting.

(ii) Basis of consolidation

The Group's financial statements consolidate the financial statements of the Parent and of all subsidiary undertakings and include the Group's share of the results and net assets of associates and joint ventures made up to 31 December 2022. The results of subsidiary undertakings acquired or disposed of in the year are included in the Group income statement from the date of acquisition or up to the date of disposal. ESB Parent has availed of the exemption in section 304(2) of the Companies Act 2014 not to present its individual income statement, statement of comprehensive income and related notes that form part of the approved Parent financial statements.

Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

When accounting for business combinations under IFRS 3 Business Combinations, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the income statement.

Where a put and/or call option exists on non-controlling interests in subsidiary, a redemption liability is recognised through equity for the unavoidable obligation to transfer cash under this option, discounted to present value.

Costs relating to the acquisition (other than those associated with the issue of debt or equity securities) that the Group incur in connection with a business combination are expensed as incurred.

Acquisitions between 1 January 2004 and 1 January 2010
For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the goodwill excess was negative, a bargain purchase gain was recognised immediately in the income statement. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2004 (date of transition to IFRS)
As part of its transition to IFRS, the Group elected to restate only those business combinations that occurred on or after 1 January 2003 in accordance with policy elections made by the Group at the time. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, Irish / UK GAAP.

IFRS 10 - Consolidated Financial Statements
The IFRS 10 control model focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 requires the Group to consolidate investees that it controls on the basis of de facto control.

In accordance with IFRS 10, the Group's assessment of control is performed on a continuous basis and the Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of the control model.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Accounting for Joint Arrangements

IFRS 11 - Joint arrangements
Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure and legal form of the arrangements, the contractual terms of the arrangement agreed by the parties and when relevant, other facts and circumstances.

Joint operations
Joint operations are those undertakings in which ESB is deemed to have joint control of the arrangement and has rights to the assets and obligations for the liabilities of the arrangement. Accordingly, the Company's share of assets, liabilities, revenues, expenses and other comprehensive income are recognised in the respective categories within the consolidated financial statements.

Joint ventures
Joint venture undertakings (joint ventures) are those undertakings over which ESB exercises contractual control jointly with another party, whereby the Group has rights to net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Joint ventures are accounted for using the equity method of accounting. Under the equity method, the Group's share of the profits or losses after tax of joint ventures is included in the consolidated income statement after interest and financing charges. The Group's share of items of other comprehensive income is shown in the statement of comprehensive income.

The Group's interests in the net assets are included as investments in joint ventures on the face of the consolidated balance sheet at an amount representing the Group's share of the fair values of the net assets at acquisition plus goodwill, acquisition costs, the Group's share of post acquisition retained income and expenses less any impairment charge. Net liabilities are only recognised to the extent that ESB has incurred legal or constructive obligations or made payments on behalf of joint ventures.

Where contingent consideration has been recognised on acquisition, the Group recognises a liability. Any subsequent change in the measurement of the contingent consideration is accounted for using the cost-based approach and applied prospectively in accordance with IAS 8. The change in contingent consideration liability is adjusted to the cost of the investment.

The amounts included in the consolidated financial statements in respect of post acquisition results of joint ventures are taken from their latest financial information made up to the Group's balance sheet date.

The Group assesses if a change in the facts and circumstances requires reassessment of whether joint control still exists. The Group has evaluated its involvement in joint arrangements and has confirmed that these investments meet the criteria of joint ventures which continue to be accounted for using the equity method.

Associates
Entities other than joint arrangements and subsidiaries and over whose operating and financial policies the Group is in a position to exercise significant influence but not control or joint control, are accounted for as associates using the equity method and are included in the consolidated financial statements from the date on which significant influence is deemed to arise until the date on which such influence ceases to exist.

In the Parent financial statements, investments in associates are carried at cost less any impairment charges.

(iv) New standards and interpretations

The following standards and interpretations are effective for the Group in 2022 but have no material effect on the results or financial positions of the Group:

New standards or amendments	Details	Effective date	Material effect on the results and financial position of the Group
IAS 16 (Amendments)	Property, Plant and Equipment	01 January 2022	No material effect
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	01 January 2022	No material effect
IFRS 3 (Amendments)	Reference to the Conceptual Framework	01 January 2022	No material effect
IFRS 16 (Amendments)	COVID-19 Related Concessions beyond 30 June 2021	01 January 2022	No material effect
IFRS 1 (Amendments)	Subsidiary as a First-time Adopter	01 January 2022	No material effect
IFRS 9 (Amendments)	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	01 January 2022	No material effect
IFRS 16 (Amendments)	Lease Incentives	01 January 2022	No material effect
IAS 41 (Amendments)	Taxation in Fair Value Measurements	01 January 2022	No material effect

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(v) Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the financial year ended 31 December 2022 and have not been applied in preparing these financial statements. The items that may have relevance to the Group are as follows:

New standards or amendments	Details	Effective date	Material effect on the results and financial position of the Group
IAS 1 (Amendments)	Presentation of Financial Statements	01 January 2023	No material effect
IAS 8 (Amendments)	Accounting Estimates	01 January 2023	No material effect
IAS 12 (Amendments)	Deferred Tax	01 January 2023	No material effect
IFRS 17	Insurance Contracts	01 January 2023	Potential material effect
IAS 1 (Amendments)	Presentation of Financial Statements	01 January 2024	No material effect
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	01 January 2024	No material effect

(vi) Foreign currencies

These financial statements are presented in euro, which is the Parent's functional currency.

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each Group income statement and statement of comprehensive income are translated at average; exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(vii) Property, plant and equipment and depreciation

Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value, except for land which is shown at cost less impairment. Property, plant and equipment includes capitalised employee costs, interest and other costs that are directly attributable to the asset and an appropriate portion of relevant overheads.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Depreciation

The charge for depreciation is calculated to write down the cost of property, plant and equipment to its estimated residual value over its expected useful life using methods appropriate to the nature of the Group's business and to the character and extent of its property, plant and equipment. No depreciation is provided on freehold land or on assets in the course of construction. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Generation plant and thermal station structures	20 years
Wind farm generating assets	20 / 25 years
Distribution plant and structures	25 / 30 years
Transmission plant and structures	30 years
General buildings and hydro stations	50 years
Smart meters	10 years

Subsequent expenditure

Subsequent expenditure on property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged in the income statement during the financial period in which they are incurred.

Included in property, plant and equipment are strategic spares in relation to the electricity generation business. Capital stock in the Networks business is carried within assets under construction pending commissioning.

(viii) Intangible assets and goodwill

(a) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented separately on the balance sheet. Where the Group acquires less than 100% of a business, goodwill is measured using the proportionate share method.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of the asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses in respect of goodwill are recognised in the income statement and are not reversed. For impairment losses where goodwill is recognised using the proportionate share method, only the impairment loss relating to the goodwill that is allocated to the Parent is recognised as a goodwill impairment loss.

(b) Emission allowances and renewable obligation certificates (ROCs)

Emission allowances purchased by ESB are recorded as intangible assets at cost.

As emissions arise, a charge is recorded in the income statement to reflect the amount required to settle the liability to the relevant authority. This provision includes the carrying value of the emission allowances held, as well as the current market value of any additional allowances required to settle the obligation. These allowances are returned to the relevant Authority in charge of the scheme within four months of the end of that calendar year for the European CO_2 emissions trading scheme and three months for the UK emissions trading scheme, in order to cover the liability for actual emissions of CO_2 during that year.

ROCs are certificates issued to operators of accredited renewable generating stations in the UK for the eligible renewable electricity they generate. The Group purchases ROCs from certain of its joint ventures. Purchased ROCs are recognised initially at cost (purchase price) within intangible assets. The liability for actual emissions of CO_2 is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date, with movements in the liability recognised in operating profit.

Emission allowances and ROCs held at cost as intangible assets are therefore not amortised as they are held for settlement of the related liabilities in the following year.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Software costs and other intangible assets
Acquired computer software licenses and other intangible assets including grid connections and other acquired rights, are capitalised on the basis of the costs incurred to acquire and bring the specific asset into use. These assets are measured at cost less accumulated amortisation, which is estimated over their useful lives on a straight line basis, and accumulated impairment losses. Major asset classifications and their allotted life spans are:

Software	3 / 5 years
Other intangibles	up to 20 years

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell
- the expenditure attributable to the software during its development can be reliably measured.

Direct costs include the costs of software development, employees and an appropriate portion of relevant overheads. These assets are measured at cost less accumulated amortisation, which is estimated over their estimated useful lives (three to five years) on a straight line basis, and accumulated impairment losses.

Incremental costs of obtaining a contract are capitalised in line with IFRS 15 Revenue from Contracts with Customers where those costs would not have been incurred if the contract had not been obtained and ESB expects to recover those costs. These assets are measured at cost less accumulated amortisation, which is estimated over their useful lives (2 years) on a straight line basis, and accumulated impairment losses.

(d) Research and development
Research expenditure and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ix) Impairment of non-current assets other than goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets not yet in use are tested annually for impairment. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

For power generation assets, value in use is based on the estimated cash flows expected to be generated by the asset and is based on estimates of forecast power generation and forecast power, gas, carbon and capacity prices (where applicable) and the timing and extent of operating costs and capital expenditure. These cash flows are discounted to their present value using a pre-tax discount rate that reflects the current markets assessment of the time value of money and the risks specific to the asset.

(x) Right-of-Use of assets and lease liabilities

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. At the inception of a lease contract the Group assess whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an asset for a period of time in exchange of consideration, it is recognised as a lease.

To assess the right to control an asset, the Group considers the following:
- does the contract contain an identifiable asset
- does the Group have the right to obtain substantially all of the economic benefits of the asset
- does the Group have the right to operate the asset throughout the period of the contract

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low-value assets are considered low value if the value of the asset when new is less than €5,000. Low value assets within ESB comprise predominantly of IT equipment and small items of office furniture.

The Group leases various land and buildings, wind farm land and motor vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(xi) Borrowing costs

Borrowing costs attributable to the construction of major assets, which necessarily take substantial time to get ready for intended use, are added to the cost of those assets at the weighted average cost of borrowings, until such time as the assets are substantially ready for their intended use. The capitalisation rate applied equates to the average cost of ESB's outstanding debt and where applicable, a project specific rate is applied. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to the income statement when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

(xii) Inventories

Inventories are carried at the lower of average cost and net realisable value. Cost comprises all purchase price and direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on normal selling price less all further costs expected to be incurred prior to disposal.

Specific provision is made for damaged, deteriorated, obsolete and unusable items where appropriate.

(xiii) Financial assets and liabilities

Classification and measurement
The following accounting policies apply to the measurement of financial assets in the ESB's consolidated financial statements:

Financial assets at fair value through profit or loss (FVTPL)
On initial recognition, these assets are recognised at fair value, with transaction costs being recognised in the income statement and subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Financial assets at fair value through other comprehensive income (FVOCI)
These assets are subsequently measured at fair value. Net gains and losses are recognised in other comprehensive income.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment is recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Trade and other receivables
Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables except on the shareholder loans advanced to equity accounted investees which are measured using the general approach. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the Group's past history, existing market conditions and forward looking estimates at the end of each reporting period. Refer to note 18 for further details.

Loans and balances with equity accounted investees
Loans and balances with equity accounted investees are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current assets or current liabilities on the balance sheet, except for those with maturities greater than twelve months after the balance sheet date, which are included in non-current assets or non-current liabilities and are initially recorded at fair value and thereafter at amortised cost using the effective interest method less loss allowance made for impairment.

Loans and balances with Group companies (Parent)
Loans and balances with Group Companies are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current assets or current liabilities on the balance sheet, except for those with maturities greater than twelve months after the balance sheet date, which are included in non-current assets or non-current liabilities. Loans and balances are included within trade and other receivables or trade and other payables in the Parent balance sheet and are initially recorded at fair value and thereafter at amortised cost.

Trade and other payables
Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method.

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For loans and balances with group companies, the Parent applies the general approach permitted by IFRS 9, which requires 12 month expected credit losses to be recognised on initial recognition of these receivables. If a significant increase in credit risk occurs, this requires expected lifetime credit losses to be recognised on these receivables.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents for the purpose of cash flow include bank overdrafts payable on demand and form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Cash deposits with maturities of three months or more are included as short term deposits within trade and other receivables.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting the use of bank balances are disclosed in note 19. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

(a) Borrowings
Interest bearing borrowings
Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition these borrowings are stated at amortised cost using the effective interest rate method. If a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss is recognised in the income statement. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Derivative financial instruments and other hedging instruments
The Group uses derivative financial instruments to hedge its exposure to commodity price, foreign exchange and interest rate risk arising from operational, financing and investing activities. The principal derivatives used include interest rate swaps, inflation-linked interest rate swaps, currency swaps and forward foreign currency contracts. Commodity contracts are also used to hedge the Group's exposures to the purchase of fuel and sale of electricity. The Group applies the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 Financial Instruments.

Commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. The changes in fair value when a hedge accounting relationship exists and the contract has been designated as held for hedging purposes will be recognised in accordance with IFRS 9 as cash flow hedges or fair value hedges.

Financial derivative instruments are used by the Group to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value at the balance sheet date. With the exception of the inflation linked interest rate swaps the majority of other derivative financial instruments are designated as being held for hedging purposes.

The designation of the hedge relationship is established at the inception of the contract. The treatment of gains and losses on subsequent re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a fair value or cash flow hedge.

All fair value movements on derivatives that are not designated as hedging relationships are recorded through the income statement within finance income and expense or other operating costs, as appropriate.

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of that asset or liability. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in the income statement at the same time as the hedged transaction. The gain or loss relating to the ineffective portion is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the income statement immediately.

Hedge of net investment in foreign entity
Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in other comprehensive income, and taken to the translation reserve, with any ineffective portion recognised in the income statement immediately.

(c) Guarantees
During the normal course of business, the Group provides guarantees and bonds to third parties, subsidiary companies of the Parent and equity accounted investees. Where claims are probable, the expected credit loss model is applied.

(xiv) Capital stock
The units of capital stock are measured at the price at which they were initially issued to the Department of Public Expense and Reform, the Department of Environment, Climate and Communications and ESB ESOP Trustee Limited.

(xv) Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(a) Current tax
Current tax is provided at current rates and is calculated on the basis of results for the year. The income tax expense in the income statement does not include taxation on the Group's share of profits of joint venture undertakings, as this is included within the separate line on the face of the income statement for share of equity accounted investee profit / (loss), net of tax.

(b) Deferred tax
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised only to the extent that the Board consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(xvi) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provision for asset retirement obligations
The provision for retirement and decommissioning of generating stations, wind farms and ESB Networks and NIE Networks creosote treated wood poles represents the present value of the current estimate of the costs of closure of the stations and the disposal of the poles at the end of their useful lives.

The estimated costs of closing stations and other asset retirement obligations are recognised in full at the outset of the asset life, but discounted to present values using an appropriate pre-tax discount rate. The costs are capitalised in property, plant and equipment and are depreciated over the useful economic lives of the stations or other assets to which they relate unless the related asset has reached the end of its useful life. Subsequent changes in the liability in respect of assets that have reached the end of their useful life are recognised in the income statement as they occur. The costs are reviewed each year and amended as appropriate. Amendments to the discounted estimated costs are capitalised into the relevant assets and depreciated over the remaining life of those assets to the extent that the assets are still in use.

As the costs are capitalised and initially provided on a discounted basis, the provision is increased by a financing charge in each period, which is calculated based on the provision balance and discount rate applied at the last measurement date (updated annually) and is included in the income statement as a financing charge. In this way, the provision will equal the estimated closure costs at the end of the useful economic lives of stations or other assets. The actual expenditure is set against the provision as stations are closed or other obligations are met.

The provision for generating station closure costs and other asset retirement obligations is included within current or non-current provisions as appropriate on the balance sheet.

(xvii) Employee related liabilities
(a) Restructuring liabilities
Voluntary termination benefits are payable under various collective agreements between the Board of ESB and ESB Group of Unions when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as a result of an offer made to employees to encourage voluntary redundancy. Ordinary termination benefits not covered by the aforementioned agreement are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group begins to implement the restructuring plan. Benefits expected to be settled more than twelve months after the balance sheet date are discounted to present value. Future operating losses are not provided for.

(b) Other short-term employee related liabilities
The costs of holiday leave and bonuses accrued are recognised when employees render the service or performance that increases their entitlement to future compensated absences or payments.

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1. STATEMENT OF ACCOUNTING POLICIES (continued)

(xviii) Pension obligations
The Group companies operate various pension schemes in the Republic of Ireland and Northern Ireland, which are funded through payments to trustee administered funds.

Pension schemes in the Republic of Ireland
The Group operates two pension schemes, which are called the ESB Defined Benefit Pension Scheme and the ESB Defined Contribution Pension Scheme. Pensions for approximately half of the employees in the electricity business are funded through a contributory pension scheme called the ESB Defined Benefit (DB) Pension Scheme. The fund is vested in Trustees nominated by ESB and its members for the sole benefit of employees and their dependents. The Scheme is registered as a Defined Benefit Scheme with the Pensions Authority.

The regulations governing the Scheme stipulate the benefits that are to be provided and the contributions to be paid by both ESB and the contributing members. Benefits payable are determined by reference to a Career Average Revalued Earnings (CARE) pension model for benefits earned after 1 January 2012 (previously based on final salary). ESB has no legal obligation to increase contributions to maintain benefits in the event of a deficit and ESB's rate of contribution cannot be altered without the agreement of ESB and approval of the Minister for Environment, Climate and Communications. Should an actuarial deficit arise in the future, ESB is obliged under the Scheme regulations to consult with the Superannuation Committee, the Trustees and the Scheme Actuary to consider the necessity of submitting an amending Scheme for Ministerial approval.

Under the 2010 Pensions Agreement (approved by employees in July 2010 and formally ratified by the Board of ESB on 20 October 2010), ESB agreed to a once-off cash injection into the Scheme, payable over a number of years, which had an agreed valuation for actuarial purposes as at 1 January 2010 of €591.0 million. The fixed contribution rates for the employer and for employees were not changed. Under the Agreement membership of the Scheme has been closed to new joiners.

The obligations to the Scheme reflected in ESB's financial statements have been determined in accordance with IAS 19 Employee Benefits. Given that the Scheme is not a typical "balance of costs" Defined Benefit Scheme (where the employer is liable to pay the balance of contributions required to fund benefits), the obligations to be reflected in the financial statements require the exercise of judgement. Should a deficit arise in the future, the Company, as noted above, is obliged to consult with the parties to the Scheme. However, ESB has no obligation to increase contributions to maintain benefits in the event of a deficit and the Company does not intend that any further contributions, other than the normal on-going contributions will be made (note: the €591.0 million additional contribution agreed as part of the 2010 Pensions Agreement has now been fully paid). Therefore, ESB has concluded that the financial statements should reflect its obligations to the Scheme, which consist of:
- **(a)** Pre-existing commitments relating to past service (the present value of the agreed contributions that relates to service prior to October 2010); and
- **(b)** Past Voluntary Severance (VS) Programmes – in 2010 the Company recognised a future commitment in respect of staff who have left the Company under past VS programmes. ESB will make pension contributions in respect of those staff and these are recognised at fair value.

Ongoing contributions (up to 16.4%) are recognised in the income statement as incurred. Any unpaid amounts at year end are recognised as liabilities on the balance sheet.

The ESB Defined Contribution Pension Scheme is a defined contribution scheme and contributions to the Scheme are accounted for on a defined contribution basis with the employers' contribution charged to the Group Income Statement in the period the contributions become payable.

FM United Kingdom Stakeholder Scheme
ESB operates a stakeholder pension scheme in the UK for all its GB employees. The pension scheme is a defined contribution scheme and contributions to the Scheme are accounted for on a defined contribution basis with the employers' contribution charged to the Group income statement in the period the contributions become payable.

Pension scheme in Northern Ireland
The Group's wholly owned subsidiary undertaking, Northern Ireland Electricity Networks Limited (NIE Networks), operates a pension scheme which has two sections: Defined contribution Options, defined benefit Focus. Focus has been closed to new members since 1998. The defined benefit obligation of NIE Networks is calculated annually by independent actuaries using the projected unit credit method, and discounted at a rate selected with reference to the current rate of return of high quality corporate bonds of equivalent currency and term to the liabilities. Pension scheme assets are measured at fair value. Full actuarial valuations are obtained at least triennially and are updated annually thereafter. Actuarial gains and losses are recognised in full in the period in which they occur and are recognised in other comprehensive income.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

The cost of providing benefits under the defined benefit scheme is charged to the income statement over the periods benefiting from employees' service. Past service costs including curtailment losses are recognised in the income statement in the period they occur. The interest income from pension scheme assets and the interest expense on pension scheme liabilities are included within net finance cost.

(xix) Revenue from contracts with customers

Revenue principally comprises the sales values derived from the following:

- Customer Solutions revenues consist primarily of sales to electricity and gas customers.
- ESB Networks and NIE Networks earn Use of System income in the Republic of Ireland and Northern Ireland respectively.
- Generation and Trading revenue derives mainly from electricity generation.
- Revenue derived from the provision of engineering, telecommunication and other services.

Customer Solutions

Revenue from sales to electricity and gas customers

This revenue is earned from both residential and business customers in the Republic of Ireland (ROI), Northern Ireland (NI) and Great Britain (GB). Revenue is recognised over time on consumption of gas and electricity. Electricity and gas revenue includes the value of units supplied to customers between the date of the last meter reading and the period end. This estimate is initially included in trade and other receivables in the balance sheet as retail electricity - unbilled, customers are billed monthly or bi-monthly depending on the type of account, and are subsequently recognised as retail electricity receivables - billed. Residential credit terms and debtor days in respect of retail electricity receivables are 14 days. Credit terms for business customers vary by contract.

Unbilled revenue is arrived at by using estimated revenue which is calculated by applying the tariffs applicable to specific customer types to estimated volume of electricity or gas consumed across those customer types, less the total amounts already billed for the relevant period. This process includes the analysis of calculated unbilled volumes and rates (in GWh and millions of therms) taking into consideration, movements in pricing tariffs, seasonality and data on total consumption by supplier obtained by I-SEM. There are a number of offerings such as sign-up bonuses, discounts and rewards available to customers which are all accounted for as variable consideration under IFRS 15. Discounts and rewards that are enduring are applied over time to our relevant customer bills. On joining the sign-up bonuses are applied to customer accounts which are recognised over time in line with customer usage.

Other revenue

Other revenue comprises of income derived from the provision of energy and telecommunications services and represents the fair value of services and works delivered to customers. Services are deemed to have been delivered to customers when, and to the extent that, the entity has met its performance obligations under its contracts. Revenue is recognised over time in accordance with the input method in the income statement in line with the contract terms in proportion to the stage of completion, based on total costs of the contract. Billed revenue is recognised as a trade receivable-non electricity and is normally settled in 30 business days. Unbilled revenue is recognised in other receivables.

ESB Networks - Revenue from Use of System charges to customers

ESB Networks mainly recognises revenue from Use of System that comprises of Distribution Use of System (DUoS) revenue and Transmission Use of System (TUoS) revenue. ESB Networks operates in the Republic of Ireland and is a regulated business, earning its revenue primarily from an allowed return on its Regulated Asset Base (RAB).

DUoS revenue is earned through charges to suppliers for the use of the ESB Networks distribution system. DUoS revenue is recognised in line with the use of the system by suppliers and any outstanding billed and unbilled usage for DUoS is included as a Use of System receivable on the balance sheet. DUoS revenue is invoiced on a bi-monthly basis. Revenue is also earned from operations and maintenance annual charges for generators connected to the Distribution system. These are based on a standard amount per km line or cable and are recognised over time as the performance obligation is satisfied.

TUoS revenue is earned by maintaining the transmission assets to facilitate the effective operation by EirGrid. For this fixed price contract TUoS revenue is recognised over time on a straight-line basis and a Use of System receivable is recognised on the balance sheet.

ESB Networks receives non-repayable supply contributions income as a result of providing new connections to its existing network in respect of property, plant and equipment. These contributions are held in trade payables as progress payments until their performance obligation is satisfied. When the work on the connection has met the performance obligation they are transferred to deferred income and released to revenue in the income statement over the estimated useful economic lives of the related assets. The useful life of these assets is estimated at 25 and 30 years for distribution and transmission networks respectively.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

ESB Networks also recognises revenue from a number of unregulated sources. Revenue is recognised from providing ancillary network services and other miscellaneous income. All unregulated income is recognised at a point in time with a corresponding receivable carried on the balance sheet for each item.

NIE Networks - Revenue from Use of System charges to customers

NIE Networks derives its revenue principally through charges for use of the distribution system (DUoS) levelled on electricity suppliers and transmission service charges (TSC) mainly for use of the transmission system levied on System Operator for Northern Ireland (SONI).

DUoS revenue is recognised in line with the use of the system by suppliers and any outstanding billed and unbilled usage for DUoS is included within Use of System receivable at the balance sheet date.

Included within the Group's operating profit are revenues and costs associated with the Public Service Obligation (PSO) charges which are fully recoverable (including amounts paid under the Northern Ireland Sustainable Energy Programme), albeit there are timing differences between the receipt of revenue / payment of costs and the recovery of those amounts through the PSO charges. PSO revenue is earned over time in line with the use of system by suppliers under the schedule of entitlement set by the Utility Regulator for each tariff period. In addition to PSO tariff revenues, NIE Networks recognises income received from the Power Procurement Business (PPB) at a point in time as NIE Networks does not have control over the amount or timing of receipt of PPB revenues.

TSC revenue is earned by maintaining the transmission assets to facilitate the effective operation by SONI. For this fixed price contract TSC revenue is recognised over time on a straight-line basis and a Use of System receivable is recognised on the balance sheet.

NIE Networks receives non-repayable supply contributions income as a result of providing new connections to its existing network in respect of property, plant and equipment. These contributions are held in trade payables as progress payments until their performance obligation is satisfied. When the work on the connection has met the performance obligation they are transferred to deferred income and released to revenue in the income statement over the estimated useful economic lives of the related assets. The useful life of these assets is estimated at 25 and 30 years for distribution and transmission networks respectively.

Generation and Trading revenue derives mainly from electricity generation

Republic of Ireland

Integrated-Single Electricity Market (I-SEM)

The I-SEM is the wholesale electricity market arrangement for Ireland and Northern Ireland that went live on 1 October 2018. Within I-SEM there are multiple markets or auctions, each spanning different trading time frames, with separate (although related) clearing and settlement mechanisms.

There are two ex-ante markets for physical energy: the Day-Ahead Market and the Intraday Market. In addition, Energy balancing services are offered into the Balancing Market by generators (energy producers) and suppliers (energy consumers). Capacity is a commitment by a generator or interconnector owner to be available to deliver energy into the grid, if called on to do so. Capacity providers who are successful in the Capacity Market receive a regular capacity payment, which assists with funding generation capacity. Revenue from the sale of electricity in the I-SEM markets are recognised over time on consumption of electricity and an I-SEM receivable is recognised on the balance sheet and settled daily for the ex-ante market and weekly for the ex-post market.

Capacity income is received through the 'Capacity Remuneration Mechanism' (CRM) where a capacity payment is made to a participant in respect of a Generator Unit in each Capacity Period on the basis of the Unit's Eligible Availability, which is based on the Unit's Availability Profile. Revenue is recognised over time and recognised as an I-SEM receivable on the balance sheet and settled within one month.

Ancillary income is received through 'Delivering a Secure Sustainable Electricity System' (DS3) programme for provision of frequency response services to the grid. Ancillary income is recognised over time. Ancillary income is recognised as a SEM/I-SEM receivable on the balance sheet and settled within one month.

Great Britain

British Electricity Trading and Transmission Arrangements is the wholesale electricity market operating in Great Britain (GB). Unlike the I-SEM, trading can take place between generators and suppliers either bilaterally or through exchanges. Both physical and financial contracts can be struck to manage price volatility, for timescales ranging from several years ahead to on-the-day trading markets. The British Government operates a capacity remuneration scheme and under the scheme, generators are awarded capacity contracts (based on the outcome of an auction) that enable them to receive payments for the provision of generation capacity while also receiving penalties for non-delivery during scarcity events. Revenue in respect of capacity payments is recognised over time.

Notes to the Financial Statements (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Revenue derived from GB is through the sale of power to individual GB counterparties and is recognised over time when performance obligations are satisfied. Revenue relating to the GB market is recognised as other electricity receivables on the balance sheet and settled daily or monthly depending on the terms of the individual contract.

Other Segments - Other revenue
Other revenue comprises of income derived from the provision of electrical, mechanical, civil, environmental, engineering, property sales and consultancy services and represents the fair value of services and works delivered to customers.

Services are deemed to have been delivered to customers when, and to the extent that, the entity has met its performance obligations under its contracts. Revenue is recognised over time in accordance with the input method in the income statement in line with the contract terms in proportion to the stage of completion, based on total costs of the contract. Billed revenue is recognised as a trade receivable-non electricity and settled in 30 business days. Unbilled revenue is recognised in other receivables.

(xx) Other operating income

Other operating income comprises of income which accrues to the Group outside of the Group's normal trading activities.

(xxi) Operating segments – IFRS 8

ESB have voluntarily applied the disclosure requirements of IFRS 8 Operating Segments to the Group. IFRS 8 specifies how an entity should disclose information about its segments using a "management approach" under which segment information is presented on the same basis as that used for internal reporting. Financial information for segments whose operating activities are regularly reviewed by the Executive Team and the Board, collectively the Chief Operating Decision Maker (CODM), in order to make decisions about allocating resources and assessing performance has been presented in note 3 to the financial statements.

(xxii) Costs

(a) Employee costs
Salaries, overtime, expenses, bonuses, social welfare contributions (PRSI), national insurance, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group.

(b) Energy costs
Energy costs comprise direct fuel (primarily coal and gas), purchased electricity, Use of System charges (other electricity costs) and net emissions costs. Fuel and purchased electricity costs are recognised as they are utilised. The Group has entered into certain long term power purchase agreements for fixed amounts. Amounts payable under the contracts that are in excess of or below market rates are recoverable by the Group or repayable to counterparties.

(c) Operating and other maintenance costs
Operating and other maintenance costs relate primarily to overhaul and project costs, contractor costs and establishment costs. These costs are recognised in the income statement as they are incurred.

(d) Finance income and finance costs

Finance income comprises interest income on bank deposits, which attract interest at prevailing deposit interest rates in addition to interest income on loans.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, pension financing charges, fair value gains and losses on financial instruments not qualifying for hedge accounting or where hedge accounting is not used, losses on hedging instruments that are not recognised in operating costs and reclassifications of amounts previously recognised in other comprehensive income.

(xxiii) Exceptional items

The Group has used the term "exceptional" to describe certain items which, in ESB's view, warrant separate disclosure by virtue of their size or incidence, or due to the fact that certain gains or losses are determined to be non-recurring in nature. Exceptional items may include restructuring, significant impairments, profit or loss on asset disposals, material changes in estimates or once off costs where separate identification is important to gain an understanding of the financial statements. Further details of the Group's exceptional items are provided in note 6 of the financial statements.

2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Parent and consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the income statement and the valuation of the assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

It should be noted that the impact of variation in some assumptions and estimates can have a particularly material impact on the reported results. These include but are not limited to:

(i) Impact of climate-related risks

Specifically given the nature of the Group's operations and the Group's Net Zero by 2040 Strategy, the Board have considered how climate related risks may impact upon the financial statements. In this context, the following have been considered:

(a) Physical climate events
Physical climate events notably storms and flooding have the potential to cause damage to ESB assets, particularly in ESB's generation and networks businesses. Preventative maintenance programmes are in place to reduce physical climate risks in these businesses. In relation to electricity network assets in the Republic of Ireland, mechanisms exist for the costs of extreme storms to be recovered through regulated tariffs.

Changing weather patterns may also impact on the volumes achieved from the Group's wind and hydro generation assets. Weather events such as intense rainfall could also lead to more incidences where ESB has to manage flood water through its hydro generation plants. A provision for legal claims relating to flooding in Cork in 2009 is in place as set out in note 28.

While physical climate issues have not had a material financial impact to date, the impact of such events is considered as part of ESB's impairment and provisions assessments as required.

(b) Net Zero Transition
Commitments to Net Zero have the potential to impact, in the medium to long term, on the level of electricity generation from ESB's thermal generation fleet. This coupled with an increasing amount of renewables being connected to the grid both in Ireland and Great Britain, as well as increased costs related to thermal energy sources, including carbon costs, may result in changes to future cash flows derived from thermal assets and impact on expected useful lives. These changes are considered through the Group's annual impairment assessments and reviews of asset lives.

ESB's thermal generation fleet has been subject to impairment charges in recent years and the majority of thermal assets are close to the end of their useful economic lives (with the exception of some newer gas fired generation stations). ESB's thermal assets, including new flexible generation assets, are required to provide security of supply in both Ireland and GB in the medium term and therefore no adjustments to the useful economic lives of assets with material carrying values have been made during the period ended 31 December 2022.

(c) Environmental Obligations
Given the nature of the Group's assets, there are specific decommissioning provisions in place relating to asset retirement obligations arising from environmental and other legislation. See part (v) below.

(ii) Retirement benefits

The accounting for the ESB pension liability requires judgement regarding the appropriate accounting treatment in line with IAS 19 - Employee Benefits relating to ESB's committed obligations to the scheme. The Board is satisfied that the appropriate accounting treatment, determined in accordance with IAS 19 Employee Benefits, is to reflect its existing committed obligations, as set out in the notes to the financial statements (see note 25).

Notes to the Financial Statements (continued)

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

The employees in NIE Networks are entitled to membership of the Northern Ireland Electricity Pension Scheme (the NIE Networks Scheme) which has both defined benefit and defined contribution arrangements. The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. This involves estimates about uncertain future events including the life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. A pension asset on NIE Networks defined benefit pension scheme has been recognised as the amount of the surplus at the balance sheet date that the Group has a right to. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 24.

(iii) Impairment assessments and carrying value of long-lived assets and goodwill

Assessment of the recoverable amount, being the higher of value in use and the fair value less cost to sell, of property plant and equipment, intangible assets, right-of-use assets, goodwill (described in note 15) and equity accounted investees, in accordance with IAS 36 Impairment of Assets, as described below:

- For power generation assets, value in use is based on the estimated cash flows expected to be generated by the asset which are based on an external review of forecast power generation and forecast power, gas, carbon and capacity prices (where applicable) and the timing and extent of operating costs and capital expenditure.
- For goodwill on the acquisition of Northern Ireland Electricity Networks, the fair value is calculated by reference to the market valuations of comparable regulated utilities. See note 15 for further details.
- For goodwill on the acquisition of So Energy Ltd (So Energy), the value in use is based on expected cashflows and a terminal value. Expected cashflows are based on assumptions in respect of customer numbers, margin per customer and operating costs. See note 15 for further details.
- For other tangible and intangible assets, where assets are required to be tested for impairment, value in use is determined based on estimated cashflows or other benefits expected to be derived from use of the assets.
- For fair value less cost to sell, the approach is consistent across all assets where fair values are based on independent third party assessments less cost of disposal.
- Cash flows used in value in use models are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The estimation of forecasted revenues and the timing of expenditure requires judgement and is dependent on the economic factors associated with these assets.
- The equity investment in Neart na Gaoithe has been assessed based on a fair value less cost to sell approach determined by an independent third party. The valuer has determined the fair value less cost to sell based on market assumptions using the income approach under IFRS 13 and in line with IAS36. Please refer to note 6 for details of the main estimates and judgements.

(iv) Financial instruments

As described in note 29 section (i), the valuation of certain financial instruments is based on a number of judgemental factors and assumptions which of necessity are not based on observable inputs. These have been classified as level 3 financial instruments, under the meaning of IFRS 13 Fair Value Measurement and IAS 36 Impairment of Assets.

(v) Asset retirement obligations, legal and other provisions

Future costs required to settle current provisions such as the power station closure costs, creosote treated wood pole retirement provision and employee liabilities including severance obligations. These liabilities are disclosed in notes 24, 25 and 28.

There is significant estimation and judgement required in the calculation of the provision for generation assets, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, the impact of alternative technologies and the use of appropriate discount rates.

There is significant estimation required in determining the level of provision required for the disposal of creosote treated wood poles. This includes estimating the disposal cost per pole, which will be determined via competitive tender processes, the period over which poles will be disposed of which is dependent on pole condition and the use of an appropriate discount rate. The period over which poles are disposed of is estimated based on current operational plans which could change significantly in the future as a result of environmental legislation or pole condition.

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

The calculation of provisions in respect of legal claims requires judgement including an assessment of the outcome of the relevant claims. Details of estimates and judgements regarding ongoing legal claims are disclosed in notes 28 and 30.

The calculation of onerous contract provisions requires judgement relating to the contract term (including for customers not in a fixed term contract), unavoidable costs of fulfilling that contract and the economic benefits expected to accrue from those customers.

(vi) Valuation of receivables and payables

The measurement of a number of assets, liabilities, income and costs at year end which require a high degree of estimation and judgement are estimated in accordance with the accounting policies of the Group and current EU IFRS. Items which require a high degree of estimation and judgement include the calculation of unbilled electricity income and trade and other receivables (see note 18), amounts due from equity accounted investees (see note 18), the valuation of fuel stocks (see note 17), the cost of fuel consumed (see note 17), the useful lives of property, plant and equipment (see note 12) and also accruals for goods received or work carried out for which supplier invoices have not yet been received (see note 26).

ESB provide services to around 2 million individuals and business accounts, mainly on credit terms. It is known that certain debts due to ESB will not be paid through the default of a small number of customers. Forward looking estimates are used in determining the level of debts that is believed will not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues (see note 18).

Recoverability of amounts due from subsidiaries by ESB Parent requires judgement in respect of the ability of subsidiary companies to generate sufficient cash flows to repay the amounts as they fall due.

(vii) Lease liabilities

Application of IFRS 16 requires the Group to make judgements that affect the valuation of lease liabilities, the valuation of right-of-use assets, the discount rate used to discount the lease payments and the lease terms.

(viii) Acquisition accounting

There is estimation and judgement required in the identification of assets acquired and liabilities assumed and the calculation of their acquisition-date fair values in line with IFRS 3 Business Combinations including estimating the fair value of commodity contracts and calculation of onerous contracts.

(ix) Accounting for Networks supply contributions

The accounting for network supply contributions area remains under consideration within the industry and the accounting profession more broadly, and the accounting treatment ultimately adopted by the Group in this area could therefore be impacted by the outcome of these ongoing discussions.

3. SEGMENT REPORTING

For management purposes, the Group is organised into four key reportable segments, being the Group's strategic divisions which are managed separately and in respect of which internal management information is supplied to Executive Management and to the Board being collectively the Chief Operating Decision Maker (CODM) of the Group. Three further corporate divisions provide support and other services to the principal operating divisions of the Group and are combined as Other Segments in the information below.

A description of the Group's key reportable segments is as follows:

- **(a) Customer Solutions** develops, markets, sells and services innovative energy supply and service offerings through all of ESB's customer-facing brands (Electric Ireland, Smart Energy Services, ESB e-Cars, ESB Telecoms, ESB Energy and So Energy) in Ireland (Republic of Ireland (ROI) and Northern Ireland (NI)) and Great Britain (GB). Electric Ireland is the leading supplier of electricity and gas to domestic customers on the island of Ireland. Customer Solutions operates in the GB domestic market through ESB Energy and So Energy. Electric Ireland also has a substantial market share in the non-domestic sector in both the ROI and NI. Revenues are primarily derived from sales to electricity and gas customers.
- **(b) ESB Networks** is principally concerned with the ownership and operation of the electricity distribution network and the ownership of the electricity transmission network in ROI. ESB Networks is a regulated business earning an allowed return on its Regulated Asset Base (RAB) and derives its revenue principally from charges for the use of the distribution system levied on electricity suppliers and from charges for transmission services collected from EirGrid Plc. It is ring-fenced by regulation from the Group's generation and supply business.
- **(c) Generation and Trading** operates, develops, constructs and trades the output of power stations and wind farms in ROI, NI and GB. This includes wholly owned subsidiaries and investments in joint ventures.

Notes to the Financial Statements (continued)

3. SEGMENT REPORTING (continued)

- **(d) NIE Networks** is principally concerned with the ownership and operation of the electricity distribution network and the ownership of the electricity transmission network in NI. NIE Networks is a regulated business earning an allowed return on its Regulated Asset Base (RAB) and derives its revenue principally from charges for the use of the distribution system levied on electricity suppliers and from charges for transmission services collected from the System Operator for Northern Ireland (SONI).
- **(e) Other Segments** include the results of internal service providers, which supply the main business units of the Group with support services. These segments are governed by regulation, and service level agreements are designed to ensure that transactions between operating segments are on an arm's length basis similar to transactions with third parties. This segment also includes most finance costs in the Group, as the majority of Treasury activity is conducted centrally. Finance costs incurred centrally are not recharged to other operating segments.

The CODM monitors the operating results of the segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit. Assets and liabilities are not reported by segment to the CODM.

Revenue by product

Reportable segments are split by type of product revenue earned. Customer Solutions revenues consist of sales to electricity and gas customers and other related services as set out at (a) above. Generation and Trading revenue derives mainly from electricity generation. ESB Networks and NIE Networks earn Use of System income in the ROI and NI respectively. Revenue included within Other Segments relates primarily to engineering services.

(a) Income Statement

(i) Segment revenue - 2022

	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
External revenues	5,471.1	789.7	1,016.3	296.8	22.2	-	**7,596.1**
Exceptional revenues	-	-	-	-	-	-	**-**
Inter-segment revenue	65.6	401.5	2,285.3	49.0	352.3	(3,153.7)	**-**
Revenue	5,536.7	1,191.2	3,301.6	345.8	374.5	(3,153.7)	**7,596.1**
(ii) Segment operating costs - 2022							
Depreciation and amortisation	(29.9)	(531.4)	(145.4)	(183.7)	(24.2)	-	**(914.6)**
Net other operating costs	(5,577.0)	(452.9)	(2,379.3)	(98.4)	(439.6)	3,153.7	**(5,793.5)**
Impairment charge	(0.2)	-	(2.6)	-	-	-	**(2.8)**
Net impairment losses on financial assets	(38.5)	-	-	-	-	-	**(38.5)**
Costs	(5,645.6)	(984.3)	(2,527.3)	(282.1)	(463.8)	3,153.7	**(6,749.4)**
(iii) Operating result - 2022							
Operating profit / (loss) - excluding exceptional items	(108.9)	206.9	774.3	63.7	(89.3)	-	**846.7**
Operating profit / (loss) - including exceptional items	(108.9)	206.9	774.3	63.7	(89.3)	-	**846.7**
Net finance cost	(8.1)	(2.8)	(8.2)	(44.2)	38.9	-	**(24.4)**
Exceptional impairment of equity accounted investee	-	-	(91.2)	-	-	-	**(91.2)**
Share of equity accounted investees' loss	-	-	(14.5)	-	(16.4)	-	**(30.9)**
Profit / (loss) before taxation	(117.0)	204.1	660.4	19.5	(66.8)	-	**700.2**

3. SEGMENT REPORTING (continued)

(i) Segment revenue - 2021

	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
External revenues	3,014.0	906.9	1,024.0	277.6	25.5	-	5,248.0
Exceptional revenues	-	-	-	-	152.0	-	152.0
Inter-segment revenue	40.6	404.7	1,110.1	52.5	310.0	(1,917.9)	-
Revenue	3,054.6	1,311.6	2,134.1	330.1	487.5	(1,917.9)	5,400.0
(ii) Segment operating costs - 2021							
Depreciation and amortisation	(28.3)	(511.1)	(136.6)	(170.3)	(30.9)	-	(877.2)
Net other operating costs	(3,020.6)	(391.5)	(1,797.3)	(86.0)	(274.5)	1,917.9	(3,652.0)
Impairment charge	(1.5)	-	(16.5)	-	(0.4)	-	(18.4)
Net impairment (losses) / gains on financial assets	(23.0)	-	-	(0.3)	1.5	-	(21.8)
Exceptional impairment gain	-	-	79.0	-	-	-	79.0
Exceptional net operating costs including impairment charges	(61.3)	-	3.2	-	(82.0)	-	(140.1)
Costs	(3,134.7)	(902.6)	(1,868.2)	(256.6)	(386.3)	1,917.9	(4,630.5)
(iii) Operating result - 2021							
Operating profit / (loss) - excluding exceptional items	(18.8)	409.0	183.7	73.5	31.2	-	678.6
Operating profit / (loss) - including exceptional items	(80.1)	409.0	265.9	73.5	101.2	-	769.5
Net finance cost	(1.1)	(6.0)	(26.6)	(42.3)	(175.7)	-	(251.7)
Exceptional impairment of equity accounted investee	-	-	(153.5)	-	-	-	(153.5)
Share of equity accounted investees' loss	-	-	(65.9)	-	(10.0)	-	(75.9)
Profit / (loss) before taxation	(81.2)	403.0	19.9	31.2	(84.5)	-	288.4

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

(b) Other disclosures

	2022 €m	2021 €m
Additions to non-current assets		
Customer Solutions	**31.0**	26.1
ESB Networks	**869.1**	734.0
Generation and Trading	**207.0**	209.3
NIE Networks	**255.5**	192.5
Other Segments	**32.5**	61.0
Total	**1,395.1**	1,222.9

Additions to non-current assets (excluding acquisitions) includes investments in property, plant and equipment, intangible assets (excluding emission allowances), financial assets and equity accounted investees.

Notes to the Financial Statements (continued)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. ESB has determined that the disaggregation using existing segments and the nature of revenues is appropriate for its circumstances.

2022	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
External revenues							
Revenue from Power Generation	-	-	995.6	-	-	-	**995.6**
Revenue from Use of System charges to customers	-	701.2	-	273.2	-	-	**974.4**
Revenue from supply contributions	-	67.0	-	22.5	-	-	**89.5**
Revenue from sales to electricity and gas customers	5,431.7	-	-	-	-	-	**5,431.7**
Other revenue	39.4	21.5	20.7	1.1	22.2	-	**104.9**
Revenue from contracts with customers	**5,471.1**	**789.7**	**1,016.3**	**296.8**	**22.2**	**-**	**7,596.1**
Inter-segment revenue	65.6	401.5	2,285.3	49.0	352.3	(3,153.7)	-
Total ESB Group revenue	**5,536.7**	**1,191.2**	**3,301.6**	**345.8**	**374.5**	**(3,153.7)**	**7,596.1**

Included in revenue from sales to electricity and gas customers is an amount of €109.1 million from the UK Government in respect of the Energy Price Guarantee scheme.

2021	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
External revenues							
Revenue from Power Generation	-	-	1,006.1	-	-	-	1,006.1
Revenue from Use of System charges to customers	-	818.3	-	258.9	-	-	1,077.2
Revenue from supply contributions	-	63.1	-	17.7	-	-	80.8
Revenue from sales to electricity and gas customers	2,964.7	-	-	-	-	-	2,964.7
Revenue from sale of property	-	-	-	-	152.0	-	152.0
Other revenue	49.3	25.5	17.9	1.0	25.5	-	119.2
Revenue from contracts with customers	3,014.0	906.9	1,024.0	277.6	177.5	-	5,400.0
Inter-segment revenue	40.6	404.7	1,110.1	52.5	310.0	(1,917.9)	-
Total ESB Group revenue	3,054.6	1,311.6	2,134.1	330.1	487.5	(1,917.9)	5,400.0

5. GEOGRAPHIC INFORMATION

(a) Non-current assets by geographic location

	2022 €m	2021 €m
Ireland	**9,207.3**	8,726.0
UK including Northern Ireland	**3,233.9**	3,408.8
Total	**12,441.2**	12,134.8

Non-current assets for this purpose consist of property, plant and equipment, intangible assets, right of use assets, and goodwill. Investments in equity accounted investees, financial asset investments, trade and other receivables, derivative financial instruments and deferred tax assets are excluded.

(b) External revenue by geographic market

	2022 €m	2021 €m
Ireland	**5,865.6**	4,363.5
UK including Northern Ireland	**1,711.6**	1,016.1
Rest of world	**18.9**	20.4
Total	**7,596.1**	5,400.0

6. EXCEPTIONAL ITEMS

	2022 €m	2021 €m
Profit on disposal of equity accounted investee and impairment gain	**-**	82.2
Profit on disposal of property	**-**	70.0
Impairment of equity accounted investee	**(91.2)**	(153.5)
So Energy impairment of goodwill and onerous contract provision	**-**	(61.3)
	(91.2)	(62.6)

The Group has used the term "exceptional" to describe certain items which, in management's view, warrant separate disclosure by virtue of their size or incidence, or due to the fact that certain gains or losses are determined to be non-recurring in nature.

2022 Impairment of equity accounted investee

The Neart na Gaoithe (UK) project is being constructed through NNG Windfarm Holdings Limited, a joint arrangement between ESB II UK Limited and EDF Renewables UK Limited. The purpose of this joint arrangement is to develop a 448 MW wind farm off the east coast of Scotland. Substantial progress has been made on the construction programme during 2022. However, significant challenges were experienced in the delivery of the foundations package during 2021 and early 2022. As a result, commercial operations will be later than originally expected and additional construction costs will be incurred.

An impairment test of the carrying value of the Neart na Gaoithe project, included within investments in equity accounted investees, was performed as at 31 December 2022. The valuation methodology used to value the Group's equity accounted investment in Neart na Gaoithe was based on a discounted cash flow model (i.e. income approach) to determine a fair value less cost to sell in line with IFRS 13 and in line with IAS 36.

Notes to the Financial Statements (continued)

6. EXCEPTIONAL ITEMS (continued)

The main assumptions used in performing the impairment test were as follows:

- Estimated construction costs to complete
- Project timelines, including the estimated Commercial Operation Date which impact on the overall construction costs and overall revenues
- The level of financial commitments
- The impact of inflation, interest and FX hedges
- Estimate of long-term inflation rate for unhedged revenues
- Forecast market prices
- Forecast wind load factors
- A pre-tax discount rate for operational cash flows

The recoverable amount of the investment included within equity accounted investees has been assessed as €41.2 million as at 31 December 2022. This was compared to the carrying value of the investment which had increased during 2022 as a result of fair valuation movements on hedges. This has resulted in an impairment charge of €91.2 million (31 December 2021: €153.5 million) being recorded as an exceptional item. No expected credit loss provision has been recorded in respect of loans to the project. The amount due in respect of loans to the project at 31 December 2022 is €328.4 million. The Group also has further commitments of €233 million at 31 December 2022 (see note 29 (e)).

Any material adverse change in the construction costs or timing of the Commercial Operation Date would result in a reduction in the recoverable amount and an increase in the impairment charge.

2021 Impairment of equity accounted investee

An impairment test of the carrying value of the Neart na Gaoithe project, included within investments in equity accounted investees, was performed as at 31 December 2021. The valuation methodology used to value the Group's equity accounted investment in Neart na Gaoithe was based on a probability weighted discounted cash flow model (i.e. income approach) to determine a fair value less cost to sell in line with IFRS 13 and in line with IAS 36.

The main assumptions used in performing the impairment test are outlined below:

- Estimated construction costs to complete
- Scenarios of project timeline, including the estimated Commercial Operation Dates which impact on the overall construction costs and overall revenues
- The level of financial commitments
- Impact of inflation hedges
- Estimate of long term inflation rate for unhedged revenues
- Forecast market prices
- Forecast wind load factors
- A post-tax discount rate for operational cash flows

The recoverable amount of the investment included within equity accounted investees was assessed as €35.3 million as at 31 December 2021. This resulted in an impairment charge of €153.5 million being recorded as an exceptional item in 2021. No expected credit loss provision has been recorded in respect of loans to the project. The amount due in respect of loans to the project at 31 December 2021 was €83.8 million. The Group also had further commitments of €253.0 million at 31 December 2021 (see note 29 (e)).

6. EXCEPTIONAL ITEMS (continued)

2021 Profit on disposal of equity accounted investee and impairment gain

In June 2021 ESB completed the disposal of its shareholding in Tilbury Green Power Holdings Limited (Tilbury) to Lakeside BidCo Limited (a consortium of Altri / Greenvolt and Equitix). The Group was a 47% partner in Tilbury, a joint arrangement formed with Green Investment Bank (47%) and Scandinavian equipment suppliers BWSC and AET (6%). Tilbury operates a waste wood to energy plant in Great Britain.

The gain recognised in 2021 on the disposal of ESB's shareholding in Tilbury comprised of two components:

- €3.2 million, being the difference between the proceeds received for the equity shareholding held less its carrying value of €nil at the date of disposal. The carrying value reflects share of joint venture losses recognised in previous periods; and
- €79.0 million impairment gain in respect of shareholder loans to Tilbury. The impairment gain included the reversal of expected credit losses previously recognised in the income statement and interest income not previously recognised as the loans were accounted for under IFRS 9 as a stage 3 credit impaired asset.

2021 Profit on disposal of property

In 2017 ESB commenced the redevelopment of its Fitzwilliam Street Head Office complex. The former head office complex was demolished in 2018, and construction commenced on two modern commercial office blocks, namely Fitzwilliam 27 and Fitzwilliam 28. Fitzwilliam 27 would serve as ESB's new head office with Fitzwilliam 28 sold to a third party.

In November 2020, agreement was reached with Amundi Real Estate for the sale of Fitzwilliam 28 and a deposit was received upon signing of the contract for sale with the balance of the consideration to be received on completion. Contract completion occurred on 10 December 2021.

ESB recognised revenue of €152.0 million on the sale of Fitzwilliam 28. Operating costs included €79.8 million of construction costs and €2.2 million of other costs associated with the sale.

2021 So Energy impairment of goodwill and onerous contract provision

As a result of the significant challenges experienced in the Group's UK energy supply market business due to soaring wholesale prices and the Government imposed price cap (a regulatory imposed limit on both the standing charge and unit price of electricity and gas for domestic customers who are on a standard variable tariff), an impairment of the goodwill arising on the acquisition of So Energy of €45.3 million was recognised (see note 15 for further details). An onerous contract provision of €16.0 million was also recognised in the income statement as an exceptional item reflecting customer contracts where the costs of meeting obligations to provide electricity and gas exceed the benefits expected to be received (see note 28 for further details).

7. OTHER OPERATING INCOME / (EXPENSES)

	2022 €m	2021 €m
(Loss) / profit on disposal of property, plant and equipment and intangible assets	**(0.9)**	14.0
Profit on disposal of equity accounted investee (note 6)[1]	**-**	3.2
Profit on disposal of subsidiary	**3.4**	-
Other operating income	**12.6**	5.2
Dividends received	**4.0**	-
Total	**19.1**	22.4

[1] Profit on disposal of equity accounted investee of €3.2 million was recognised in 2021 and is disclosed as an exceptional item in the income statement.

Notes to the Financial Statements (continued)

8. OPERATING COSTS (including net impairment losses on financial assets)

	2022 €m	2021 €m
Employee costs (note 10)	**532.0**	476.2
Energy costs[1&2]	**4,627.0**	2,745.8
Operations and maintenance[3]	**653.6**	449.2
Net impairment losses on financial assets (note 18)	**38.5**	21.8
Depreciation and amortisation (notes 12/13/14)	**914.6**	877.2
Impairment charges (note 13)[4]	**2.8**	18.4
Total excluding exceptional items	**6,768.5**	4,588.6
Exceptional costs on disposal of property	**-**	82.0
So Energy impairment of goodwill and onerous contract provision[2&4]	**-**	61.3
Exceptional impairment reversal[5]	**-**	(79.0)
Total	**6,768.5**	4,652.9

[1] Included in energy costs is a charge of €11.6 million (2021: €16.5 million) relating to the fair valuing of fuel commodity contracts and related foreign exchange contracts which have not been designated as accounting hedges.

[2] Included in So Energy impairment of goodwill and onerous contract provision is a net charge of €nil (2021: €16.0 million) relating to an onerous contract provision in So Energy at 31 December 2021. Refer to note 28 for further details.

[3] Included in operations and maintenance is a foreign exchange retranslation loss of €70.5 million (2021: gain of €35.9 million) predominantly related to sterling denominated intercompany positions, short term deposits and long term debt and a gain of €3.0 million (2021: charge of €4.1 million) relating to fair valuing of foreign exchange contracts which have not been designated as accounting hedges.

[4] Impairment charges of €2.8 million (2021: €63.7 million) in respect of Property, plant and equipment (note 12), Intangible assets (note 13), Right-of-use assets (note 14) and Goodwill (note 15) have been recognised in 2022, €nil million (2021: €45.3 million) of which have been disclosed as exceptional items in the income statement, see note 6 for further details.

[5] An impairment gain of €79.0 million in respect of shareholder loans was recognised in 2021, €79.0 million of which has been disclosed as an exceptional item in the income statement. See note 6 for further details.

9. NET FINANCE COST AND OTHER FINANCING CHARGES

	2022 €m	2021 €m
Interest payable on borrowings	**159.9**	142.5
Less capitalised interest	**(28.6)**	(23.9)
Net interest on borrowings	**131.3**	118.6
Financing charges:		
- on NIE Networks pension scheme (note 24)	**(0.1)**	1.4
- on ESB pension scheme (note 25)	**4.5**	4.6
- on provisions (note 28)	**8.7**	5.0
- on lease obligations (note 14)	**2.0**	1.9
- on other provisions (note 28)	**0.1**	-
Total financing charges	**15.2**	12.9
Fair value (gains) / losses on financial instruments:		
- interest rate swaps and inflation linked swaps not qualifying for hedge accounting	**(86.5)**	124.5
- currency / interest rate swaps: cash flow hedges, transfer from OCI	**2.6**	4.7
- foreign exchange contracts not qualifying for hedge accounting	**(2.0)**	(2.3)
Total fair value (gains) / losses on financial instruments	**(85.9)**	126.9
Finance cost	**60.6**	258.4
Finance income	**(36.2)**	(6.7)
Net finance cost	**24.4**	251.7

9. NET FINANCE COST AND OTHER FINANCING CHARGES (continued)

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the accounting polices - see note 1.

Included in interest rate swaps and inflation linked swaps not qualifying for hedge accounting are fair value losses relating to interest rate swaps, fair value losses on inflation linked interest rate swaps and fair value gains on currency swaps. See note 23a for further details of these movements.

Included in finance income is interest on borrowings receivable from Oweninny Power DAC €0.5 million (2021: €0.5 million), Inch Cape Offshore Limited €3.8 million (2021: €3.2 million), Neart na Gaoithe €16.1 million (2021 €1.9 million), Siro Limited €2.4 million (2021: €nil), Oriel Wind Farm Limited €0.2 million (2021: €0.4 million). See note 16 for further details.

10. EMPLOYEES

Group

(a) Average number of employees in year by business activity, including temporary employees:

	2022 Number	2021 Number
Generation and Trading	**708**	692
Customer Solutions	**850**	726
ESB Networks	**3,376**	3,339
NIE Networks	**1,316**	1,209
Other Segments	**1,946**	1,904
Total	**8,196**	7,870

(b) Employee costs in year

	2022 €m	2021 €m
Current staff costs (excluding pension)		
Salaries	**591.3**	544.3
Overtime	**45.7**	37.6
Social welfare costs (PRSI and national insurance)	**53.0**	47.2
Other payroll benefits[1]	**31.2**	23.1
Payroll cost for employees	**721.2**	652.2

(c) Pension and other employee benefit costs

	2022 €m	2021 €m
Pensions charge - other schemes[2]	**54.1**	47.9
NIE Networks pension scheme charge[3]	**9.5**	8.7
	784.8	708.8
Capitalised employee costs	**(252.8)**	(232.6)
Total employee related costs charged to the income statement	**532.0**	476.2

[1] These benefits primarily include travel and subsistence allowances.

[2] The pension charge for other schemes include contributions of €25.4 million (2021: €25.6 million) to the ESB Defined Benefit Pension Scheme, €18.6 million (2021: €17.0 million) to the ESB Defined Contribution Scheme, €9.3 million (2021: €9.8 million) to the Options section of the NIE Networks Pension Scheme (NIE Networks Scheme) and €0.7 million (2021: €0.7 million) to the stakeholder pension scheme for Great Britain (GB) employees (FMUK Pension Scheme). This charge also include a credit to the income statement in relation to ESB pension liability of €nil (2021: €5.2 million). See note 24 and 25 for further details.

[3] The NIE Networks pension scheme charge relates solely to the Focus section of the Northern Ireland Electricity Scheme (the NIE Networks Scheme). See note 24 for further details.

Notes to the Financial Statements (continued)

10. EMPLOYEES (continued)

Parent

(a) Average number of employees in year by business activity, including temporary employees:

	2022 Number	2021 Number
Generation and Trading	**464**	440
Customer Solutions	**393**	359
ESB Networks	**3,359**	3,321
Other Segments	**1,824**	1,756
Total	**6,040**	5,876

(b) Employee costs in year

	2022 €m	2021 €m
Current staff costs (excluding pension)		
Salaries	**462.4**	424.6
Overtime	**37.0**	30.0
Social welfare costs (PRSI)	**41.1**	36.4
Other payroll benefits[1]	**25.5**	19.0
Payroll cost for employees	**566.0**	510.0

(c) Pension and other employee benefit costs

	2022 €m	2021 €m
Pension charge[2]	**38.6**	33.0
	604.6	543.0
Capitalised employee costs	**(186.9)**	(173.5)
Total employee related costs charged to the income statement	**417.7**	369.5

[1] These benefits primarily include travel and subsistence allowances.

[2] The pension charge includes contributions to the ESB Defined Contribution Scheme and the ESB Defined Benefit Pension Scheme. See note 24 for further details.

11. PROFIT FOR THE FINANCIAL YEAR

	2022 €m	2021 €m
Auditor's remuneration:		
- Audit of Group financial statements[1]	**0.6**	0.6
- Other assurance services	**0.9**	0.9
- Tax advisory services (Parent and NIE Networks entities only)	**-**	-
- Other non-audit services	**0.1**	0.1
ESB (Parent) Board members' remuneration:		
- Emoluments	**0.5**	0.6
- Pension contributions	**0.1**	0.1

The details of Board members remuneration do not include amounts paid to four Worker Board members as employees of ESB (as such pay is neither increased nor decreased because of their membership of the Board), but do include amounts paid to them by way of Board fees.

[1] Auditors remuneration attributable to the parent company comprises €0.4million (2021: €0.1 million) related to other assurance services, €nil million (2021: €nil million) related to tax advisory services and €0.1 million (2021: €nil million) related to other non-audit services.

12. PROPERTY, PLANT & EQUIPMENT

Group	Land and buildings €m	Plant and machinery €m	Total assets in commission €m	Assets under construction €m	Total €m
Cost					
Balance at 1 January 2021	1,240.8	20,890.6	22,131.4	1,303.3	**23,434.7**
Additions	-	465.4	465.4	560.3	**1,025.7**
Retirements / disposals	(3.7)	(508.3)	(512.0)	(5.6)	**(517.6)**
Transfers out of assets under construction	12.6	336.5	349.1	(349.1)	**-**
Reduction in asset retirement provision	-	(11.3)	(11.3)	-	**(11.3)**
Transfers from / (to) intangible assets	-	0.3	0.3	(0.4)	**(0.1)**
Other transfers	-	(0.3)	(0.3)	-	**(0.3)**
Translation differences	1.3	355.2	356.5	0.2	**356.7**
Balance at 31 December 2021	1,251.0	21,528.1	22,779.1	1,508.7	**24,287.8**
Balance at 1 January 2022	1,251.0	21,528.1	22,779.1	1,508.7	**24,287.8**
Additions	-	645.9	645.9	613.6	**1,259.5**
Retirements / disposals	(3.9)	(14.4)	(18.3)	-	**(18.3)**
Transfers out of assets under construction	112.7	490.6	603.3	(603.3)	**-**
Reduction in asset retirement provision	-	(20.2)	(20.2)	-	**(20.2)**
Other transfers	-	(0.2)	(0.2)	-	**(0.2)**
Translation differences	(0.8)	(287.6)	(288.4)	(0.4)	**(288.8)**
Balance at 31 December 2022	1,359.0	22,342.2	23,701.2	1,518.6	**25,219.8**
Depreciation					
Balance at 1 January 2021	718.8	11,784.2	12,503.0	1.6	**12,504.6**
Charge for the year	22.8	749.6	772.4	-	**772.4**
Retirements / disposals	(2.5)	(507.6)	(510.1)	-	**(510.1)**
Transfers to intangible assets	(0.3)	(5.2)	(5.5)	-	**(5.5)**
Impairment	-	15.2	15.2	-	**15.2**
Translation differences	0.2	157.7	157.9	-	**157.9**
Balance at 31 December 2021	739.0	12,193.9	12,932.9	1.6	**12,934.5**
Balance at 1 January 2022	739.0	12,193.9	12,932.9	1.6	**12,934.5**
Charge for the year	23.4	791.8	815.2	-	**815.2**
Retirements / disposals	-	(10.6)	(10.6)	-	**(10.6)**
Impairment	-	2.8	2.8	-	**2.8**
Translation differences	(0.1)	(136.1)	(136.2)	-	**(136.2)**
Balance at 31 December 2022	762.3	12,841.8	13,604.1	1.6	**13,605.7**
Carrying amount at 31 December 2022	**596.7**	**9,500.4**	**10,097.1**	**1,517.0**	**11,614.1**
Carrying amount at 31 December 2021	512.0	9,334.2	9,846.2	1,507.1	**11,353.3**
Carrying amount at 1 January 2021	522.0	9,106.4	9,628.4	1,301.7	**10,930.1**

During the year the Group capitalised interest of €25.2 million (2021: €20.6 million) in assets under construction, using an effective interest rate of 2.2% (2021: 2.4%).

The carrying value of non-depreciable assets (land) at 31 December 2022 is €97.0 million (2021: €96.5 million).

Notes to the Financial Statements (continued)

12. PROPERTY, PLANT & EQUIPMENT (continued)

Property, plant and equipment with a carrying amount of €nil at 31 December 2022 is included above at a cost of €5,164.2 million (2021: €4,835.1 million).

Included within additions in 2022 is the capitalisation of an increase in the asset retirement provision for Generation and Trading, ESB Networks and NIE Networks of €69.7 million (2021: increase of €1.1 million). See note 28 for further details.

Retirements / disposals in both 2022 and 2021 primarily relate to the retirement of assets that have been fully depreciated.

Impairment charge

IAS 36 - Impairment of Assets stipulates that an impairment loss is the amount by which the carrying value of an asset exceeds its recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and its value in use. Value in use is calculated by taking the Net Present Value (NPV) of expected future cash flows from the asset discounted at an appropriate discount rate. Entities are required to conduct impairment tests where there is an indication of impairment of an asset.

Impairment reviews have been carried out on certain generation assets displaying indicators of impairments and no impairments were identified (2021: €nil million).

The impairment charge in 2022 of €2.8 million (2021: €15.2 million) relate to development projects no longer proceeding and individual assets which are no longer operational.

12. PROPERTY, PLANT & EQUIPMENT (continued)

Parent	Land and buildings €m	Total Plant and machinery €m	Assets in commission €m	Assets under construction €m	Total €m
Cost					
Balance at 1 January 2021	1,201.5	14,989.6	16,191.1	1,127.1	**17,318.2**
Additions	-	279.7	279.7	446.7	**726.4**
Retirements / disposals	(1.5)	(507.4)	(508.9)	-	**(508.9)**
Transfers out of assets under construction	12.6	280.0	292.6	(292.6)	**-**
Reduction in asset retirement provision	-	(0.8)	(0.8)	-	**(0.8)**
Transfers from intangible assets	-	0.1	0.1	-	**0.1**
Other transfers	-	-	-	6.6	**6.6**
Balance at 31 December 2021	1,212.6	15,041.2	16,253.8	1,287.8	**17,541.6**
Balance at 1 January 2022	1,212.6	15,041.2	16,253.8	1,287.8	**17,541.6**
Additions	-	396.3	396.3	576.1	**972.4**
Retirements / disposals	-	(6.8)	(6.8)	-	**(6.8)**
Transfers out of assets under construction	29.6	391.6	421.2	(421.2)	**-**
Reduction in asset retirement provision	-	(2.9)	(2.9)	-	**(2.9)**
Balance at 31 December 2022	1,242.2	15,819.4	17,061.6	1,442.7	**18,504.3**
Depreciation					
Balance at 1 January 2021	702.0	9,117.5	9,819.5	-	**9,819.5**
Charge for the year	22.6	486.5	509.1	-	**509.1**
Retirements / disposals	(1.5)	(506.5)	(508.0)	-	**(508.0)**
Balance at 31 December 2021	723.1	9,097.5	9,820.6	-	**9,820.6**
Balance at 1 January 2022	723.1	9,097.5	9,820.6	-	**9,820.6**
Charge for the year	22.2	505.3	527.5	-	**527.5**
Retirements / disposals	-	(6.6)	(6.6)	-	**(6.6)**
Balance at 31 December 2022	745.3	9,596.2	10,341.5	-	**10,341.5**
Carrying amount at 31 December 2022	**496.9**	**6,223.2**	**6,720.1**	**1,442.7**	**8,162.8**
Carrying amount at 31 December 2021	489.5	5,943.7	6,433.2	1,287.8	**7,721.0**
Carrying amount at 1 January 2021	499.5	5,872.1	6,371.6	1,127.1	**7,498.7**

During the year the Parent capitalised interest of €25.8 million (2021: €18.6 million) in assets under construction, using an effective interest rate of 2.2% (2021: 2.4%).

The carrying value of non-depreciable assets (land) at 31 December 2022 is €79.9 million (2021: €77.8 million).

Included within additions in 2022 is the capitalisation of an increase in the asset retirement provision for Generation and Trading and ESB Networks of €34.3 million (2021: €nil million). See note 28 for further details.

Property, plant and equipment with a carrying amount of €nil at 31 December 2022 are included above at a cost of €3,866.2 million (2021: €3,864.2 million).

Retirements / disposals in both 2022 and 2021 primarily relate to the retirement of assets that have been fully depreciated.

Notes to the Financial Statements (continued)

13. INTANGIBLE ASSETS

Group	Software and other intangible assets €m	Emission allowances & ROCs €m	Software under development €m	Total €m
Cost				
Balance at 1 January 2021	804.1	120.1	263.4	**1,187.6**
Software additions	9.2	-	113.7	**122.9**
Purchase of emission allowances	-	346.5	-	**346.5**
Acquisitions	59.2	-	-	**59.2**
Settlement of emission allowances	-	(162.0)	-	**(162.0)**
Software retirements	(19.6)	-	-	**(19.6)**
Transfers out of software under development	286.5	-	(286.5)	**-**
Transfers from / (to) property, plant and equipment	(0.3)	-	0.4	**0.1**
Transfer to income statement	(27.4)	-	-	**(27.4)**
Translation differences	15.6	-	0.7	**16.3**
Balance at 31 December 2021	1,127.3	304.6	91.7	**1,523.6**
Balance at 1 January 2022	1,127.3	304.6	91.7	**1,523.6**
Software additions	7.9	-	124.4	**132.3**
Purchase of emission allowances	-	753.2	-	**753.2**
Settlement of emission allowances	-	(378.6)	-	**(378.6)**
Transfers out of software under development	19.4	-	(19.4)	**-**
Transfer to income statement	(24.5)	-	-	**(24.5)**
Translation differences	(8.8)	(1.2)	(0.5)	**(10.5)**
Balance at 31 December 2022	1,121.3	678.0	196.2	**1,995.5**
Amortisation				
Balance at 1 January 2021	640.7	-	-	**640.7**
Charge for the year	87.0	-	-	**87.0**
Transfers from property, plant and equipment	5.5	-	-	**5.5**
Retirements	(19.6)	-	-	**(19.6)**
Impairment	1.9	-	-	**1.9**
Translation differences	12.2	-	-	**12.2**
Balance at 31 December 2021	727.7	-	-	**727.7**
Balance at 1 January 2022	727.7	-	-	**727.7**
Charge for the year	84.6	-	-	**84.6**
Translation differences	(6.8)	-	-	**(6.8)**
Balance at 31 December 2022	805.5	**-**	-	**805.5**
Carrying amount at 31 December 2022	**315.8**	**678.0**	**196.2**	**1,190.0**
Carrying amount at 31 December 2021	399.6	304.6	91.7	**795.9**
Carrying amount at 1 January 2021	163.4	120.1	263.4	**546.9**
Analysed as follows:				
Non-current intangible assets	315.8	-	196.2	**512.0**
Current intangible assets	-	678.0	-	**678.0**
Total intangible assets	315.8	678.0	196.2	**1,190.0**

13. INTANGIBLE ASSETS (continued)

Software assets include both internally developed and externally purchased assets with the majority being represented by internally developed assets.

Other intangible assets include grid connections with a carrying amount of €4.2 million (2021: €4.6 million).

During the year the Group capitalised interest of €3.4 million (2021: €3.3 million) in software under development, using an effective interest rate of 2.2% (2021: 2.4%).

In line with IFRS 3 Business Combinations, an intangible asset of €51.3 million was recognised during 2021 on the acquisition of So Energy in respect of favourable commodity contracts held by So Energy at the acquisition date. €24.5 million (2021: €27.4 million) has been recognised in energy costs in respect of the utilisation of these contracts during the period and an amount of (€0.6) million has been recognised in Translation Reserve.

Notes to the Financial Statements (continued)

13. INTANGIBLE ASSETS (continued)

Parent	Software and other intangible assets €m	Emission allowances €m	Software under development €m	Total €m
Cost				
Balance at 1 January 2021	610.2	119.5	254.3	**984.0**
Software additions	-	-	112.2	**112.2**
Purchase of emission allowances	-	243.9	-	**243.9**
Settlement of emission allowances	-	(79.3)	-	**(79.3)**
Software retirements	(14.9)	-	-	**(14.9)**
Transfers out of software under development	285.0	-	(285.0)	**-**
Transfers to property, plant and equipment	(0.1)	-	-	**(0.1)**
Other transfers	-	-	0.4	**0.4**
Balance at 31 December 2021	880.2	284.1	81.9	**1,246.2**
Balance at 1 January 2022	880.2	284.1	81.9	**1,246.2**
Software additions	-	-	121.7	**121.7**
Purchase of emission allowances	-	569.5	-	**569.5**
Settlement of emission allowances	-	(204.4)	-	**(204.4)**
Transfers out of software under development	19.4	-	(19.4)	**-**
Balance at 31 December 2022	899.6	649.2	184.2	**1,733.0**
Amortisation				
Balance at 1 January 2021	494.2	-	-	**494.2**
Charge for the year	70.6	-	-	**70.6**
Retirements / disposals	(14.9)	-	-	**(14.9)**
Impairment	0.4	-	-	**0.4**
Balance at 31 December 2021	550.3	-	-	**550.3**
Balance at 1 January 2022	550.3	-	-	**550.3**
Charge for the year	71.0	-	-	**71.0**
Balance at 31 December 2022	621.3	-	-	**621.3**
Carrying amount at 31 December 2022	**278.3**	**649.2**	**184.2**	**1,111.7**
Carrying amount at 31 December 2021	329.9	284.1	81.9	**695.9**
Carrying amount at 1 January 2021	116.0	119.5	254.3	**489.8**
Analysed as follows:				
Non-current intangible assets	278.3	-	184.2	**462.5**
Current intangible assets	-	649.2	-	**649.2**
Total intangible assets	278.3	649.2	184.2	**1,111.7**

Software assets include both internally developed and externally purchased assets with the majority being represented by internally developed assets.

Other intangible assets include grid connections with a net book value of €1.3 million (2021: €1.5 million).

During the year the Parent capitalised interest of €3.4 million (2021: €3.3 million) in software under development, using an effective interest rate of 2.2% (2021: 2.4%).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group

(a) Amounts recognised in the balance sheet

Right-of-use assets	Land and buildings €m	Motor vehicles €m	Total €m
Balance at 1 January 2021	118.4	5.2	**123.6**
Additions	5.4	1.9	**7.3**
Depreciation	(15.2)	(2.6)	**(17.8)**
Impairment[1]	(1.3)	-	**(1.3)**
Remeasurement of right-of-use assets	(0.6)	-	**(0.6)**
Translation differences	1.8	0.3	**2.1**
Balance at 31 December 2021	108.5	4.8	**113.3**
Balance at 1 January 2022	108.5	4.8	**113.3**
Additions	19.5	3.9	**23.4**
Depreciation	(12.1)	(2.7)	**(14.8)**
Remeasurement of right-of-use assets	3.0	-	**3.0**
Translation differences	(1.4)	(0.3)	**(1.7)**
Balance at 31 December 2022	117.5	5.7	**123.2**

Lease liabilities	Total €m
Balance at 1 January 2021	**(124.8)**
Additions	**(7.3)**
Interest expense	**(1.9)**
Lease payments[2]	**16.7**
Translation differences	**(2.2)**
Balance at 31 December 2021	**(119.5)**
Balance at 1 January 2022	**(119.5)**
Additions	**(23.4)**
Interest expense	**(2.0)**
Effect of modification of lease liability	**(2.8)**
Lease payments[2]	**17.6**
Translation differences	**1.3**
Balance at 31 December 2022	**(128.8)**

	2022 €m	2021 €m
Analysed as follows:		
Non-current liabilities	**(112.8)**	(106.7)
Current liabilities	**(16.0)**	(12.8)
Total	**(128.8)**	(119.5)

[1] The impairment charge of €1.3 million in 2021 relates to curtailment of operations at one of the windfarms in the portfolio.

[2] Lease payments include principal elements shown as financing activities of €15.6 million (2021: €14.8million).

Notes to the Financial Statements (continued)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(b) Other amounts recognised in the income statement

	2022 €m	2021 €m
Expenses relating to short-term leases	**0.5**	2.6
Expenses relating to variable lease payments not included in lease liabilities	**4.5**	3.1
Total	**5.0**	5.7

Parent

(a) Amounts recognised in the balance sheet

Right-of-use assets	Land and buildings €m
Balance at 1 January 2021	**66.9**
Additions	**4.1**
Depreciation	**(10.5)**
Remeasurement of right-of-use assets	**(0.6)**
Balance at 31 December 2021	**59.9**
Balance at 1 January 2022	**59.9**
Additions	**6.3**
Depreciation	**(7.4)**
Remeasurement of right-of-use assets	**2.9**
Balance at 31 December 2022	**61.7**

Lease liabilities	Total €m
Balance at 1 January 2021	**(66.7)**
Additions	**(4.1)**
Interest expense	**(0.7)**
Lease payments[1]	**8.6**
Balance at 31 December 2021	**(62.9)**
Balance at 1 January 2022	**(62.9)**
Additions	**(6.3)**
Interest expense	**(0.8)**
Effect of modification of lease liability	**(3.9)**
Lease payments[1]	**9.3**
Balance at 31 December 2022	**(64.6)**

	2022 €m	2021 €m
Analysed as follows:		
Non-current liabilities	**(56.7)**	(56.8)
Current liabilities	**(7.9)**	(6.1)
Total	**(64.6)**	(62.9)

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[1] Lease payments include principal elements shown as financing activities of €8.5 million (2021: €7.9million).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(b) Other amounts recognised in the income statement

	2022 €m	2021 €m
Expenses relating to short-term leases	**0.1**	2.5
Expenses relating to variable lease payments not included in lease liabilities	**1.0**	0.6
Total	**1.1**	3.1

15. GOODWILL

	€m
Balance at 1 January 2021	**169.0**
Acquisitions	**64.5**
Impairment	**(45.3)**
Translation differences	**13.1**
Balance at 31 December 2021	**201.3**
Balance at 1 January 2022	**201.3**
Translation differences	**(9.4)**
Balance at 31 December 2022	**191.9**

NIE Networks

Goodwill was recognised on the acquisition of Northern Ireland Electricity Networks (NIE Networks) in December 2010.

Goodwill is reviewed annually in December for impairment by assessing the recoverable amount of the investment. The annual impairment test of goodwill was carried out in December 2022 based on its fair value less costs to sell in line with IAS 36. The Group calculated the fair value of NIE by reference to market valuations of comparable regulated utilities using a Regulated Asset Base (RAB) valuation. This involved a review of comparable regulated utility transactions over several years and applying a conservative RAB multiple (based on the RAB multiples used in those transactions) in determining the valuation of NIE. Based on this assessment, the fair value of NIE significantly exceeded its carrying value and no reduction in the value of goodwill was deemed to be required.

So Energy Ltd (So Energy)

Goodwill was recognised on the acquisition of So Energy in 2021, see note 16(c) for further details.

Goodwill is reviewed annually in December for impairment, by assessing the recoverable amount of the investment, based on its value in use. The impairment test of goodwill was carried out in December 2021 in accordance with IAS 36 and an impairment of €45.3 million was recognised as a result of significant challenges experienced in the business due to soaring wholesale prices and the Government imposed price cap (a regulatory imposed limit on both the standing charge and unit price of electricity and gas for domestic customers who are on a standard variable tariff).

The Group calculated the value in use using a 5-year discounted cash flow model and a terminal value based on an implied value per meter point.

The annual impairment test of goodwill was carried out in December 2022 in accordance with IAS 36. No reduction in the value of goodwill was deemed to be required.

Key drivers of the discounted cash flow included customer numbers, margin per customer, operating costs, valuation per meter point and discount rate. The discount rate was determined with reference to an appropriate Weighted Average Cost of Capital (WACC) for the So Energy business.

Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES

(a) Group

	Equity accounted investees €m	Financial assets at fair value through profit or loss €m	Total €m
Balance at 1 January 2021	378.1	8.6	**386.7**
Additions	74.6	-	**74.6**
Transfer to other receivables	-	(3.3)	**(3.3)**
Share of loss (net)	(75.9)	-	**(75.9)**
Fair value movement on cash flow hedges (net of tax)	47.9	-	**47.9**
Dividends received	(8.6)	-	**(8.6)**
Impairments	(153.5)	-	**(153.5)**
Translation differences	19.9	-	**19.9**
Balance at 31 December 2021	282.5	5.3	**287.8**
Balance at 1 January 2022	282.5	5.3	**287.8**
Additions	3.3	-	**3.3**
Fair value uplift on equity accounted investees	17.4	-	**17.4**
Share of loss (net)	(30.9)	-	**(30.9)**
Fair value movement on cash flow hedges (net of tax)	201.5	-	**201.5**
Reduction in contingent consideration provision (note 28)	(8.9)	-	**(8.9)**
Dividends received	(29.0)	-	**(29.0)**
Impairments (note 6)	(91.2)	-	**(91.2)**
Translation differences	(12.5)	(0.3)	**(12.8)**
Balance at 31 December 2022	**332.2**	**5.0**	**337.2**

Equity accounted investees
The entities listed below are legally separated from the parties and the legal form and the contractual arrangement do not give the parties direct rights to the assets and liabilities of the vehicle. Having assessed each investment ESB have concluded that they have joint control under IFRS 10 and IFRS 11, with the exception of Five Estuaries Offshore Wind Farm Limited which is considered an associate. Accordingly, ESB's investment in these entities is equity accounted in line with IAS 28 Investment in Associates and Joint Ventures.

The fair value movement on cash flow hedges for equity accounted investees relates to derivatives held in Aldeburgh Offshore Wind Holdings Limited, NNG Windfarm Holdings Limited, Oweninny Power Holdings DAC, Oweninny Power Holdings 2 DAC, SIRO Limited and Raheenleagh Power DAC which have been designated as cash flow hedging relationships in these entities.

Translation differences for equity accounted investees relate to Aldeburgh Offshore Wind Holdings Limited, Inch Cape Offshore Holdings Limited, Five Estuaries Offshore Wind Farm Limited and NNG Windfarm Holdings Limited as these companies' functional currency is sterling.

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES (continued)

Interests in equity accounted investees
The following companies have been included in the ESB Group accounts as joint ventures using equity accounting:

Name of the company	Country	Holding 2022 % of share capital owned	Holding 2021 % of share capital owned
Inch Cape Offshore Holdings Limited	Great Britain	**50**	50
NNG Windfarm Holdings Limited	Great Britain	**50**	50
Aldeburgh Offshore Wind Holdings Limited	Great Britain	**50**	50
SIRO Limited	Republic of Ireland	**50**	50
Raheenleagh Power DAC	Republic of Ireland	**50**	50
Oweninny Power Holdings DAC	Republic of Ireland	**50**	50
FuturEnergy Ireland Development Holdings DAC	Republic of Ireland	**50**	50
Oweninny Power Holdings 2 DAC	Republic of Ireland	**50**	50
Five Estuaries Offshore Wind Farm Limited	Great Britain	**12.5**	12.5
Superhomes Ireland DAC	Republic of Ireland	**50**	50
Emerald Bridge Fibres DAC	Republic of Ireland	**50**	50
Sundew Solar DAC	Republic of Ireland	**50**	50
Clogherhead Offshore Wind Holdings DAC	Republic of Ireland	**75**	100

Inch Cape Offshore Holdings Limited
In November 2020, the Group acquired a 50% stake in Inch Cape Offshore Holdings Limited (ICOHL), a joint arrangement with Red Rock Power Limited. The amount included in financial assets is €24.5 million (2021: €33.5 million) which includes €18.8 million of contingent consideration (2021: €28.9 million) which is contingent upon achieving project milestones and specified returns included in the financial investment decision. In addition, a further €24.0 million was advanced by way of shareholder loan during the year (2021: €8.3 million). The total shareholder loan to date is €77.4 million (2021: €57.2 million). Interest on borrowings receivable to date from ICOHL amounts to €7.0 million (2021: €3.2 million).

ICOHL owns 100% of Inch Cape Offshore Limited (IC). The project, located off the east coast of Scotland, has a grid connection agreement for 1,080 MW. The 50% investment in ICOHL indirectly provides ESB with a 50% stake in IC.

The Group's share of capital commitments at 31 December 2022 amounts to €84.3 million (2021: €nil).

NNG Windfarm Holdings Limited (Neart na Gaoithe)
In December 2019, the Group acquired a 50% stake in NNG Windfarm Holdings Limited (NNGWH), a joint arrangement with EDF Renewables UK Limited. The amount invested to date is €562.0 million (2021: €328.2 million). This includes a shareholder loan of €312.2 million, of which €228.5 million was advanced during the year (2021: €81.9 million). Interest on borrowings receivable to date from Neart na Gaoithe amounts to €18.0 million (2021: €1.9 million).

NNGWH owns 100% of Neart na Gaoithe Offshore Wind Limited (NNGOW). The purpose of this joint arrangement is to develop a 448 MW wind farm off the east coast of Scotland. The 50% investment in NNGWH indirectly provides ESB with a 50% stake in NNGOW.

An impairment review of the carrying value of ESB's equity investment in NNGWH was carried out and an impairment charge of €91.2 million was recognised during the year (2021: €153.5 million). See note 6 for further details. The carrying value of the Group's investment at 31 December 2022 is €41.2 million (2021: €35.3 million).

During the year, NNGOW achieved a settlement with a key contractor, including an updated construction programme to bring the project to Commercial Operations by Q1, 2024. NNGOW also negotiated amendments to the project finance facilities with its lenders to address the forecast funding shortfall arising from the performance of this contractor. As of 31 December 2022, based on the updated construction programme and the settlement agreement with this key contractor, the Group has provided capital commitments to lenders of up to €233.0 million (2021: €269.0 million) in respect of NNGOW's financing agreements.

Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES (continued)

Aldeburgh Offshore Wind Holdings Limited (AOWHL)
In March 2018, the Group acquired 50% of the issued share capital of AOWHL. The Group also acquired 50% of the loan notes issued by Aldeburgh Offshore Wind Investments Limited (AOWIL), a 100% owned subsidiary of AOWHL to become a 50% Joint Venture Partner with Sumitomo Corporation Europe Limited. The amount invested by ESB to date amounts to €126.8 million (2021: €122.9 million), all of which was advanced as equity. The movement in amounts invested by ESB are related to translation movements as the functional currency of this joint venture arrangement is GBP.

AOWHL has a 25% stake in the Galloper Wind Farm project. The Galloper project is a 353 MW development located in the Outer Thames estuary, 30km off the coast of Suffolk, England. The 50% investment in AOWHL indirectly provides ESB with a 12.5% stake in the Galloper project.

SIRO Limited (SIRO)
SIRO is an unlisted joint arrangement in which the Group has joint control and a 50% ownership interest. SIRO was founded by the Group with Vodafone Ireland Limited acquiring a 50% stake in November 2014. This joint arrangement runs fibre optic cables alongside ESB's existing electricity network to provide broadband straight to homes and businesses in regional towns and cities across Ireland.

ESB has committed to provide capital funding to SIRO of €93.0 million (2021: €93.0 million), of which €78.0 million has been advanced as a shareholder loan to date (2021: €93.0 million). The Group's share of capital commitments at 31 December 2022 amounts to €39.1 million (2021: €17.6 million). During the year, there was an IFRS 9 fair value adjustment of €17.4 million as a result of the existing shareholder loan being restructured. SIRO entered into new debt facilities, the terms of which subordinated SIRO DACs loan to ESB Group. The loan was previously held on demand and now has a repayment date in 2029.

Raheenleagh Power DAC (Raheenleagh)
The Group is a 50% partner in Raheenleagh, a joint arrangement with GR Wind Farms 1 Limited. This joint arrangement operates a 35 MW wind farm in Co. Wicklow. The amount invested in Raheenleagh to date amounts to €3.1 million (2021: €3.1 million).

The Group entered into a 15-year arrangement with Raheenleagh in 2015 to purchase physical power from the wind farm. Payments made under this contract are based upon actual production.

Oweninny Power Holdings DAC (Oweninny)
The Group is a 50% partner in Oweninny, a joint arrangement formed with Bord na Móna. This joint arrangement operates a 172 MW wind farm located in Bellacorrick, Co. Mayo. As at 31 December 2022 the amount invested in Oweninny as a shareholder loan amounts to €3.6 million (31 December 2021: €3.5 million). Interest on borrowings receivable to date from Oweninny amounts to €0.1 million (2021: €0.1 million).

Investment in Oweninny was held at €20.4 million at 31 December 2022 (2021: €2.3 million).

FuturEnergy Ireland Development Holdings DAC
The Group is a 50% partner in FuturEnergy Ireland Development Holdings DAC (FEIDH), a joint arrangement with Coillte Limited. The amount invested in FEIDH to date amounts to €74.6 million (2021: €62.1 million) of which €58.8 million (2021: €59.1 million) was advanced as equity and €15.8 million (2021: €3.0 million) as shareholder loans.

FEIDH owns 100% of FuturEnergy Ireland Development DAC (FEID). The purpose of this joint arrangement is to develop relevant renewable energy projects. The 50% investment in FEIDH indirectly provides ESB with a 50% stake in FEID.

The Group's share of capital commitments at 31 December 2022 amounts to €6.1 million (2021: €nil).

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES (continued)

Oweninny Power Holdings 2 DAC
The Group is a 50% partner in Oweninny Power Holdings 2 DAC (OPH2), a joint arrangement formed with Bord na Móna. Investment in Oweninny Power Holdings 2 DAC was held at €10.7 million at 31 December 2022 (2021: €nil). As at 31 December 2022 the amount invested in Oweninny Power Holdings 2 DAC as a shareholder loan amounts to €16.5 million (2021: €16.5 million). Interest on borrowings receivable to date from OPH2 amounts to €0.4 million (2021: €0.2 million).

OPH2 owns 100% of Oweninny Power 2 DAC (OP2). The 50% investment in OPH2 indirectly provides ESB with a 50% stake in OP2. The purpose of OP2 is to develop a 83 MW windfarm in Bellacorrick, Co. Mayo.

The Group's share of capital commitments at 31 December 2022 amounts to €8.8 million (2021: €nil).

Five Estuaries Offshore Wind Farm Limited
The Group has a 12.5% equity shareholding in Five Estuaries Offshore Wind Farm Limited. The amount invested to date is €1.7 million (2021: €1.2 million) all as equity accounted investee additions. The purpose of Five Estuaries Offshore Wind Farm Limited is the development of the Five Estuaries offshore wind farm adjacent to the Galloper Offshore Wind Farm off the Suffolk coast. This investment is accounted for using the equity method and is classified as an associate as ESB has power to participate in the financial and operating policy decisions of the investee but do not control or joint control the policies.

Superhomes Ireland DAC
The Group is a 50% partner in Superhomes Ireland DAC (SIDAC), a joint arrangement with Tipperary Energy Agency. The amount invested to date is €3.6 million (2021: €3.6 million) all as equity accounted investee additions. In addition, a shareholder loan of €1.5 million was advanced during the year. The purpose of this joint arrangement is to develop a national deep-retrofit business of scale focusing exclusively on the Irish domestic market.

Emerald Bridge Fibres DAC (EBFD)
The Group is a 50% partner in EBFD, a joint arrangement with ZAYO Group. The purpose of this joint arrangement is the development and provision of telecommunication infrastructure between Ireland and the United Kingdom in the form of a subsea fibre optic cable network. The amount invested in EBFD to date amounts to €6.2 million (2021: €6.2 million) of which €2.5 million (2021: €2.5 million) was advanced as equity and €3.7 million (2021: €3.7 million) as shareholder loans. Loans and interest on borrowings receivable from EBFD were fully impaired at 31 December 2022.

Investment in EBFD was held at €nil at 31 December 2022 (2021: €nil).

Sundew Solar DAC
The Group is a 50% partner in Sundew Solar DAC, a joint arrangement formed with Bord na Móna. The purpose of this joint arrangement is solar farm development. The amount invested in Sundew Solar DAC to date amounts to €0.5 million (2021: €nil).

Clogherhead Offshore Wind Holdings DAC
The Group is a 75% partner in Clogherhead, a joint arrangement formed with Parkwind NV. The purpose of this joint arrangement is to develop an offshore windfarm off the coast of Co. Louth in Ireland.

In December 2022, the Group entered into agreements, including a joint venture agreement with Parkwind NV which resulted in Parkwind NV acquiring 25% of Clogherhead. The joint venture agreement is structured so that the power to manage activities and returns are held jointly by both the investors and as such the arrangement is considered a joint arrangement. The Group's investment in Clogherhead at 31 December 2022 is €nil (2021: €nil). As part of the agreements entered into with Parkwind NV, the Group entered into a shareholder loan which was assessed at this point in time as not recoverable.

Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES (continued)

The Group's aggregate share of the non-current assets, current assets, non-current liabilities, current liabilities, income and expenses related to its interests in these joint ventures are as follows:

Summarised income statement[1]

	NNG Wind Farm Holdings Limited		Aldeburgh Offshore Wind Holdings Limited		SIRO Limited		Oweninny Power Holdings DAC		Other equity accounted investees[4]	
	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Revenue	**-**	-	**-**	-	**44.7**	34.3	**49.1**	22.9	**26.1**	22.3
Depreciation	**-**	-	**-**	-	**(31.0)**	(27.0)	**(7.9)**	(7.7)	**0.3**	(3.4)
Interest income / (interest paid)	**-**	-	**-**	-	**(9.5)**	(8.5)	**(4.4)**	(3.7)	**(2.9)**	(2.0)
Income tax	**-**	-	**0.2**	(0.8)	**7.3**	3.2	**(4.5)**	(1.1)	**-**	-
Total gain / (loss)	**(90.6)**	(185.8)	**44.2**	20.3	**(23.0)**	(19.6)	**26.4**	6.0	**(0.2)**	6.1
Group share of (loss) / gain	**(45.3)**	(92.9)	**22.1**	10.2	**(11.5)**	(9.8)	**13.2**	3.0	**(0.1)**	3.0
Other adjustments[1/2]	**0.7**	4.2	**-**	-	**(4.3)**	-	**(4.0)**	6.9	**(1.7)**	(0.5)
Impairment of investment	**(91.2)**	(153.5)	**-**	-	**-**	-	**-**	-	**-**	-
Group share of fair value movements on cash flow hedges (net of tax)	**147.5**	50.3	**13.5**	4.5	**18.2**	-	**12.5**	(7.7)	**9.8**	0.8
Total comprehensive (loss) / gain	**11.7**	(191.9)	**35.6**	14.7	**(2.4)**	(9.8)	**21.7**	2.2	**8.0**	3.3

Summarised balance sheet

	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Cash	**9.8**	19.3	**0.1**	0.1	**10.4**	14.5	**38.7**	19.2	**39.4**	25.3
Current assets	**460.4**	124.1	**-**	-	**65.5**	11.9	**13.1**	4.2	**49.2**	12.8
Non-current assets	**2,150.1**	2,030.4	**56.6**	35.2	**540.0**	475.7	**136.2**	144.1	**459.0**	308.5
Current liabilities	**(428.3)**	(2,091.3)	**(3.0)**	(4.3)	**(183.4)**	(206.8)	**(8.7)**	(14.1)	**(256.4)**	(171.4)
Non-current liabilities	**(2,570.3)**	(168.0)	**-**	-	**(356.6)**	(258.1)	**(138.6)**	(148.8)	**(254.6)**	(153.1)
Net assets / (liabilities)	**(378.3)**	(85.5)	**53.7**	31.0	**75.9**	37.2	**40.7**	4.6	**36.6**	22.1

Reconciliation of the above amounts to the investment recognised in the consolidated balance sheet.

Group equity interest	**50%**	50%	**50%**	50%	**50%**	50%	**50%**	50%		
Net assets / (liabilities)	**(378.3)**	(85.5)	**53.7**	31.0	**75.9**	37.2	**40.7**	4.6	**36.6**	22.1
Group Share	**(189.2)**	(42.8)	**26.9**	15.5	**38.0**	18.6	**20.4**	2.3	**18.3**	11.1
Other adjustments[3]	**230.4**	78.1	**97.7**	103.0	**(5.9)**	5.5	**-**	-	**83.8**	91.2
Carrying value of Group's equity interest	**41.2**	35.3	**124.6**	118.5	**43.9**	24.1	**20.4**	2.3	**102.1**	102.3

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1 The numbers included in the above table are based on unaudited management accounts. When audited financial statements become available, any adjustments are reflected in the following year.

2 Where the Group's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses unless there is legal or constructive obligation to recognise further losses. Unrecognised losses in 2022 include Emerald Bridge Fibres DAC of €nil (cumulative unrecognised losses to date of €0.3 million).

3 Other adjustments represent the difference between the carrying value of the Group's share of the net assets acquired and the investment amount.

4 Other equity accounted investees' includes ESB's 50% share in Emerald Bridge Fib\res DAC, Raheenleagh Power DAC, FuturEnergy Ireland Development Holdings DAC, Oweninny Power Holdings 2 DAC, Five Estuaries Offshore Wind Farm Limited, Superhomes Ireland DAC, Sundew Solar DAC, Clogherhead Offshore Wind Holdings, and Inch Cape Offshore Holdings Limited.

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES (continued)

Interest in financial assets held at fair value through profit or loss

The Group owns a venture capital fund, ESB Novusmodus Limited Partnership, in which seed capital is invested into emerging technology entities. These investments are managed purely for an investment return and are consequently carried at fair value through profit or loss. ESB does not control the entity in which these financial assets are held. The investments comprise of a number of clean energy and new technology companies. These investments have been fair valued at the year end and the movement is reflected in the income statement.

The Group has a 5% share in Oriel Offshore Wind Farm Limited and this investment is accounted for under fair value to profit or loss as a financial asset investment in line with IFRS 9.

(b) Parent

	Equity accounted investees investments € m	Subsidiary undertakings Total € m
Balance at 1 January 2021	33.9	**61.8**
Share of loss	(9.8)	**-**
Balance at 31 December 2021	24.1	**61.8**
Balance at 1 January 2022	24.1	**61.8**
Fair value uplift on equity accounted investees	17.4	**-**
Share of loss	(15.8)	**-**
Fair value movement on cash flow hedges (net of tax)	18.2	**-**
Balance at 31 December 2022	43.9	**61.8**

(C) Group Acquisitions

Acquisition of So Energy - 2021

On 26 August 2021, the Group entered into an agreement to purchase 76% of So Energy Limited (UK), a holding company owning 100% of So Energy Trading Limited (UK), an energy supply business operating in the UK market, in exchange for cash consideration and 24% of the share capital of ESB Energy Limited, a supply business operating in the UK market which is a subsidiary of the Group.

ESB paid a cash consideration of €23.7 million and the fair value of other consideration exchanged of €2.3 million.

A redemption reserve of €9.3 million was created on the acquisition of So Energy being the present value of the estimated redemption amount of the put option. The put option gave the minority interest shareholder the option to sell their shareholding to the Group at certain points in the future and the Group the option to purchase the minority shareholding at certain points in the future. Due to changes in conditions of the put option in 2022 the redemption reserve was no longer required and therefore was released.

Costs of €1.3 million related to the acquisition were included within operating costs in accordance with IFRS 3 Business Combinations.

The principal factor contributing to the recognition of goodwill on the business combination was the expected profitability of the acquired business. The goodwill was not tax deductible.

The assets acquired and liabilities assumed were recognised at fair value at the date of acquisition.

Notes to the Financial Statements (continued)

16. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES (continued)

	€m
Recognised values on acquisition	
Property, Plant & Equipment	**0.3**
Intangible assets (note 13)	**59.2**
Trade and other receivables *	**51.0**
Cash and cash equivalents	**5.0**
Trade and other payables	**(104.7)**
Provisions (note 28)	**(61.4)**
Net identifiable assets and liabilities	**(50.6)**
Non-controlling interest (24% of net identifiable assets and liabilities)	**12.1**
Cash consideration	**23.7**
Fair value of other consideration exchanged	**2.3**
Net Consideration paid	**26.0**
Goodwill that arose on acquisition	**64.5**

* The fair value of receivables included an expected credit loss provision of €3.6 million.

The Group has estimated that if the acquisition set out above had occurred on 1 January 2021, the revenue and loss that would have been recognised in the Group results in 2021 would have been as follows:

	2021 €m
Total revenue for the year (unaudited)	342.5
Total loss after tax for the year (unaudited)*	103.7

The estimated amounts are based on unaudited management accounts.

So Energy had the following operating performance in 2021 since acquisition date:

	2021 €m
Total revenue included in the consolidated income statement	126.8
Total loss after tax included in the consolidated income statement*	83.6

* Total loss after tax includes the exceptional onerous contract provision of €16.0 million (see note 28) but excludes the exceptional impairment of goodwill of €45.3 million (see note 15).

During 2021 as a result of significant challenges experienced in the Group's UK energy supply market business due to a variety of factors an impairment of goodwill arising on the acquisition of So Energy of €45.3 million was recognised. Based on an impairment review at 31 December 2022 no further impairment on goodwill was necessary (see note 15 for further details).

17. INVENTORIES

	Group		Parent	
	2022 €m	2021 €m	2022 €m	2021 €m
Materials	**35.9**	36.0	**12.5**	12.8
Fuel	**190.0**	85.9	**181.7**	79.0
Construction work in progress	**-**	9.5	**-**	-
Total	**225.9**	131.4	**194.2**	91.8

Construction work in progress includes property assets which are being constructed for resale and stated at the lower of cost and net realisable value.

Included within inventories in Group at 31 December 2022 is €152.4 million carried at net realisable value (2021: €19.6 million). The cost of inventories carried at net realisable value in Group at 31 December 2022 is €191.8 million (2021: €20.9 million).

Included within inventories in Parent at 31 December 2022 is €132.7 million carried at net realisable value (2021: €nil million). The cost of inventories carried at net realisable value in Parent at 31 December 2022 is €170.3 million (2021: €nil million).

	Group		Parent	
	2022 €m	2021 €m	2022 €m	2021 €m
Inventories consumed	**316.8**	203.1	**313.5**	200.2
Inventory writeback	**-**	(3.2)	**(0.5)**	(3.7)

Notes to the Financial Statements (continued)

18. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2022 €m	2021 €m	2022 €m	2021 €m
Current receivables:				
Retail electricity receivables - billed	**315.1**	144.9	**66.8**	80.7
Retail electricity receivables - unbilled	**666.6**	413.9	**279.1**	147.3
Total retail electricity receivables	**981.7**	558.8	**345.9**	228.0
I-SEM / SEM pool related receivables	**20.2**	33.3	**-**	24.9
Use of System receivables (including unbilled)	**269.0**	241.2	**50.8**	56.9
Other electricity receivables	**1.4**	19.6	**-**	-
Total electricity receivables	**1,272.3**	852.9	**396.7**	309.8
Trade receivables - non-electricity	**103.0**	264.5	**42.8**	226.4
Amounts due from equity accounted investees	**0.2**	97.6	**-**	92.9
Amounts due from insurers	**-**	30.9	**-**	30.9
Short term deposits	**194.6**	-	**-**	-
Other receivables	**1,236.1**	336.3	**1,323.9**	37.8
Amounts due from subsidiary undertakings	**-**	-	**2,735.3**	1,458.0
Prepayments	**109.1**	56.7	**91.1**	42.4
Total current receivables	**2,915.3**	1,638.9	**4,589.8**	2,198.2
Non-current receivables:				
Amounts due from equity accounted investees	**536.5**	167.6	**93.8**	3.0
Amounts due from subsidiary undertakings	**-**	-	**2,269.8**	2,016.0
Amounts due from insurers	**48.4**	48.4	**48.4**	48.4
Total non-current receivables	**584.9**	216.0	**2,412.0**	2,067.4
Total receivables	**3,500.2**	1,854.9	**7,001.8**	4,265.6

Included in the above are amounts due from equity accounted investees at 31 December 2022 of €8.4 million (2021: €5.0 million) in respect of normal trading activities.

Wholesale and retail credit risk

Trade and other receivables can be divided into electricity receivables, other (non-electricity) receivables, insurance receivables, equity accounted investees and amounts due from subsidiary undertakings.

Expected credit loss allowance

Under IFRS 9 an expected credit loss (ECL) impairment model is in place for the calculation of impairment loss allowances. Under this impairment model, it is assumed that all receivables carry a risk of default. This impairment model is used to calculate the probability of default at a range of possible outcomes, weighted by the probability of their occurrence. These ECLs are measured under the general approach or simplified approach.

The simplified approach is applied to ESB's trade and other receivables within the scope of IFRS 15. Under the simplified approach, an entity will recognise a loss based on the lifetime ECLs. It allows an entity to use a provision matrix for calculating the ECLs. This matrix considers the historical default rates over the expected life of the trade receivable and is adjusted for forward-looking estimates.

The general approach is applied to the Group's shareholder loans advanced to equity accounted investees. Under the general approach, an entity must determine whether the financial asset is in one of three stages in order to determine the amount of ECL to recognise;

18. TRADE AND OTHER RECEIVABLES (continued)

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The general approach applies to all loans and receivables not eligible for application of the simplified approach, which for the Group are primarily loans to equity accounted investees and for Parent also includes amounts due from subsidiary undertakings. Assessment of the probability of default for loans to equity accounted investees is included below. For further details of these loans see note 16.

The maximum credit exposure of the Group at 31 December 2022 and 31 December 2021 is set out on the following tables. The Parent company balances stated in the following tables exclude amounts due from subsidiary undertakings of €5,005.1 million (2021: €3,474.0 million).

Impact of macro-economic environment

The economic impacts arising from the continued volatility in energy markets in the geographies in which the Group operates have increased the level of uncertainty around the estimates the Group makes in measuring provisions for the impairment of financial assets. Where customers experience difficulties in settling balances, the increased aging of these amounts results in an increase in provisions held in respect of them under the simplified approach employed. In measuring the provision for expected losses, the Group has also considered macroeconomic forecasts and the potential economic impacts of rising electricity prices on the sectors in which they operate.

The assumptions made in estimating the impairment charge for the period and allowances held at the reporting date are deemed to be appropriate, however the current high level of economic uncertainty means that impairment charges and allowances in respect of financial assets are a matter of significant judgement.

Simplified approach - Expected Credit Losses

	Group			Parent		
2022	Gross amount receivable €m	Loss allowance €m	Net amount receivable €m	Gross amount receivable €m	Loss allowance €m	Net amount receivable €m
Not past due receivables	**2,068.9**	**(7.5)**	**2,061.4**	**1,658.1**	**(6.6)**	**1,651.5**
Past due < 30 days	**328.8**	**(6.8)**	**322.0**	**71.3**	**(3.5)**	**67.8**
Past due 30 - 120 days	**95.9**	**(12.3)**	**83.6**	**29.8**	**(7.3)**	**22.5**
Past due > 120 days	**127.0**	**(40.3)**	**86.7**	**28.6**	**(16.2)**	**12.4**
Past due by more than one year	**89.7**	**(32.0)**	**57.7**	**30.6**	**(21.4)**	**9.2**
Total	**2,710.3**	**(98.9)**	**2,611.4**	**1,818.4**	**(55.0)**	**1,763.4**

	Group			Parent		
2021	Gross amount receivable €m	Loss allowance €m	Net amount receivable €m	Gross amount receivable €m	Loss allowance €m	Net amount receivable €m
Not past due receivables	1,208.5	(4.5)	1,204.0	531.7	(3.4)	528.3
Past due < 30 days	130.7	(3.4)	127.3	21.1	(3.0)	18.1
Past due 30 - 120 days	64.1	(7.3)	56.8	18.1	(5.0)	13.1
Past due > 120 days	70.2	(25.4)	44.8	26.1	(16.7)	9.4
Past due by more than one year	54.5	(33.7)	20.8	26.1	(21.0)	5.1
Total	1,528.0	(74.3)	1,453.7	623.1	(49.1)	574.0

Notes to the Financial Statements (continued)

18. TRADE AND OTHER RECEIVABLES (continued)

General approach - Expected Credit Losses

	Group			Parent		
2022	**Gross amount receivable €m**	**Loss allowance €m**	**Net amount receivable €m**	**Gross amount receivable €m**	**Loss allowance €m**	**Net amount receivable €m**
Stage 1 - 12 Month ECL (not credit impaired)	**130.3**	**-**	**130.3**	**15.8**	**-**	**15.8**
Stage 2 - Lifetime ECL (not credit impaired)	**406.9**	**(0.5)**	**406.4**	**78.5**	**(0.5)**	**78.0**
Stage 3 - Lifetime ECL (credit impaired)	**-**	**-**	**-**	**-**	**-**	**-**
Total	**537.2**	**(0.5)**	**536.7**	**94.3**	**(0.5)**	**93.8**

	Group			Parent		
2021	**Gross amount receivable €m**	**Loss allowance €m**	**Net amount receivable €m**	**Gross amount receivable €m**	**Loss allowance €m**	**Net amount receivable €m**
Stage 1 - 12 Month ECL (not credit impaired)	88.9	-	88.9	3.4	-	3.4
Stage 2 - Lifetime ECL (not credit impaired)	176.8	(0.5)	176.3	93.0	(0.5)	92.5
Stage 3 - Lifetime ECL (credit impaired)	-	-	-	-	-	-
Total	265.7	(0.5)	265.2	96.4	(0.5)	95.9

Expected Credit Losses Reconciliation

	Group		Parent	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Simplified approach	**2,611.4**	1,453.7	**1,763.4**	574.0
General approach	**536.7**	265.2	**93.8**	95.9
Prepayments[1]	**109.1**	56.7	**91.1**	42.4
Amounts due from subsidiary undertakings	**-**	-	**5,005.1**	3,474.0
Amounts due from insurers	**48.4**	79.3	**48.4**	79.3
Short term deposits	**194.6**	-	**-**	-
Total	**3,500.2**	1,854.9	**7,001.8**	4,265.6

[1] Prepayments are excluded from the analysis as no credit exposure is perceived in relation to this balance.

Parent

Amounts due from subsidiary undertakings

At 31 December 2022, the Parent company had balances receivable of €5,005.1 million (2021: €3,474.0 million) from its subsidiaries. These receivables mainly relate to management services and loans to subsidiaries as well as electricity charges including Use of System charges. Total allowance in respect of amounts due from subsidiary undertakings at 31 December 2022 is €30.3 million (2021: €115.5 million).

The impairment loss recognised in the Parent company in respect of amounts due from subsidiary undertakings has been calculated using the expected credit loss model as required by IFRS 9. In determining the impairment loss, amounts due from subsidiaries were classified as either amounts repayable on demand, low credit risk receivables or amounts for which there has been a substantial increase in credit risk since initial recognition. In determining the expected credit loss (including probability of default and loss given default), regard was given to the historic performance of the relevant loan as well as forward looking information for the relevant subsidiary including detailed discounted cash flow forecasts. For repayable on demand loans where the loan could not be repaid at the reporting date, expected credit losses were calculated by considering the likely recovery strategies of the Parent company, including consideration of 'repay over time' strategies. For loans with a substantial increase in credit risk, consideration was given to the future activities and cash flows of the subsidiary and lifetime expected credit losses were recognised accordingly where appropriate.

Movement in the expected credit loss of trade and other receivables

The loss allowances for financial assets are based on assumptions about credit risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The movement in the expected credit loss in respect of trade receivables during the year was as follows:

18. TRADE AND OTHER RECEIVABLES (continued)

	Group		Parent	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Balance at 1 January	**74.3**	57.9	**49.1**	42.5
Expected credit loss allowance in So Energy at acquisition date (note 16(c))	**-**	3.6	**-**	-
Impairment loss recognised (net)	**38.5**	21.8	**15.2**	14.3
Allowance utilised	**(13.9)**	(9.0)	**(9.3)**	(7.7)
Balance at 31 December	**98.9**	74.3	**55.0**	49.1

Amounts due from equity accounted investees

Amounts due from equity accounted investees include shareholder loans, interest on these loans and trade receivable balances. Trade receivable balances from equity accounted investees are assessed for probability of default using the simplified approach under IFRS 9. All other balances due from equity accounted investees are assessed for probability of default using the general approach. In applying the general approach, the Group has used judgement in making assumptions and selecting the inputs to the expected credit loss calculation based on market conditions as well as forward looking estimates at the end of the reporting period. The Group has no purchased credit impaired loans.

Following an assessment of all ESB's shareholder loans advanced to equity accounted investees it was determined that there was an increase in the credit risk of loans to two of ESB's equity accounted investees since initial recognition, NNG Windfarm Holdings Limited and SIRO Limited, as a result the loans are accounted for as a stage 2 lifetime ECL (not credit impaired) loans. Expected credit losses of €nil (31 December 2021: €nil) were recognised in the income statement during the year.

In June 2021, ESB completed the disposal of its shareholding in Tilbury Green Power Holdings Limited (Tilbury). This sale resulted in the repayment of the shareholder loan, which was accounted for as a stage 3 credit (credit impaired) asset with a loss allowance of €51.9 million at 31 December 2020, and the recognition of an impairment gain on the reversal of the loss allowance previously recognised (see note 6).

The remaining shareholder loans to equity accounted investees are assessed as stage 1 (not credit impaired) financial assets. The 12-month expected credit loss approach has been applied to the stage 1 loans consisting of analysis on both historical and forward looking qualitative and quantitative information to determine the credit risk. These loans are deemed to be of low credit risk given no indications of an increase in credit risk since initial recognition. As a result, no expected credit loss has been recognised in relation to these loans. The total amount of undiscounted expected credit losses at initial recognition on financial assets that were initially purchased or originated credit-impaired during the year ended 31 December 2022 is €nil (2021: €nil).

Retail electricity receivables

Retail electricity receivables which includes electricity and gas customers relate to both residential and business customers. The credit risk on electricity accounts is managed through the ongoing monitoring of debtor days, putting in place appropriate collateral and a collection policy based on the credit worthiness, size and duration of debt. The concentration of risk in Customer Solutions is in relation to retail electricity accounts that have closed in arrears. In addition, given the continuing increase in competition, certain customers may switch suppliers before they have settled their outstanding balances. These accounts are managed within the Group's debt collection policy by a combination of internal debt follow-up, the use of debt collection agencies and legal action where necessary including the obtaining of publication of judgements.

Providing for future expected losses in relation to retail electricity receivables, including both billed and unbilled, is based on analysis of recent debt performance and an evaluation of the impact of economic conditions and industry issues. An additional provision may be made on a portfolio basis to cover additional anticipated losses. Collateral is held in the form of security deposits on new customer accounts not on direct debit arrangements.

Controls around electricity receivables are focused on the full recovery of amounts invoiced. Electricity receivables to the value of €96.8 million (2021: €68.9 million) were provided for at year end. The single largest customer amount written off during the year was €26,000 (2021: €81,000) relating to a company dissolution/liquidation. Retail electricity receivables arise largely in the Republic of Ireland (ROI), with 12% (2021: 14%) relating to Northern Ireland (NI) revenue and 22% (2021: 13%) relating to Great Britain (GB) revenue.

Unbilled electricity receivables represent estimates of consumption not yet invoiced. Credit risk in relation to unbilled electricity is managed in line with billed electricity receivables as discussed above.

Notes to the Financial Statements (continued)

18. TRADE AND OTHER RECEIVABLES (continued)

Integrated Single Electricity Market (I-SEM) receivables
Credit risk in relation to the I-SEM related receivables is managed by the Energy Trading and Risk functions (ET&R) within those business units engaged in electricity trading through the I-SEM. Each of these functions is ring-fenced from each other and segregation of responsibilities between the back office, middle office and front office functions is maintained in each case. The Trading back office function is responsible for invoicing customers and maintaining all accounts receivable. Payment terms for all trading balances relating to each of the I-SEM revenue streams are governed by the I-SEM settlement calendar.

Use of System receivables
Use of System income in ROI comprises of Distribution Use of System (DUoS) income, Transmission Use of System (TUoS) income and Operation and Maintenance (O&M) charges for generators connected to the Distribution System. The credit terms for DUoS are 10 business days and there are currently 51 suppliers (2021: 52 suppliers). TUoS is collected by EirGrid, and the Transmission Asset Owner (TAO) allowed revenue is invoiced to EirGrid over 12 monthly instalments with each invoice due 36 days after month end. Invoices were issued in respect of 246 generators during 2022 for O&M charges (2021: 246 generators), credit terms for O&M charges are 30 days. Generators are invoiced for connection charges on a staged basis, as approved by CRU, with 65% of the capital contribution recouped in advance of construction, 90% in advance of energisation and the balance post energisation. Included in amounts due from subsidiary undertakings in Parent are amounts billed and collected through ESB Networks DAC, a subsidiary of the Parent in respect of Use of System receivables €358.6 million (2021: €130.9 million).

The credit risk in relation to DUoS is managed by the invocation of section 7 of the DUoS Framework Agreement approved by CRU on 1 August 2002. This section provides for the provision of security by each supplier. Before a supplier can register as a customer they must sign up to the DUoS agreement. All suppliers must provide security in accordance with section 7.2 of the DUoS Framework Agreement. The DUoS credit risk is also managed through the timely collection procedures in place which are in line with what is outlined in section 6 of the DUoS Framework Agreement and the monitoring of debtor days to keep these to a minimum. In the event of a supplier defaulting in line with section 7 of the DUoS Framework Agreement there is security cover in place for all suppliers.

TUoS credit risk is managed through the timely collection procedures in place and the monitoring of debtor days to keep these to a minimum. Procedures for the payment by EirGrid of TUoS income due to ESB Networks DAC as TAO are governed by the Infrastructure Agreement between EirGrid and ESB. This is not a normal bilateral contract freely entered into by the will of the parties, but an arrangement required by legislation and many of whose terms are specified in that legislation. Accordingly, the credit risk in relation to TUoS receivables is considered to be low. The amount due in respect of TUoS income at 31 December 2022 was €50.8 million (2021: €56.8 million), which is the largest Use of System receivable balance in ROI.

In respect of the Networks business in NI, revenue is derived principally from charges for use of the distribution system, PSO charges levied on electricity suppliers and charges for transmission services levied on SONI (System Operator for Northern Ireland). Credit risk in respect of Use of System receivables from electricity suppliers is mitigated by security received in the form of cash deposits, letters of credit or Parent company guarantees. With the exception of public bodies, payments in relation to new connections or alterations are paid for in advance of the work being carried out. Normal credit terms and debtor days in respect of trade receivables from electricity suppliers are less than 30 days. The largest Use of System electricity receivable in NI at 31 December 2022 is €9.7million (2021: €9.9 million).

Other electricity receivables
Other electricity receivables include amounts in relation to ancillary services and amounts in relation to electricity trading in the UK market which is not included in the I-SEM.

Trade - non-electricity and other receivables
Trade receivables (non-electricity) relate to balances due in respect of the Group's non-electricity trading and other operations. It includes amounts due in respect of the Group's telecommunications, consultancy, facility management and other ancillary operations. Credit risk with regard to these balances is not considered to be significant. The largest unsecured single balance included within this category at 31 December 2022 is an amount of €22.4 million (2021: €6.6 million) due from an external company.

Included within these categories are collateral amounts pledged by the Group to clearing banks for exchange trading of gas, carbon and power contracts of €748.8 million (2021: €nil million). The amounts pledged cover initial margin and daily mark to market movements.

Included within these categories are also collateral amounts pledged by the Group to bilateral parties of €86.1 million (2021: €101.4 million).

19. CASH AND CASH EQUIVALENTS

	Group		Parent	
	2022 €m	2021 €m	2022 €m	2021 €m
Cash at bank and in hand	**236.0**	537.0	**149.0**	463.3
Bank overdraft	**-**	-	**(319.5)**	-
Restricted cash	**754.0**	-	**107.4**	-
	990.0	537.0	**(63.1)**	463.3

As at 31 December 2022, €748.8 million was paid in respect of exchange traded gas, carbon and power contracts and corresponding amounts are included in trade and other receivables (2021: €260.6 million was received in respect of exchange traded gas, carbon and power contracts and corresponding amounts were included in trade and other payables).

Included in the cash on hand is €754.0 million (€107.4 million Parent related) of restricted cash relating to the Irish Government's Electricity Costs Emergency Benefit Scheme and the UK Government's Energy Bills Support Scheme. Such cash is not freely available to the ESB and is to be paid to customers in 2023 (2021: €nil).

20. CHANGES IN EQUITY

(i) Capital stock
There are 1,941,381,855 units of capital stock in issue at a par value of €1.00 each (2021: 1,949,381,855 units).

	2022 €m	2021 €m
Comprised as:		
Stock issued from converted reserves	**1,880.9**	1,880.9
Stock issued for subscription by ESOT	**60.5**	68.5
	1,941.4	1,949.4

In accordance with the Electricity (Supply) (Amendment) Act 2001, on 30 December 2001, the equity of ESB was converted to capital stock which was issued to the Department of Finance. At the same time, ESB ESOP Trustee Limited, established to act as Trustee for an ESB employee shareholding scheme, subscribed for 5% of the stock. The principal rights attaching to each unit of capital stock include the rights to exercise a vote at annual meetings, entitlements to dividends from profits when declared and the rights to proportionate participation in a surplus on winding up.

The Energy (Miscellaneous Provisions) Act 2006 amended Section 2 of the 2001 Act and as a result 10.2% of issued capital stock in ESB now stands vested in the Minister for Environment Climate and Communications, with the Minister for Public Expenditure and Reform retaining 86.7% of ESB's capital stock and the ESOP retaining 3.1% of the stock at that date.

The Ministers and Secretaries Amendment Act 2011, which came into force on 6 July 2011, establishes the office of the Minister for Public Expenditure and Reform. The 2011 Act has the effect of transferring ownership of the stock previously held by the Minister for Finance in ESB to the Minister for Public Expenditure and Reform as and from 6 July 2011.

(ii) Capital Redemption Reserve
During 2022, ESB recognised an ESOP provision of €nil (31 December 2021: €36.5 million) and continued the repurchase of the ESOP capital stock. A capital redemption reserve movement of €8.0 million (2021: €8.3 million) was recognised from the purchase and cancellation of 8.0 million ESOP share capital (2021: 8.3 million) for a consideration of €12.4 million (2021: €9.6 million) and represents the nominal amount of the share capital cancelled. The repurchase reduced the ESOP repurchase provision by €12.4 million and at 31 December 2022, the ESOP repurchase provision (note 28) recognised in other provisions amounts to €14.6 million (2021: €27.0 million). See note 32 for further details.

Notes to the Financial Statements (continued)

20. CHANGES IN EQUITY (continued)

(iii) Cash flow hedging

The hedging reserve primarily represents the fair value of derivatives which are part of effective cash flow hedging relationships at year end. As the derivatives are held for hedging purposes as defined by IFRS 9 and designated as hedges, their fair value movements are retained in OCI instead of being charged to the income statement during the year and will be charged to income in the same period as the corresponding transaction.

(iv) Other reserves

Group other reserves include the following:

- Non-distributable reserves of (€5.0) million which was created on the sale of the Group's share in Ocean Communications Limited in 2001;
- Actuarial movements on the NIE Networks defined benefit scheme, net of the related deferred tax adjustments, totalling (€105.1) million (2021: (€150.0) million);
- ESOP repurchase provision of (€14.6 million) (2021: €27.0 million) which relates to the amount that ESB has committed to date to repurchase from the ESOP internal market;
- Redemption reserve relating to a put option in So Energy (€nil) (2021:(€9.3) million).

Parent other reserves include the following:

- ESOP repurchase provision of (€14.6 million) (2021: €27.0 million) which relates to the amount that ESB has committed to date to repurchase from the ESOP internal market.

(v) Non-controlling interest - Group

Non-controlling interests at 31 December 2022 relate to the minority shareholdings in So Energy, Crockahenny Wind Farm DAC, Mountain Lodge Power DAC and other companies associated with wind and solar projects.

Dividends

Group	2022 €m	2021 €m
Dividends on capital stock:		
Total dividend paid 6.47 (2021: 4.13) cent per capital stock unit	**126.1**	80.8
Total	**126.1**	80.8

Parent	2022 €m	2021 €m
Dividends on capital stock:		
Total dividend paid 6.47 (2021: 4.13) cent per capital stock unit	**126.1**	80.8
Total	**126.1**	80.8

Total dividends paid during 2022 amounted to €126.1 million and include a final dividend of €126.1 million (6.47 cents per unit of stock) in respect of 2021.

The Board is now recommending that a final dividend of 16.84 cent per unit of capital stock, or €327.0 million.

21. TAXATION

(a) Income tax expense

	2022 €m	2021 €m
Current tax expense		
Current tax	**84.5**	75.5
Prior year over provision	**(3.8)**	(0.8)
Value of tax losses surrendered to equity accounted investees	**3.8**	3.8
	84.5	78.5
Deferred tax expense		
Origination and reversal of temporary differences	**38.9**	(3.0)
Increase in tax rate[1]	**10.8**	26.4
Prior year under / (over) provision	**7.9**	(4.2)
	57.6	19.2
Total	**142.1**	97.7

Reconciliation of effective tax rate

	2022 €m	2021 €m
Profit before tax	**700.2**	288.4
Profit before tax		
Plus: impairment of equity accounted investees	**91.2**	153.5
Plus: after tax share of equity accounted investees results (or loss)	**30.9**	75.9
Profit before tax (excluding equity accounted investees loss)	**822.3**	517.8
Taxed at 12.5%	**102.8**	64.7
Expenses not deductible	**16.4**	6.4
Transfer pricing adjustments	**(2.0)**	-
Tax effect of losses not recognised	**0.3**	4.2
Income not taxable	**(4.2)**	(4.0)
Higher tax on chargeable gains	**-**	2.4
Income taxed at higher rate of corporation tax	**2.2**	-
Deferred tax impact of increase in UK tax rate[1]	**10.8**	26.4
Higher tax rates on overseas profits	**11.7**	2.6
Prior year under / (over) provisions	**4.1**	(5.0)
Income tax expense	**142.1**	97.7

[1] The 2021 Budget for the UK included a provision that the UK corporation tax rate will increase to 25% (effective 1 April 2023). This increase to 25% was substantively enacted on 24 May 2021. The increase in the substantively enacted UK corporation tax rate will increase the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2022 has been calculated based on the rate of 25%, the substantively enacted rate at the balance sheet date.

ESB will be impacted by the Minimum Effective Tax Rate of 15% as a result of Ireland's decision to enter the OECD Tax Agreements on Pillar Two. Pillar Two proposals are evolving but, given the uncertainty around the timing and the detail of the rules which will ultimately be agreed, it is too early to quantify the impact on the company's results at this stage.

Notes to the Financial Statements (continued)

21. TAXATION (continued)

(b) Deferred tax assets and liabilities

Group	2022 €m	2021 €m
Deferred tax assets		
Property, plant and equipment and intangible assets	**-**	5.3
NIE Networks pension scheme	**-**	1.3
ESB pension scheme	**25.8**	33.6
Borrowings	**-**	1.8
Provisions	**3.7**	3.8
Tax losses forward	**11.4**	9.3
Derivative financial instruments	**46.6**	87.1
Total deferred tax assets	**87.5**	142.2
Less deferred tax asset recognised separately on the balance sheet	**(1.5)**	(1.8)
Net deferred tax asset being netted against deferred tax liability	**86.0**	140.4
Deferred tax liabilities		
Property, plant and equipment and intangible assets	**601.0**	615.2
NIE Networks pension scheme	**16.4**	-
Provisions	**8.6**	12.4
Derivative financial instruments	**12.7**	8.4
Capital gains tax	**2.9**	3.0
Total deferred tax liabilities	**641.6**	639.0
Netted deferred tax liabilities	**(555.6)**	(498.6)
Net deferred tax liability	**(554.1)**	(496.8)

21. TAXATION (continued)

The movement in temporary differences for the Group were as follows:

2022	Balance at 1 January €m	Recognised in income €m	Recognised in OCI €m	Translation differences €m	Balance at 31 December €m
Assets					
Property, plant and equipment and intangible assets	**5.3**	**(5.4)**	**-**	**0.1**	**-**
NIE Networks pension scheme	**1.3**	**(1.3)**	**-**	**-**	**-**
ESB pension scheme	**33.6**	**(7.8)**	**-**	**-**	**25.8**
Borrowings	**1.8**	**(1.8)**	**-**	**-**	**-**
Provisions	**3.8**	**-**	**-**	**(0.1)**	**3.7**
Tax losses forward	**9.3**	**2.5**	**-**	**(0.4)**	**11.4**
Derivative financial instruments	**87.1**	**(46.4)**	**9.1**	**(3.2)**	**46.6**
Total deferred tax assets	**142.2**	**(60.2)**	**9.1**	**(3.6)**	**87.5**
Liabilities					
Property, plant and equipment and intangible assets	**615.2**	**(5.7)**	**0.6**	**(9.1)**	**601.0**
NIE Networks pension scheme	**-**	**10.3**	**6.1**	**-**	**16.4**
Provisions	**12.4**	**(3.2)**	**-**	**(0.6)**	**8.6**
Derivative financial instruments	**8.4**	**(3.9)**	**8.2**	**-**	**12.7**
Capital gains tax	**3.0**	**(0.1)**	**-**	**-**	**2.9**
Total deferred tax liabilities	**639.0**	**(2.6)**	**14.9**	**(9.7)**	**614.6**
Net deferred tax (liability) / asset	**(496.8)**	**(57.6)**	**(5.8)**	**6.1**	**(554.1)**

2021	Balance at 1 January €m	Recognised in income €m	Recognised in OCI €m	Translation differences €m	Balance at 31 December €m
Assets					
Property, plant and equipment and intangible assets	6.3	(1.0)	-	-	5.3
NIE Networks pension scheme	22.2	(10.8)	(11.3)	1.2	1.3
ESB pension scheme	42.0	(8.5)	-	0.1	33.6
Borrowings	3.6	(1.8)	-	-	1.8
Provisions	1.7	2.1	-	-	3.8
Tax losses forward	5.9	3.1	-	0.3	9.3
Derivative financial instruments	81.3	-	0.5	5.3	87.1
Total deferred tax assets	163.0	(16.9)	(10.8)	6.9	142.2
Liabilities					
Property, plant and equipment and intangible assets	604.9	(2.2)	(0.1)	12.6	615.2
Provisions	7.3	4.5	-	0.6	12.4
Derivative financial instruments	8.4	-	-	-	8.4
Capital gains tax	3.0	-	-	-	3.0
Total deferred tax liabilities	623.6	2.3	(0.1)	13.2	639.0
Net deferred tax (liability) / asset	(460.6)	(19.2)	(10.7)	(6.3)	(496.8)

There is no expiry date to when tax losses in the Group can be utilised.

Notes to the Financial Statements (continued)

21. TAXATION (continued)

Deferred tax asset on tax losses not recognised in the accounts:
Deferred tax assets not recognised amounted to €15.8 million in 2022 (2021: €19.6 million). This amount relates to deferred tax assets not recognised against pre-acquisition tax losses arising in So Energy Trading Ltd in the amount of €6.1 million (2021: €5.9 million) and €9.7 million (2021: €13.7 million) of deferred tax assets not recognised against tax losses arising post acquisition.

Deferred tax in relation to unremitted reserves of overseas subsidiaries:
Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas subsidiaries for two reasons: either there is no commitment for these reserves to be distributed in the foreseeable future or it has been established that no tax would arise on the remittance. Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas joint ventures as the Group has the ability to control the repatriation of these reserves to the Republic of Ireland. Cumulative unremitted reserves of overseas subsidiaries and joint ventures totalled €848.4 million as at 31 December 2022 (31 December 2021: €818.9 million).

Parent	2022 €m	2021 €m
Deferred tax assets		
ESB pension scheme	**25.8**	33.6
Borrowings	**-**	1.8
Provisions	**1.7**	1.7
Derivative financial instruments	**12.7**	4.6
Total deferred tax assets	**40.2**	41.7
Deferred tax liabilities		
Property, plant and equipment	**422.0**	418.9
Derivative financial instruments	**12.1**	3.9
Capital gains tax	**1.2**	1.2
Total deferred tax liabilities	**435.3**	424.0
Net deferred tax liability	**(395.1)**	(382.3)

21. TAXATION (continued)

The movement in temporary differences for the Parent were as follows:

2022	Balance at 1 January €m	Recognised in income €m	Recognised in OCI €m	Balance at 31 December €m
Assets				
ESB pension scheme	33.6	(7.8)	-	**25.8**
Provisions	1.7	-	-	**1.7**
Borrowings	1.8	(1.8)	-	**-**
Derivative financial instruments	4.6	-	8.1	**12.7**
Total deferred tax assets	**41.7**	**(9.6)**	**8.1**	**40.2**
Liabilities				
Property, plant and equipment	418.9	3.1	-	**422.0**
Derivative financial instruments	3.9	-	8.2	**12.1**
Capital gains tax	1.2	-	-	**1.2**
Total deferred tax liabilities	424.0	3.1	8.2	**435.3**
Net deferred tax (liability) / asset	**(382.3)**	**(12.7)**	**(0.1)**	**(395.1)**

2021	Balance at 1 January €m	Recognised in income €m	Recognised in OCI €m	Balance at 31 December €m
Assets				
ESB pension scheme	42.0	(8.4)	-	33.6
Borrowings	1.8	(0.1)	-	1.7
Provisions	3.6	(1.8)	-	1.8
Derivative financial instruments	5.5	-	(0.9)	4.6
Total deferred tax assets	52.9	(10.3)	(0.9)	41.7
Liabilities				
Property, plant and equipment	421.5	(2.6)	-	418.9
Derivative financial instruments	3.8	-	0.1	3.9
Capital gains tax	1.2	-	-	1.2
Total deferred tax liabilities	426.5	(2.6)	0.1	424.0
Net deferred tax (liability) / asset	(373.6)	(7.7)	(1.0)	(382.3)

Notes to the Financial Statements (continued)

22. BORROWINGS AND OTHER DEBT

Group	Recourse borrowings €m	Non-recourse borrowings €m	2022 Total €m	Recourse borrowings €m	Non-recourse borrowings €m	2021 Total €m
Current borrowings						
▪ Repayable by instalments	70.1	-	**70.1**	70.7	-	**70.7**
▪ Repayable other than by instalments	493.3	-	**493.3**	-	-	-
Total current borrowings	563.4	-	**563.4**	70.7	-	**70.7**
Non-current borrowings						
▪ Repayable by instalments						
- Between one and two years	63.3	-	**63.3**	75.3	-	75.3
- Between two and five years	134.4	-	**134.4**	173.1	-	173.1
- After five years	304.5	-	**304.5**	334.3	-	334.3
	502.2	-	**502.2**	582.7	-	582.7
▪ Repayable other than by instalments						
- Between one and two years	299.9	-	**299.9**	253.1	-	253.1
- Between two and five years	497.8	843.6	**1,341.4**	297.4	890.9	1,188.3
- After five years	3,793.1	392.8	**4,185.9**	3,268.4	-	3,268.4
	4,590.8	1,236.4	**5,827.2**	3,818.9	890.9	4,709.8
Total non-current borrowings	5,093.0	1,236.4	**6,329.4**	4,401.6	890.9	5,292.5
Total borrowings outstanding	5,656.4	1,236.4	**6,892.8**	4,472.3	890.9	5,363.2

See section (b) for details of applicable interest rates.

Current borrowings by facility

	Ref	2022 €m	2021 €m
Long-term bank borrowings	3	**296.1**	70.7
Private placement borrowings	4	**267.3**	-
		563.4	70.7

Non-current borrowings by facility

	Ref	2022 €m	2021 €m
ESB Eurobonds	1	**4,590.8**	3,568.2
Non-recourse NIE Networks Sterling bonds	2	**1,236.4**	890.9
Long-term bank borrowings	3	**502.2**	580.3
Private placement borrowings	4	**-**	253.1
		6,329.4	5,292.5

None of the borrowings are secured against the Group assets.

ESB was rated A- from Standard & Poor's (outlook stable) and A3 (equivalent to A-) from Moody's (outlook stable) at 31 December 2021 and 31 December 2022.

22. BORROWINGS AND OTHER DEBT (continued)

1. ESB Eurobonds

The table below provides details of ESB Eurobonds (all listed) included in borrowings at 31 December 2022:

Issuer	Value	Issue Date	Tenor	Coupon
ESB Finance DAC	Euro €300.0 million	November 2013	10 years	3.494%
ESB Finance DAC	Euro €500.0 million	June 2015	12 years	2.125%
ESB Finance DAC	Euro €600.0 million	June 2016	15 years	1.875%
ESB Finance DAC	Euro €500.0 million	January 2017	12 years	1.750%
ESB Finance DAC	Euro €500.0 million	November 2018	15 years	2.125%
ESB Finance DAC	Euro €100.0 million	April 2019	25 years	2.000%
ESB Finance DAC	Euro €700.0 million (Green bond)	June 2019 / July 2020	11 years	1.125%
ESB Finance DAC	Stg £325.0 million	January 2020	15 years	1.875%
ESB Finance DAC	Euro €500.0 million (Green bond)	January 2022	12 years	1.000%
ESB Finance DAC	Euro €550.0 million	November 2022	10 years	4.000%

€500.0 million was issued in January 2022, and €550.0 million was issued in November 2022.

2. Non-recourse NIE Networks Sterling Bonds

Issuer	Value	Issue Date	Tenor	Coupon
NIE Networks Limited	Stg £400.0 million	June 2011	15 years	6.375%
NIE Networks Limited	Stg £350.0 million	September 2018	7 years	2.500%
NIE Networks Limited	Stg £350.0 million	November 2022	10.1 years	5.875%

£350.0 million was issued in November 2022.

3. Long-term bank borrowings

	Balance at 31 December 2022	Balance at 31 December 2021
€200 million European Investment Bank (EIB) to support renewable connections to the electricity network in the southwest of Ireland	Euro €75.1 million	Euro €92.9 million
Other long-term bank borrowings of floating rate debt borrowed on a bilateral basis (apart from the above €200 million)	Euro €155.6 million	Euro €201.9 million
€150.0 million European Investment Bank (EIB) to support the roll out of Smart Meters in Ireland	Euro €150.0 million	Euro €150.0 million
€1.4 billion revolving credit facility (with a syndicate of 13 banks)	GBP £200.0 million	0
£750.0 million revolving credit facility	0	0
Other EIB fixed rate debt	Euro €194.7 million	Euro €209.9 million

A €200.0 million facility with the European Investment Bank (EIB) was agreed in 2013 and 2014 to support renewable connections to the electricity network in the southwest of Ireland. The balance due to be repaid is €75.1 million as at 31 December 2022 (2021: € 92.9 million).

A €150.0 million facility with the European Investment Bank (EIB) to support the roll out of Smart Meters in Ireland was signed in August 2020 and was drawn down in full at 31 December 2022 (2021: €150.0 million).

Notes to the Financial Statements (continued)

22. BORROWINGS AND OTHER DEBT (continued)

ESB entered into a new €1.44 billion Sustainability linked Revolving Credit Facility up to February 2027 with a group of thirteen international banks. £200 million of this facility was drawn down at 31 December 2022 (2021: £nil).

In December 2022, ESB entered into a new £750.0 million Revolving Credit Facility up to December 2023 with a group of six international banks. There has been no drawdown of this facility as at 31 December 2022.

4. Private placement borrowings

	Balance at 31 December 2022	Balance at 31 December 2021	Issue Date	Maturity Date	Coupon
Private Placement Senior unsecured notes	USD $273.5 million	USD $273.5 million	December 2003	December 2023	6.050%
	Stg £10 million	Stg £10 million	December 2003	December 2023	6.000%

The private placement debt and certain other facilities have conditions which require ESB to maintain certain interest cover and asset covenants.

At 31 December 2022 ESB is fully in compliance with all the covenant requirements associated with the private placement debt and other facilities.

	Recourse Borrowings	
Parent	2022 Total €m	2021 Total €m
Current borrowings		
▪ Repayable by instalments	**70.1**	70.7
▪ Repayable other than by instalments	**493.3**	-
Total current borrowings	**563.4**	70.7
Non-current borrowings		
▪ Repayable by instalments		
- Between one and two years	**63.3**	75.3
- Between two and five years	**134.3**	173.1
- After five years	**304.5**	334.3
	502.1	582.7
▪ Repayable other than by instalments		
- Between one and two years	**-**	250.8
	-	250.8
Total non-current borrowings	**502.1**	833.5
Total borrowings outstanding	**1,065.5**	904.2

(a) Funding and liquidity management

The principal liquidity risks faced by the Group relate to cash flow requirements arising from day-to-day operations, maturing debt obligations and the funding of capital investment programmes. The Group's treasury function manages this risk through a combination of liquid investments, cash and cash equivalents and undrawn committed bank facilities. The Group negotiates facilities with relationship banks and debt capital markets to pre-fund, or pre-hedge, any funding requirements arising from maturing debt, capital expenditure and general business requirements.

At 31 December 2022 the Group had over €2.2 billion available in cash or cash equivalents (excluding restricted cash) and committed bank facilities, ensuring liquidity demands can be met as required. The committed bank facilities include a syndicated loan facility with a large number of well-rated financial institutions. The Group successfully raised a €350.0 million bond after the balance sheet date (see note 33).

22. BORROWINGS AND OTHER DEBT (continued)

The Group's debt management strategy targets a debt portfolio profile with a diverse mix of counterparties, funding sources and maturities. Structured non-recourse and limited recourse financing is used where appropriate, taking into account both funding costs and risk mitigation.

The maturity profile of the carrying amount of the Group's borrowings, and the expiry of material undrawn committed bank borrowing facilities are as follows:

	Drawn Debt - Group		Drawn Debt - Parent		Undrawn Facility- Group and Parent	
Maturing	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
In one year or less	**563.4**	70.7	**563.4**	70.7	**847.5**	-
Between one and two years	**363.2**	328.4	**63.3**	326.1	**-**	-
Between two and five years	**1,475.8**	1,361.4	**134.3**	173.1	**1,174.4**	1,400.0
In more than five years	**4,490.4**	3,602.7	**304.5**	334.3	**-**	-
	6,892.8	5,363.2	**1,065.5**	904.2	**2,021.9**	1,400.0

The following table sets out the contractual maturities of Group borrowings, including the associated interest payments. Borrowings with a carrying value of €5,827.3 million (31 December 2021: €4,459.1 million) relate to borrowings of subsidiaries in the Group.

	Carrying amount €m	Contractual cash outflows / (inflows) - net €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
31 December 2022						
Recourse borrowings	**5,656.4**	**6,571.2**	**672.6**	**470.1**	**909.0**	**4,519.5**
Non-recourse borrowings	**1,236.4**	**1,622.4**	**63.9**	**62.0**	**984.8**	**511.7**
Total borrowings	**6,892.8**	**8,193.6**	**736.5**	**532.1**	**1,893.8**	**5,031.2**
31 December 2021						
Recourse borrowings	4,472.3	5,229.1	168.9	419.6	695.9	3,944.7
Non-recourse borrowings	890.9	1,086.8	40.8	40.8	1,005.2	-
Total borrowings	5,363.2	6,315.9	209.7	460.4	1,701.1	3,944.7

(b) Interest rate risk management

The Group's interest rate policy was updated in 2021 and the target is to have a significant majority of its debt at fixed interest rate to maturity, with a minimum of 60% fixed at all times. This is achieved either by borrowing directly at fixed interest rates or via interest rate swaps. At 31 December 2022 89.6% of the Group's debt was fixed, 1.4% floating and 9.0% inflation linked (31 December 2021: 87.5%, 0.4% and 12.1% respectively). The fair value of interest rate swaps is disclosed in note 23.

Notes to the Financial Statements (continued)

22. BORROWINGS AND OTHER DEBT (continued)

In respect of interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date taking into account the effect of interest rate swaps and cross currency swaps:

2022	Effective interest rate %	Total €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
Private placement borrowings (fixed interest rate)	**6.15%**	**267.3**	267.3	-	-	-
Non-recourse borrowings (fixed interest rate)	**4.98%**	**1,236.4**	-	-	843.6	392.8
Other long-term borrowings (fixed and variable interest rate)	**2.97%**	**5,389.1**	296.1	363.2	632.2	4,097.6
		6,892.8	**563.4**	**363.2**	**1,475.8**	**4,490.4**

2021	Effective interest rate %	Total €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
Private placement borrowings (fixed interest rate)	6.15%	253.1	-	253.1	-	-
Non-recourse borrowings (fixed interest rate)	4.57%	890.9	-	-	890.9	-
Other long-term borrowings (fixed and variable interest rate)	2.02%	4,219.2	70.7	75.3	470.5	3,602.7
		5,363.2	70.7	328.4	1,361.4	3,602.7

Included within other long-term borrowings in this analysis are floating rate liabilities of €97.8 million (31 December 2021: €208 million).

The effective interest rate on the private placement borrowings has been fixed through the use of cross currency swaps and interest rate swaps. Inflation linked swaps are included at equivalent nominal interest rate levels.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, changes in interest rates will have an impact on consolidated earnings. It is estimated that a general increase of 50 basis points in interest rates (and corresponding real interest rates) for the year would have increased profit before taxation and reduced equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, including the assumption that there is no change in inflation rates.

	31 December 2022		31 December 2021	
	50 bp increase gain / (loss) € m	50 bp decrease gain / (loss) € m	50 bp increase gain / (loss) € m	50 bp decrease gain / (loss) € m
Profit before taxation				
Interest payable	**(0.5)**	**0.5**	(0.6)	-
Fair value movements on financial instruments	**25.7**	**(27.0)**	51.6	(54.5)
Other comprehensive income				
Fair value gains / (losses)	**(1.8)**	**1.9**	10.2	(10.7)

The following assumptions were made in respect of the sensitivity analysis above:

- the balance sheet sensitivity to interest rates analysis relates only to derivative financial instruments;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on the income statement;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12-month period for the accrued interest portion of the sensitivity calculations.

22. BORROWINGS AND OTHER DEBT (continued)

(c) Reconciliation of external borrowings

Group

2022	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
Debt Facilities						
ESB Eurobonds	3,568.2	1,039.1	-	(19.0)	2.5	**4,590.8**
Non-recourse NIE Networks Eurobonds	890.9	402.5	-	(56.6)	(0.4)	**1,236.4**
Long-term bank borrowings	651.0	226.0	(69.0)	(9.5)	(0.2)	**798.3**
Private placement borrowings	253.1	-	-	14.2	-	**267.3**
Total	5,363.2	1,667.6	(69.0)	(70.9)	1.9	**6,892.8**

2021	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
Debt Facilities						
ESB Eurobonds	3,542.1	-	-	24.5	1.6	**3,568.2**
Non-recourse long-term project finance debt	12.0	-	(13.0)	0.5	0.5	**-**
Non-recourse NIE Networks Sterling bonds	832.7	-	-	57.7	0.5	**890.9**
Long-term bank borrowings	566.9	150.1	(73.7)	6.9	0.8	**651.0**
Private placement borrowings	289.9	-	(58.2)	21.4	-	**253.1**
Total	5,243.6	150.1	(144.9)	111.0	3.4	**5,363.2**

Parent

2022	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
Debt Facilities						
Long-term bank borrowings	651.1	226.0	(69.0)	(9.5)	(0.4)	**798.2**
Private placement borrowings	253.1	-	-	14.2	-	**267.3**
Total	904.2	226.0	(69.0)	4.7	(0.4)	**1,065.5**

2021	Balance at 1 January €m	Proceeds €m	Repayments €m	Effects of foreign exchange €m	Other €m	Balance at 31 December €m
Debt Facilities						
Long-term bank borrowings	566.9	150.0	(73.6)	7.0	0.8	**651.1**
Private placement borrowings	289.9	-	(58.2)	21.4	-	**253.1**
Total	856.8	150.0	(131.8)	28.4	0.8	**904.2**

Notes to the Financial Statements (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value by class of derivative financial instrument

Derivative financial instruments are carried at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis, using a zero-coupon discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair values of financial instruments, grouped by class of instrument, are as follows:

Group

2022	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
Interest rate swaps	**-**	**-**	**(21.8)**	**(2.9)**	**(24.7)**
Inflation linked interest rate swaps	**-**	**-**	**(323.3)**	**(239.9)**	**(563.2)**
Currency swaps	**-**	**21.9**	**(5.4)**	**-**	**16.5**
Foreign exchange contracts	**2.6**	**12.7**	**(6.9)**	**(34.9)**	**(26.5)**
Forward fuel price contracts	**122.7**	**809.0**	**(148.2)**	**(812.1)**	**(28.5)**
Total	**125.3**	**843.7**	**(505.6)**	**(1,089.8)**	**(626.4)**

2021	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
Interest rate swaps	0.1	-	(2.6)	(6.1)	(8.6)
Inflation linked interest rate swaps	-	-	(694.9)	(25.7)	(720.6)
Currency swaps	6.2	-	(20.8)	-	(14.6)
Foreign exchange contracts	4.7	11.5	(7.5)	(6.5)	2.2
Forward fuel price contracts	75.3	584.2	(79.3)	(608.1)	(27.9)
Total	86.3	595.7	(805.1)	(646.4)	(769.5)

Parent

2022	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
Interest rate swaps	**5.0**	**1.8**	**(21.7)**	**(3.0)**	**(17.9)**
Currency swaps	**-**	**21.9**	**(5.4)**	**-**	**16.5**
Foreign exchange contracts	**5.8**	**13.4**	**(6.8)**	**(34.4)**	**(22.0)**
Forward fuel price contracts	**120.6**	**787.5**	**(128.1)**	**(776.1)**	**3.9**
Total	**131.4**	**824.6**	**(162.0)**	**(813.5)**	**(19.5)**

2021	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
Interest rate swaps	0.1	3.1	(2.5)	(6.2)	(5.5)
Currency swaps	6.2	-	(20.8)	-	(14.6)
Foreign exchange contracts	11.5	11.5	(7.4)	(6.1)	9.5
Forward fuel price contracts	73.1	538.9	(79.5)	(580.5)	(48.0)
Total	90.9	553.5	(110.2)	(592.8)	(58.6)

The Group decides at inception whether to designate financial instruments into hedge relationships for certain arrangements that meet the specific hedging accounting criteria of IFRS 9.

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(i) Interest rate swaps

The Group has executed interest rate swaps of Stg £295.0 million (2021: Stg £395.0 million) in connection with a certain portion of its borrowings held by the Parent and ESB Finance DAC. These have all been classified as cash flow hedges.

For interest rate swaps, the fair value takes into account the fixed, floating and market rates prevailing at the balance sheet date. As interest rate swaps are marked to market at 31 December 2022, their carrying value is equal to their fair value.

The fair value of the interest rate swaps has decreased by €16.1 million. ESB receives a fixed rate and pays variable under the instruments. The fair value movement reflects negative mark to market movements in the underlying swaps during the year, resulting from a rising interest rate environment.

(ii) Inflation linked interest rate swaps

Inflation linked interest rate swaps with a fair value on acquisition of €272.5 million were acquired in December 2010 as part of the purchase of the NIE Networks business. The inflation linked interest rate swaps did not qualify for hedge accounting under IFRS 9 on acquisition of the NIE Networks business. The fair value of the inflation linked interest rate swaps is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the United Kingdom (UK).

On 12 April 2021 the Group, and its counterparty banks, together agreed a restructuring of the swaps, including amendments to certain terms. These changes included an extension of the date of the mandatory early termination clause (as defined in executed term sheet) from 22 June 2022 to 22 December 2025 for the swaps maturing 22 December 2036. The restructuring also included amendments to the fixed interest rate element of the swaps, and a change to the number of swap counterparties.

Arising from movements in forward interest rates, UK RPI forward prices, foreign currency exchange rates and payments during the year, the fair value of the liability has decreased by €157.6 million on these swaps in the year ended 31 December 2022 (2021: fair value of the liability increased by €128.1 million). The movement reflects positive mark to market movements in the underlying swaps of €101.1 million (2021: negative movement €113.2 million), reflected in finance costs in the income statement (note 9) and payments of €22.3 million (2021: €28.1 million) arising under the swaps during the year. In addition, positive translation movements of €34.2 million (2021: negative translation movements of €43.0 million) during the year on translation of the swaps from sterling to euro are reflected in the OCI.

(iii) Currency swaps

The fair value of the currency swaps are affected by movements in foreign exchange and interest rates. ESB's currency swaps are primarily classified as cash flow hedges and relate to funding performed in one currency with full or partial underlying requirements in another currency. ESB has a portfolio of EUR USD cross-currency swaps entered into in connection with the private placement debt, which is described in note 22. These cross-currency swaps were entered into in order to swap US dollar and sterling interest and principal repayments on the underlying debt to euro, thereby hedging the risk on these payments over the years to maturity from 2003 to 2023. Similarly, ESB has a portfolio of EUR GBP cross-currency swaps entered into in connection with euro monies raised in public capital markets. These cross-currency swaps were entered into in order to swap Euro and Sterling interest and principal repayments on the underlying debt to sterling, thereby hedging the risk on these payments over the years to maturity from 2018 to 2032.

The fair value of the cross currency interest rate swaps has increased by €31.0 million, the movement reflects positive mark to market movements on the existing swaps of €34.3 million offset by a negative mark to market on a new cross currency interest rate swap entered into during the year of €3.3 million.

No ineffectiveness under the meaning of IFRS 9 arose on the currency swaps during the year (2021: €nil). Separately included in the income statement for the year 31 December 2022 is a gain of €28.3 million (2021: gain of €4.1 million) arising on cross currency swaps which is substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

(iv) Foreign Exchange Contracts

In addition to foreign exchange contracts entered into in relation to the Group's borrowings, the Group has entered into foreign exchange contracts in relation to energy costs, Long Term Service Agreements (LTSAs) and fuel purchase requirements (which are in US dollar and sterling). These contracts have maturities extending until 2025. Total negative fair value movements of €38.3 million (2021: positive movements of €9.6 million) were recognised during the year in relation to such foreign exchange contracts, of which a negative fair value movement of €nil (2021: negative movements of €0.6 million) was recognised through OCI and a negative fair value movement of €38.3 million (2021: positive movement of €10.2 million) was recognised in the income statement.

(v) Forward Fuel Price Contracts

The Group enters into forward fuel price contracts for gas, coal and carbon. Commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value.

Notes to the Financial Statements (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Total positive fair value movements of €9.3 million (31 December 2021: negative movement of €25.2 million) were recognised during the period consisting of a negative fair value movement of €31.7 million (31 December 2021: positive movement of €28.6 million) recognised in the income statement and settlements of €3.7 (31 December 2021: €4.6 million) offset by positive fair value movements of €26.1 million (31 December 2021: positive movement of €9.9 million) recognised.

The positive fair value movement in the period is due to volatility in the global commodity markets.

Fair value hierarchy

Further information on the methods of valuing financial instruments is included in note 29.

Interest Rate Benchmark Reform

ESB has now transitioned it's GBP LIBOR referencing loan and derivative exposures to SONIA.

(b) Funding and liquidity management - maturity of derivative financial instruments

The following table sets out the contractual maturities of derivative financial instruments, including the associated undiscounted net cash flows attributable to them. These derivative financial instruments are expected to impact profit or loss over a time period similar to the cash outflows. Net derivative financial instrument liabilities of €606.9 million (2021: €710.9 million) are included in the Group balances below, but do not comprise part of the Parent's assets and liabilities as they are not held directly by the Parent. See note 29 (b) for further analysis of Group and Parent financial assets and liabilities.

	Carrying amount €m	Contractual cash inflows / (outflows) - net €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
31 December 2022						
Currency swaps	21.9	25.6	0.7	22.4	-	2.5
Foreign exchange contracts	15.3	19.4	16.5	2.4	0.5	-
Forward fuel price contracts	931.8	928.5	807.8	109.8	10.9	-
Total assets	**969.0**	**973.5**	**825.0**	**134.6**	**11.4**	**2.5**
Interest rate swaps	(24.7)	(25.8)	(6.4)	(8.3)	(11.1)	-
Inflation linked interest rate swaps	(563.2)	(647.0)	(237.9)	(5.5)	(248.9)	(154.7)
Currency swaps	(5.4)	(73.0)	(9.4)	(18.1)	(45.5)	-
Foreign exchange contracts	(41.8)	(53.7)	(46.5)	(7.2)	-	-
Forward fuel price contracts	(960.3)	(961.3)	(812.0)	(127.2)	(22.1)	-
Total liabilities	**(1,595.4)**	**(1,760.8)**	**(1,112.2)**	**(166.3)**	**(327.6)**	**(154.7)**
Net derivative assets / (liabilities)	**(626.4)**	**(787.3)**	**(287.2)**	**(31.7)**	**(316.2)**	**(152.2)**
31 December 2021						
Interest rate swaps	0.1	0.1	0.1	-	-	-
Currency swaps	6.2	6.8	0.8	6.0	-	-
Foreign exchange contracts	16.2	21.4	18.0	2.5	0.9	-
Forward fuel price contracts	659.5	657.2	584.2	56.8	16.2	-
Total assets	**682.0**	**685.5**	**603.1**	**65.3**	**17.1**	**-**
Interest rate swaps	(8.6)	(10.1)	(2.2)	(3.2)	(4.4)	(0.3)
Inflation linked interest rate swaps	(720.6)	(755.8)	(25.4)	(191.8)	(348.3)	(190.3)
Currency swaps	(20.8)	(19.4)	(7.0)	(4.6)	(7.8)	-
Foreign exchange contracts	(13.9)	(15.5)	(8.1)	(1.6)	(5.8)	-
Forward fuel price contracts	(687.6)	(685.5)	(608.0)	(65.0)	(12.5)	-
Total liabilities	**(1,451.5)**	**(1,486.3)**	**(650.7)**	**(266.2)**	**(378.8)**	**(190.6)**
Net derivative assets / (liabilities)	**(769.5)**	**(800.8)**	**(47.6)**	**(200.9)**	**(361.7)**	**(190.6)**

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(c) Hedging Reserves

The Group's hedging reserves movements relate to the following hedging instruments:

2022

	Cash flow hedging reserve[1]				
Hedging reserve (gains) / losses	Cross-currency interest rate swaps €m	Interest rate swaps €m	Foreign exchange contracts €m	Forward fuel price contracts[2] €m	Total €m
Net fair value movements	(27.5)	-	-	26.1	(1.4)
Net fair value movements for equity accounted investees	-	(241.1)	(19.1)	-	(260.2)
Transfers to the income statement	25.7	-	-	(3.7)	22.0
Deferred tax movements	0.2	54.0	4.7	(1.2)	57.7
Total (gains) / losses	**(1.6)**	**(187.1)**	**(14.4)**	**21.2**	**(181.9)**

2021

	Cash flow hedging reserve[1]				
Hedging reserve (gains) / losses	Cross-currency interest rate swaps €m	Interest rate swaps €m	Foreign exchange contracts €m	Forward fuel price contracts[2] €m	Total €m
Net fair value movements	1.5	-	0.6	9.9	12.0
Net fair value movements for equity accounted investees	-	(67.2)	8.1	-	(59.1)
Transfers to the income statement	(8.6)	-	-	(15.6)	(24.2)
Deferred tax movements	0.9	17.1	(5.9)	0.7	12.8
Total (gains) / losses	**(6.2)**	**(50.1)**	**2.8**	**(5.0)**	**(58.5)**

[1] The cash flow hedge reserve includes an amount of €4.5 million (2021: €2.5 million) relating to the cost of hedging.

[2] Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel price contracts at 31 December 2022.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through twice annual prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Foreign exchange contracts

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to determine ineffectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in credit risk.

Forward fuel and electricity contracts

For hedges of forward fuel and electricity contracts, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. Ineffectiveness may arise if the timing or quantity of the forecast transaction changes from what was originally estimated, or if there are changes in credit risk. Hedge ineffectiveness for forward fuel and electricity contracts is measured using the hypothetical derivative method.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments.

Notes to the Financial Statements (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross-currency interest rate swaps

The Group enters into cross currency interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The hedged item is identified as a proportion of the outstanding amount up to the notional amount of the swaps. Hedge ineffectiveness for interest rate swaps is measured using the same principles as for hedges of foreign exchange contracts. It may occur primarily due to differences in critical terms between the cross currency interest rate swaps and the loans.

(d) Effects of hedge accounting on the financial position and performance

The effects of the hedging instruments for which hedge accounting has been used (before taxation) on the Group's financial position and performance are as follows:

2022

Carrying amount unit	**USD - Cross-currency interest rate swaps (Level 2) €m**	**GBP Cross-currency interest rate swaps (Level 2) €m**	**Forward fuel price contracts - Gas (Level 3)[2] €m**	**Forward electricity price contracts (Level 3)[2] €m**
Carrying amount - asset / (liability) as at 31 December 2022	14.4	(5.4)	(144.8)	122.8
Notional unit	**$m**	**£m**	**Gwh**	**Gwh**
Notional amount	173.5	367.5	5.1	5.1
Maturity date - earliest	Dec-23	Nov-28	Jan-23	Jan-23
Maturity date - latest	Dec-23	May-32	Dec-25	Dec-25
Hedge ratio[1]	1:1	1:1	1:1	1:1
Change in fair value unit	**€m**	**€m**	**€m**	**€m**
Change in fair value of outstanding hedging instruments since 1 January	9.4	15.3	86.5	(114.7)
Change in value of hedged item used to determine hedge effectiveness	(9.4)	(15.3)	86.5	(118.2)
Unit of rate / price	**Interest rate % / FX rate**	**Interest rate % / FX rate**	**€/Mwh**	**€/Mwh**
Weighted average hedged rate / price	5.69%/ 1.19	4.00%/0.8718	127.1	127.1

2021

Carrying amount unit	**USD - Cross-currency interest rate swaps (Level 2) €m**	**GBP Cross-currency interest rate swaps (Level 2) €m**	**Forward fuel price contracts - Gas (Level 3)[2] €m**	**Forward electricity price contracts (Level 3)[2] €m**
Carrying amount - asset / (liability) as at 31 December 2021	5.0	(20.8)	(48.8)	49.3
Notional unit	**$m**	**£m**	**Gwh**	**Gwh**
Notional amount	173.5	281.1	2,388.4	2,388.4
Maturity date - earliest	Dec-23	Nov-28	Jan-21	Jan-21
Maturity date - latest	Dec-23	Nov-28	Dec-24	Dec-24
Hedge ratio	1:1	1:1	1:1	1:1
Change in fair value unit	**€m**	**€m**	**€m**	**€m**
Change in fair value of outstanding hedging instruments since 1 January	12.8	(16.2)	(32.4)	35.7
Change in value of hedged item used to determine hedge effectiveness	(12.8)	16.2	32.4	(35.7)
Unit of rate / price	**Interest rate % / FX rate**	**Interest rate % / FX rate**	**€/Mwh**	**€/Mwh**
Weighted average hedged rate / price	5.69%/1.19	3.25%/0.8882	164.0	164.0

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[1] The hedge ratio is the quantity of hedging instrument per quantity of hedged item. The appropriate hedge ratio is determined based on specific factors such as volumes of commodities required, contracted foreign exchange and interest rate exposures.

[2] Weighted average hedged rate / price is not applicable to the Level 3 contracts above. Level 3 hedge instruments link electricity more closely to fuel inputs.

24. PENSION LIABILITIES

The Group operates a number of pension Schemes for staff in both the Republic of Ireland, Northern Ireland and the United Kingdom (UK). Pension arrangements in respect of staff in the Republic of Ireland including ESB employees seconded overseas are set out in section (a) below. Pension arrangements in respect of staff in the UK and Northern Ireland are described in section (b) and (c).

(a) Parent and Group - Republic of Ireland

(i) ESB Defined Benefit Pension Scheme (The Scheme)

Pensions for approximately half of the employees in the electricity business are funded through a contributory pension Scheme called the ESB Defined Benefit Pension Scheme. The fund is vested in Trustees nominated by ESB and its members for the sole benefit of employees and their dependants. The Scheme is a defined benefit Scheme and is registered as such with the Pensions Authority.

The regulations governing the Scheme stipulate the benefits that are to be provided and the contributions to be paid by both ESB and the contributing members. Notwithstanding the defined benefit nature of the benefits, ESB has no legal obligation to increase contributions to maintain those benefits in the event of a deficit. ESB's rate of contribution cannot be altered without the agreement of ESB and approval of the Minister for Environment, Climate and Communications. Should a deficit arise in the future, ESB is obliged under the regulations to consult with the Superannuation Committee, the Trustees and the Scheme Actuary to consider the necessity of submitting an amending Scheme for Ministerial approval. This is different to the normal 'balance of cost' defined benefit approach, where the employer is liable to pay the balance of contributions required to fund benefits.

History

Historically the contributions of both ESB and members have been fixed by the Scheme regulations for long periods. On a number of occasions since the early 1980s, a deficit in the Scheme has been reported by the Scheme Actuary. On each occasion ESB has, in accordance with its obligations under the Scheme rules, consulted with the Committee, the Trustees and the Actuary. Following discussions with the unions, deficits were resolved by increasing contributions by both ESB and pension Scheme members.

The 2010 Pensions Agreement followed a 31 December 2008 actuarial deficit of €1,957.0 million. It was recognised that it was not feasible to address such a deficit through increased contributions. Negotiations between ESB and ESB Group of Unions (employee representatives) concluded with the landmark 2010 Pensions Agreement (approved by employees in July 2010 and formally ratified by the Board of ESB on 20 October 2010). The main features of the Agreement included the introduction of a Career Average Revalued Earnings (CARE) pension model for benefits earned after 1 January 2012, pension and pay freezes, the cessation of the historic link between salary and pension increases, and the application of a solvency test in relation to any future pension increases. The fixed contribution rates for the employer and for Scheme members were not changed. Under the Agreement ESB agreed to a once off cash injection into the Scheme, payable over a number of years, which had an agreed valuation for actuarial purposes as at 1 January 2010 of €591.0 million. In 2020, the remaining balance of this amount was paid to the Trustees of the Scheme by ESB. Under the Agreement membership of the Scheme has been closed to new joiners. The changes brought about by the 2010 Pensions Agreement were subsequently approved by the Minister.

As part of the interim actuarial valuation, the Scheme Actuary confirmed during 2022 that on an actuarial basis, the Scheme's assets were broadly in balance with its liabilities at the end of 2021. Should an actuarial deficit arise in the future, the obligation on ESB, as set out in the Scheme regulations, to consult with the parties to the Scheme remains unchanged. Under the Minimum Funding Standard (MFS) or wind-up scenario, there was a shortfall at the end of 2021. However, given several developments in 2022 including higher yields and Ministerial approval of the deferred member rule change, the Actuary confirmed that the Scheme met the MFS and MFS risk reserve requirements at the end of April 2022 (and again in September 2022) while the actuarial position also remained in balance.

ESB does not intend that any further contributions, other than those currently provided for under the scheme regulations (described below) will be made.

Definitions

There are three different methods of assessing the financial status of the Scheme:

- Ongoing Actuarial Valuation.
- Minimum Funding Standard, under the Pensions Act.
- Accounting, as set out in International Accounting Standard 19, Employee Benefits.

Each of these methods assesses the Scheme from specific perspectives using assumptions and projections which may differ.

Ongoing Actuarial Valuation

This valuation method assumes that both the Scheme and ESB continue in existence for the foreseeable future - it is not a wind-up valuation. As part of the interim valuations carried out at the end of 2021, April 2022 and September 2022, the Scheme Actuary confirmed that the Scheme remained broadly in balance on an ongoing actuarial basis, i.e. that based on the assumptions made, the Scheme is projected to be able to meet its obligations as they fall due.

Notes to the Financial Statements (continued)

24. PENSION LIABILITIES (continued)

Wind Up / Minimum Funding Standard Valuation

The Pensions Act requires the Trustees of the Scheme to also assess whether it could meet a certain prescribed standard, known as the Minimum Funding Standard (MFS). This assesses whether, if the Scheme were wound up on a specified theoretical valuation date, it could secure the benefits on that date. It should be noted that ESB does not envisage the winding up of the Scheme.

Given several developments in 2022 including higher yields and Ministerial approval of the deferred member rule change, the Actuary confirmed that the Scheme met the MFS and MFS risk reserve requirements at the end of April 2022. This was again confirmed in September 2022.

ESB does not intend that any further contributions, other than the normal on-going contributions will be made (up to 16.4% of pensionable salary, in addition to employee contributions of up to 8.5%).

Accounting

IAS 19 (revised) Employee Benefits is the relevant accounting standard to determine the way post-employment benefits should be reflected in ESB's financial statements.

The financial statements reflect the following obligations to the Scheme:

- Ongoing contributions - these are recognised in the income statement as incurred. Any unpaid amounts at year end are recognised as liabilities on the balance sheet.
- Obligations of €88.7 million (2021: €94.7 million) to the Scheme are also included on the balance sheet, made up of:
  - Past service contributions – the on-going rate of contribution by ESB includes a contribution towards past service accrued in 2010. The present value of future contributions in respect of that past service are recognised on the balance sheet. Amounts yet to be paid are subject to an annual financing charge and this is expensed in the income statement.
  - Past Voluntary Severance (VS) Programmes – in 2010 ESB recognised a future fixed commitment in respect of staff who had left the Company under previous VS programmes. ESB will make pension contributions in respect of those staff and the fair value of those future contributions are also recognised on the balance sheet. Amounts yet to be paid are subject to an annual financing charge and this is expensed in the income statement.

(ii) ESB Defined Contribution Pension Scheme

ESB also operates an approved defined contribution Scheme called ESB Defined Contribution Pension Scheme for employees of ESB subsidiary companies in the Republic of Ireland and, from 1 November 2010, new staff of the Parent. Contributions are paid by the members and the employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a Group basis and may be paid in the form of a lump sum and/or survivor's pension. The pension charge for the year represents the defined employer contribution and amounted to €18.6 million (2021: €17.0 million).

(b) FM United Kingdom Worksave Scheme

In addition, ESB operates a contract based defined contribution pension scheme in the UK for all its GB employees. Contributions are paid by the members and the employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a Group basis and may be paid in the form of a lump sum. The assets of this Scheme are held in individual accounts managed by Legal & General Assurance Society Limited. The pension charge for the year represents the defined employer contribution and amounted to €0.7 million (2021: €0.7 million).

(c) Northern Ireland Electricity Pension Scheme

The majority of the employees in NIE Networks are members of the Northern Ireland Electricity Pension Scheme (the NIE Networks Scheme). This has two sections: "Options", which is a money purchase arrangement whereby the employer generally matches the members' contributions up to a maximum of 8% of salary, and "Focus" which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the NIE Networks Scheme are held under trust and invested by the Trustees on the advice of professional investment managers. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the day-to-day administration of the benefits of the scheme. Focus has been closed to new members since 1998 and therefore under the projected unit credit method the current service cost for members of this section as a percentage of salary will increase as they approach retirement age.

As the benefits paid to members of the Options section of the scheme are directly related to the value of assets for Options, there are no funding issues with this section of the scheme. The remainder of this note is therefore in respect of the Focus section of the scheme. Under the Focus section of the scheme, employees are entitled to annual pensions on retirement at age 63 (for members who joined after 1 April 1988) of one-sixtieth of final pensionable salary for each year of service. Benefits are also payable on death and following events such as withdrawing from active service.

24. PENSION LIABILITIES (continued)

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Focus section of the scheme was carried out by a qualified actuary as at 31 March 2020 and showed a deficit of €226.6 (£200.5) million. The Company is paying deficit contributions of €21.5 (£19.0) million per annum (increasing in line with inflation) from 1 April 2020. NIE Networks also pays contributions of 43.0% of pensionable salaries (2021: 43.0%) in respect of current accrual plus €98,900 (£87,500) monthly expenses (2021: €104,000 (£87,500)), with active members paying a further 6% of pensionable salaries.

Profile of the Scheme

The defined benefit pension scheme surplus includes benefits for current employees, former employees and current pensioners. Broadly, about 15% of the liabilities are attributable to current employees, 3% to former employees and 82% to current pensioners. The Scheme duration is an indication of the weighted average time until benefit payments are made. For the NIE Networks Scheme, the duration is around 11 years (2021: 15 years) based on the last funding valuation.

The Company has recognised an accounting surplus on the 'Focus' defined benefit pension scheme in line with the most recent IAS19 valuation on the basis of the Company's assessment that it has the right to any remaining surplus on the eventual winding up of the pension scheme following gradual settlement of the scheme's liabilities. In making this judgement, the Company is of the view that no other party has the unilateral right to wind-up the scheme or amend the liabilities of the scheme. Notwithstanding the current IAS 19 surplus, the company expects to continue to contribute deficit contributions in line with the agreement arising from the most recent funding valuation.

Financial assumptions

The valuation of the Focus section of the NIE Networks Scheme by independent actuaries for the purpose of IAS 19 disclosures is based on the following assumptions:

	% at 31 December 2022	% at 31 December 2021
Rate of interest applied to discount liabilities[1]	**5.00**	1.80
Price inflation (CPI in the United Kingdom)	**2.70**	2.80
Rate of increase of pensionable salaries	**3.20**	3.50
Rate of increase of pensions in payment	**2.70**	2.80

[1] The discount rate used in the calculation of the pension liability at 31 December 2022 was 5.0% (2021: 1.8%). This was determined by reference to market yields as at that date on high quality corporate bonds. The currency and term of the corporate bonds was consistent with the currency and estimated term of the post-employment benefit obligations.

Mortality assumptions

The assumptions relating to life expectancy at retirement for members are set out below. These assumptions are based on standard actuarial mortality tables and include an allowance for future improvements in life expectancy.

	At 31 December 2022		At 31 December 2021	
	Males Years	Females Years	Males Years	Females Years
Current pensioners at aged 60	**26.4**	**28.9**	26.7	29.0
Future pensioners currently aged 40 (life expectancy age 60)	**28.3**	**30.1**	28.2	30.5

Pension assets and liabilities

The assets and liabilities in the Focus section of the NIE Networks Scheme are:

	At 31 December 2022 €m	At 31 December 2021 €m
Equities - quoted	**87.6**	120.7
Bonds - quoted	**293.9**	771.1
Multi-asset credit investments	**479.7**	247.5
Diversified growth - quoted	**130.5**	350.1
Cash	**24.3**	17.7
Fair value of plan assets	**1,016.0**	1,507.1
Present value of funded obligations	**(950.2)**	(1,513.8)
Net surplus / (deficit)	**65.8**	(6.7)

Notes to the Financial Statements (continued)

24. PENSION LIABILITIES (continued)

The expected rate of return on equities is based on the expected median returns over the long-term. The expected rate of return on bonds is measured directly from actual market yields for UK gilts and corporate bonds. Other assets include cash balances and other investments. The expected rate of return on these assets is measured directly from short-term market interest rates.

History of experience gains and losses

	At 31 December 2022 €m	At 31 December 2021 €m
Changes in the actuarial value of liabilities		
Benefit obligation at the beginning of the year	**1,513.8**	1,459.9
Movement during the year:		
Current service cost	**7.4**	6.9
Interest cost	**26.2**	19.3
Plan members' contributions	**0.3**	0.3
Actuarial (gain) / loss - impact of financial assumption changes	**(476.5)**	(4.4)
Actuarial gain - experience loss	**40.1**	-
Benefits paid	**(76.0)**	(68.6)
Curtailment cost	**0.3**	0.2
Translation difference on benefit obligation in the year	**(85.4)**	100.2
Benefit obligation at the end of the year	**950.2**	1,513.8
Changes in the market value of assets		
Fair value of plan assets at the beginning of the year	**1,507.1**	1,343.0
Movement during the year:		
Interest income on plan assets	**26.3**	17.9
Return of plan assets	**(384.9)**	94.0
Employer contributions	**31.0**	29.3
Plan members' contributions	**0.3**	0.3
Administration expenses	**(1.8)**	(1.6)
Benefits paid	**(76.0)**	(68.6)
Translation difference on assets in the year	**(86.0)**	92.8
Fair value of plan assets at the end of the year	**1,016.0**	1,507.1
Actual return on plan assets for the year	**(358.6)**	109.4

The Group expects to make contributions of approximately €28.1 million to Focus in 2023.

Analysis of the amounts recognised in the employee costs as part of the employee benefit charge were as follows:

	2022 €m	2021 €m
Current service cost	**(7.4)**	(6.9)
Curtailment cost	**(0.3)**	(0.2)
Administration expenses	**(1.8)**	(1.6)
Total defined benefit charge in year	**(9.5)**	(8.7)

24. PENSION LIABILITIES (continued)

Analysis of the amounts recognised in the finance costs, as net pension scheme interest:

	2022 €m	2021 €m
Interest on pension scheme assets	**26.3**	17.9
Interest on pension scheme liabilities	**(26.2)**	(19.3)
Net pension scheme charge interest income/(charge)	**0.1**	(1.4)

Analysis of the amounts recognised in the statement of comprehensive income (excluding translation)

	2022 €m	2021 €m
Actual returns on assets less interest	**(384.9)**	94.0
Actuarial gain on liabilities	**436.4**	4.4
Net actuarial gain	**51.5**	98.4

Sensitivity analysis

The table below shows the possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Pension liability

	Impact on scheme liabilities (increase) / decrease	
	2022 € m	2021 € m
Discount rate (0.25% increase)	**25.0**	54.4
Inflation rate (0.25% increase)	**(21.0)**	(51.8)
Future mortality (1 year increase)	**(16.8)**	(58.4)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the Financial Statements (continued)

25. LIABILITY- ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES

		Employee related liabilities		
Group	**Liability - ESB pension scheme €m**	**Restructuring liabilities €m**	**Other €m**	**Total €m**
Balance at 1 January 2021	**106.3**	72.4	64.7	**137.1**
Movements during the year:				
(Credited) / Charged to the income statement	**(5.2)**	-	93.0	**93.0**
Utilised during the year	**(11.0)**	(21.6)	(89.0)	**(110.6)**
Financing charge	**4.6**	-	-	**-**
Translation differences	**-**	-	0.3	**0.3**
Balance at 31 December 2021	**94.7**	50.8	69.0	**119.8**
Balance at 1 January 2022	**94.7**	50.8	69.0	**119.8**
Movements during the year:				
(Credited) / Charged to the income statement	**-**	-	59.4	**59.4**
Utilised during the year	**(10.5)**	(11.1)	(62.1)	**(73.2)**
Financing charge	**4.5**	-	-	**-**
Translation differences	**-**	-	(0.1)	**(0.1)**
Balance at 31 December 2022	**88.7**	39.7	66.2	**105.9**
Analysed as follows:				
Non-current liabilities	**78.2**	23.7	-	**23.7**
Current liabilities	**10.5**	16.0	66.2	**82.2**
Total	**88.7**	39.7	66.2	**105.9**

		Employee related liabilities		
Parent	**Liability - ESB pension scheme €m**	**Restructuring liabilities €m**	**Other €m**	**Total €m**
Balance at 1 January 2021	**106.3**	72.3	56.5	**128.8**
Movements during the year:				
(Credited) / Charged to the income statement	**(5.2)**	-	87.7	**87.7**
Utilised during the year	**(11.0)**	(21.6)	(83.5)	**(105.1)**
Financing charge	**4.6**	-	-	**-**
Balance at 31 December 2021	**94.7**	50.7	60.7	**111.4**
Balance at 1 January 2022	**94.7**	50.7	60.7	**111.4**
Movements during the year:				
(Credited) / Charged to the income statement	**-**	-	53.5	**53.5**
Utilised during the year	**(10.5)**	(11.1)	(55.5)	**(66.6)**
Financing charge	**4.5**	-	-	**-**
Balance at 31 December 2022	**88.7**	39.6	58.7	**98.3**
Analysed as follows:				
Non-current liabilities	**78.2**	23.7	-	**23.7**
Current liabilities	**10.5**	15.9	58.7	**74.6**
Total	**88.7**	39.6	58.7	**98.3**

25. LIABILITY- ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES (continued)

Liability - ESB pension scheme
See note 24 (a) part (i).

Restructuring liabilities
This provision represents the estimated cost of providing post-employment payments to former employees, other than those amounts covered by the pension scheme. It includes liabilities for continuing payments to employees who left under past voluntary severance initiatives, which are expected to be materially discharged by 2035. Expected future cash flows are discounted to the present value using long-term interest rates based on zero discount curve at the reporting date plus an appropriate credit spread.

Other
In accordance with the requirements of IAS 19 Employee Benefits, provision has been made for employee remuneration liabilities, including accrued holiday leave and performance related payments.

26. TRADE AND OTHER PAYABLES

	Group		Parent	
	2022 €m	**2021 €m**	**2022 €m**	**2021 €m**
Current payables:				
Progress payments on work in progress	**127.1**	129.3	**81.6**	87.0
Trade payables	**594.4**	477.7	**430.4**	339.7
Capital creditors	**114.6**	123.5	**95.1**	86.5
Other payables	**1,010.4**	557.4	**137.7**	477.2
Payroll taxes	**16.0**	15.3	**20.2**	13.6
Pay related social insurance	**7.2**	6.5	**-**	5.5
Value added tax	**39.3**	60.1	**(5.9)**	15.7
Accruals	**377.4**	326.4	**446.4**	73.6
Amounts owed to subsidiary undertakings	**-**	-	**7,383.4**	4,986.9
Accrued interest on borrowings	**75.6**	67.3	**49.8**	42.3
Total current payables	**2,362.0**	1,763.5	**8,638.7**	6,128.0
Non-current payables:				
Other payables	**-**	9.3	**-**	-
Total non-current payables	**-**	9.3	**-**	-
Total payables	**2,362.0**	1,772.8	**8,638.7**	6,128.0

Included within other payables is €nil million (2021: €260.6 million) relating to the net cash collateral amounts received in relation to exchange traded gas, carbon and power contracts. The amounts pledged cover initial margin and daily mark to market movements.

Other payables include amounts received in advance from customers.

Notes to the Financial Statements (continued)

27. DEFERRED INCOME

Group	Supply contributions €m	Other deferred Income €m	Total €m
Balance at 1 January 2021	1,316.0	44.1	1,360.1
Transfer from progress payments on work in progress	140.8	-	140.8
Deferred income received	-	22.1	22.1
Released to the income statement	(81.0)	(28.9)	(109.9)
Translation differences	33.3	2.0	35.3
Balance at 31 December 2021	1,409.1	39.3	1,448.4
Balance at 1 January 2022	**1,409.1**	**39.3**	**1,448.4**
Transfer from progress payments on work in progress	186.9	-	**186.9**
Deferred income received	-	23.4	**23.4**
Released to the income statement	(89.7)	(22.1)	**(111.8)**
Translation differences	(28.2)	(0.3)	**(28.5)**
Balance at 31 December 2022	**1,478.1**	**40.3**	**1,518.4**
Analysed as follows:			
Non-current liabilities	**1,386.2**	**32.9**	**1,419.1**
Current liabilities	**91.9**	**7.4**	**99.3**
Total	**1,478.1**	**40.3**	**1,518.4**

Parent	Supply contributions €m	Other deferred Income €m	Total €m
Balance at 1 January 2021	921.2	-	921.2
Transfer from progress payments on work in progress	94.6	-	94.6
Released to the income statement	(63.1)	-	(63.1)
Balance at 31 December 2021	952.7	-	952.7
Balance at 1 January 2022	**952.7**	-	**952.7**
Transfer from progress payments on work in progress	**147.9**	-	**147.9**
Released to the income statement	**(67.0)**	-	**(67.0)**
Balance at 31 December 2022	**1,033.6**	-	**1,033.6**
Analysed as follows:			
Non-current liabilities	**964.9**	**-**	**964.9**
Current liabilities	**68.7**	**-**	**68.7**
Total	**1,033.6**	**-**	**1,033.6**

28. PROVISIONS

Group	Asset retirement Provision €m	Emissions Provision €m	Other €m	Total €m
Balance at 1 January 2021	461.1	124.5	178.5	**764.1**
Charged / (credited) to the income statement				
▪ Emission allowances	-	299.7	-	**299.7**
▪ Legal and other	-	-	(8.4)	**(8.4)**
▪ Asset retirement	(1.6)	-	-	**(1.6)**
Reduction in asset retirement provision capitalised	(10.2)	-	-	**(10.2)**
Reduction in legal flood provision	-	-	(15.9)	**(15.9)**
Onerous contract provision recognised on acquisition of So Energy	-	-	61.4	**61.4**
ESOP provision charged to equity (note 32)	-	-	36.5	**36.5**
Provision capitalised in the year (net)	-	-	14.7	**14.7**
Utilised in the year	(3.8)	(127.7)	(20.1)	**(151.6)**
Financing charge	5.0	-	-	**5.0**
Translation differences	3.1	4.7	2.9	**10.7**
Balance at 31 December 2021	453.6	301.2	249.6	**1,004.4**
Balance at 1 January 2022	453.6	301.2	249.6	**1,004.4**
Charged / (credited) to the income statement				
▪ Emission allowances	-	486.4	-	**486.4**
▪ Legal and other	-	-	69.3	**69.3**
▪ Asset retirement	38.4	-	-	**38.4**
Reduction in asset retirement provision capitalised	(20.2)	-	-	**(20.2)**
Provision capitalised in the year (net)	69.7	-	(8.9)	**60.8**
Utilised in the year	(5.7)	(302.9)	(110.7)	**(419.3)**
Financing charge	8.7	-	0.1	**8.8**
Translation differences	(1.6)	(14.4)	(1.7)	**(17.7)**
Balance at 31 December 2022	**542.9**	**470.3**	**197.7**	**1,210.9**
Analysed as follows:				
Non-current liabilities	523.6	-	92.6	**616.2**
Current liabilities	19.3	470.3	105.1	**594.7**
Total	**542.9**	**470.3**	**197.7**	**1,210.9**

Notes to the Financial Statements (continued)

28. PROVISIONS (continued)

Parent	Asset retirement Provision €m	Emissions Provision €m	Other €m	Total €m
Balance at 1 January 2021	378.6	67.6	145.9	**592.1**
Charged / (credited) to the income statement				
▪ Emission allowances	-	180.3	-	**180.3**
▪ Legal and other	-	-	2.0	**2.0**
▪ Asset retirement	(0.4)	-	-	**(0.4)**
Reduction in asset retirement provision capitalised	(0.8)	-	-	**(0.8)**
Reduction in legal flood provision	-	-	(15.9)	**(15.9)**
ESOP provision charged to equity (note 32)	-	-	36.5	**36.5**
Utilised in the year	(3.8)	(70.8)	(15.0)	**(89.6)**
Financing charge	4.3	-	-	**4.3**
Balance at 31 December 2021	377.9	177.1	153.5	**708.5**
Balance at 1 January 2022	377.9	177.1	153.5	**708.5**
Charged / (credited) to the income statement				
▪ Emission allowances	-	237.0	-	**237.0**
▪ Legal and other	-	-	58.4	**58.4**
▪ Asset retirement	32.1	-	-	**32.1**
Reduction in asset retirement provision capitalised	(2.9)	-	-	**(2.9)**
Provision capitalised in the year (net)	34.3	-	-	**34.3**
Utilised in the year	(5.6)	(182.6)	(50.6)	**(238.8)**
Financing charge	6.3	-	-	**6.3**
Balance at 31 December 2022	**442.1**	**231.5**	**161.3**	**834.9**
Analysed as follows:				
Non-current liabilities	422.9	-	84.2	**507.1**
Current liabilities	19.2	231.5	77.1	**327.8**
Total	**442.1**	**231.5**	**161.3**	**834.9**

Asset retirement provision

The Group provision at 31 December 2022 of €542.9 million (2021: €453.6 million) for asset retirement represents the present value of the current estimate of the costs arising from certain obligations in relation to the retirement and decommission of generation assets, windfarms and ESB Networks creosote treated wood poles at the end of their useful economic lives.

The expected closure dates of generation assets and windfarms are up to 2045. Due to changes in estimates during the year ended 31 December 2022 the asset retirement provision in relation to the retirement and decommission of generating assets and windfarms decreased by €8.2 million (2021: decreased by €11.8 million). The estimated value of future retirement costs at the balance sheet date includes physical dismantling, site remediation and associated costs offset by scrap value of materials. There is significant estimation and judgement required in the calculation of the provision for generation assets, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, the impact of alternative technologies and use of appropriate changes in the discount rates.

Creosote treated wood poles on the network for ESB Networks and NIE Networks are expected to be disposed over a period of up to 60 years. After updates for changes in disposal costs, the asset retirement provision in respect to these poles increased by €99.0 million (2021: no change in the asset retirement provision). There is significant judgement in estimating the level of provision as operational plans and the cost of disposal may change significantly in the future as a result of environmental legislation or pole condition given the length of time over which they are held. Such changes could materially impact the level of provision required.

The Group has made its best estimate of the financial effect of these uncertainties in determining the level of provisions required, but future material changes in any of the assumptions could materially impact on the calculation of the provisions.

28. PROVISIONS (continued)

As the costs are provided on a discounted basis, a financing charge is included in the income statement and credited to the provision each year. The asset retirement provision is re-examined annually and the liability re-calculated in accordance with the most recent expected estimate. Expected future cash flows are discounted to present values using an appropriate pre-tax discount rate.

Emissions provision

In accordance with the provisions of the European CO2 emissions trading scheme and UK emissions trading scheme, a provision is recognised to cover the liability for actual emissions during the year. Allowances purchased during the year are returned to the relevant Authority in charge of the scheme within four and three months respectively from the end of that calendar year, in line with the actual emissions of CO2 during the year. The provision represents the obligation to return emission allowances equal to the actual emissions. This obligation is measured at the cost of the CO2 emission allowances purchased and held as intangible assets together with the market value of any additional allowances required to settle the year end liability.

Other provisions

Legal case - Cork flooding

Following on from flooding in Cork in November 2009, Aviva as University College Cork's (UCC) insurer pursued a legal action against ESB in the High Court seeking recovery of €19 million for property damage. The Supreme Court decided that ESB is liable to UCC for negligence. The Court concluded that ESB had a duty of care to consider the effects of a natural flood on downstream landowners in operating its dams and that ESB had a duty to carry out a risk assessment of the effect of a flood downstream. The case was remitted to the High Court for a partial retrial to establish the extent of ESB's liability for the damage caused to UCC's buildings because of ESB's failure to discharge these duties.

On the issue of contributory negligence the Supreme Court found that UCC had been negligent in not carrying out its own risk assessments and taking steps to mitigate the risk posed to its buildings by the River Lee. The level of UCC's negligence was also remitted to the High Court. At a mediation held in December 2021 agreement was reached with UCC's insurers, Aviva, regarding settlement of the UCC claim and other claims made by plaintiffs insured by Aviva arising from the flooding in Cork in November 2009. On 18 January 2022 the High Court struck out the proceedings at the request of both parties and their insurers.

In addition to the UCC claim and associated Aviva claims, ESB has been served with 366 sets of proceedings relating to the flooding in Cork in November 2009. These claims are now being managed directly by ESB's insurers. The financial statements for 2022 include a provision of €50.0 million in respect of estimated damages and related costs in respect of all claims. A corresponding amount of €48.0 million is included in the financial statements in respect of the expected reimbursement under the related insurance contracts. ESB does not anticipate that the total amount of damages awarded and related costs for all of the actions will exceed its insurance cover.

Onerous Contracts

Onerous contract provisions include €5.2 million (2021: €Nil) in relation to obligations relating to maintenance and other contracts which are expected to exceed the benefits to be received and €Nil (2021: €50.9 million) in relation to So Energy.

So Energy

In line with IFRS 3 Business Combinations, a provision in respect of onerous contracts of €61.4m was recognised on the acquisition of So Energy in respect of customer contracts in 2021 (a related amount of €51.3 million was recognised in intangible assets relating to favourable commodity contracts held by So Energy at date of acquisition – see note 16(c)).

During the year €51.3 million (2021: €27.4 million) of the provision was credited to the income statement during the year and is recognised as a reduction in energy costs in the period. Included in the amount credited to the income statement is the release of €16.0 million relating to an onerous contract provision which had been provided for during the year ended 31 December 2021.

During the year, an onerous contract provision of €6.6 million was recognised in respect of obligations relating to maintenance and other contracts which are expected to exceed the benefits to be received. An amount of €1.4 million was utilised during the year.

Other provisions

Other provisions also include:

- ESOP repurchase provision €14.6 million (2021: €27.0 million). See note 32 for further details.
- Deferred consideration in respect of acquisition of a 50% stake in Inch Cape Offshore Holdings Limited (ICOHL) of €18.8 million (2021: €28.9 million). This consideration is contingent on ICOHL achieving project milestones and specified returns.
- Deferred consideration in respect of Superhomes Ireland DAC of €2.8 million (2021: €2.8 million).
- Electric Ireland Credit to customers of €53.3 million in respect of €50 credit to be applied to all residential electricity customers.

Other legal

Other provisions also include estimates of liabilities to third parties, in respect of claims notified or provided for at year end. The year end provision includes an estimate for liabilities incurred but not yet reported.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) Overview of financial risk management

Risk environment

The main financial risks faced by the Group relate to foreign exchange (particularly movements in the value of the euro relative to sterling and the US dollar) and commodity (electricity and fuel) price movements. Liquidity risk, and exposure to interest rate volatility, are key long-term financial risks also, but have been substantially addressed in the short run. Policies to protect the Group from these risks and other risk areas, such as credit risk, are regularly reviewed, revised and approved by the Board as appropriate. Group Treasury is responsible for the day-to-day treasury activities of the Group. The Finance and Investment Committee is regularly updated on key treasury matters, risk and associated mitigants.

Commodity price risk is managed by the front and middle office functions of the relevant business units: ESB Trading (within Generation and Trading) and Customer Solutions. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit. It is the responsibility of the Trading Risk Management Committees within these two business units to ensure that internal audit findings and recommendations are adequately addressed. This is overseen by the Executive Director level Group Trading Committee (GTC). The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way designed to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. Financial instruments are derecognised on settlement or sale.

Risk reporting structure

Through the Chief Executive, the Board has delegated to the GTC, the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerances and business strategies. The GTC has established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities. Furthermore the Group Trading Risk Management Policy is applicable to each of these businesses.

In both Generation and Trading and Customer Solutions, separate Trading Risk Management Committees meet on a monthly basis (or more frequently as required) and serve as the primary overseer of trading risk at individual ring-fenced business unit level. These committees include the head of the Front Office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the business unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management, and for ensuring that an effective control framework is in place.

The Middle Office function in each business unit maintains a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is adequately managed in accordance with Group Trading Risk Management Policy.

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds. ESB also uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise in the normal course of operations from US dollar and sterling denominated borrowings, from its foreign currency subsidiaries and from the use of foreign currency suppliers. Hedge accounting pursuant to IFRS 9 is used both for hedges of foreign currency liabilities and interest rate risks from current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. The Group decides at inception whether to designate financial instruments into hedge relationships. Certain arrangements meet the specific hedging accounting criteria of IFRS 9.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas, coal and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Overview of financial assets and liabilities

Financial assets and liabilities, excluding employee related liabilities, at 31 December 2022 and at 31 December 2021 can be analysed as follows:

	Financial assets at fair value through profit or loss		Assets / liabilities held at amortised cost		Derivative financial instruments with hedging relationships		Derivative financial instruments with no hedging relationships		Total	
Group	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Assets										
Non-current assets										
Amounts due from insurer	-	-	**48.4**	48.4	-	-	-	-	**48.4**	48.4
Amounts due from equity accounted investees	-	-	**536.5**	167.6	-	-	-	-	**536.5**	167.6
Financial asset investments	**5.0**	5.3	-	-	-	-	-	-	**5.0**	5.3
Derivative financial instruments	-	-	-	-	**(19.9)**	8.4	**145.2**	77.9	**125.3**	86.3
Total non-current financial assets	**5.0**	5.3	**584.9**	216.0	**(19.9)**	8.4	**145.2**	77.9	**715.2**	307.6
Current assets										
Amounts due from insurer	-	-	-	30.9	-	-	-	-	-	30.9
Trade and other receivables*	-	-	**2,806.2**	1,551.3	-	-	-	-	**2,806.2**	1,551.3
Cash and cash equivalents	-	-	**990.0**	537.0	-	-	-	-	**990.0**	537.0
Derivative financial instruments	-	-	-	-	**21.9**	-	**821.8**	595.7	**843.7**	595.7
Total current financial assets	-	-	**3,796.2**	2,119.2	**21.9**	-	**821.8**	595.7	**4,639.9**	2,714.9
Total financial assets	**5.0**	5.3	**4,381.1**	2,335.2	**2.0**	8.4	**967.0**	673.6	**5,355.1**	3,022.5
Liabilities										
Non-current liabilities										
Borrowings and other debt	-	-	**6,329.4**	5,292.5	-	-	-	-	**6,329.4**	5,292.5
Lease liabilities	-	-	**112.8**	106.7	-	-	-	-	**112.8**	106.7
Trade and other payables	-	-	-	9.3	-	-	-	-	-	9.3
Derivative financial instruments	-	-	-	-	**25.3**	20.8	**480.3**	784.3	**505.6**	805.1
Total non-current financial liabilities	-	-	**6,442.2**	5,408.5	**25.3**	20.8	**480.3**	784.3	**6,947.8**	6,213.6
Current liabilities										
Borrowings and other debt	-	-	**563.4**	70.7	-	-	-	-	**563.4**	70.7
Lease liabilities	-	-	**16.0**	12.8	-	-	-	-	**16.0**	12.8
Trade and other payables**	-	-	**2,299.5**	1,681.6	-	-	-	-	**2,299.5**	1,681.6
Derivative financial instruments	-	-	-	-	**2.5**	2.0	**1,087.3**	644.4	**1,089.8**	646.4
Total current financial liabilities	-	-	**2,878.9**	1,765.1	**2.5**	2.0	**1,087.3**	644.4	**3,968.7**	2,411.5
Total financial liabilities	-	-	**9,321.1**	7,173.6	**27.8**	22.8	**1,567.6**	1,428.7	**10,916.5**	8,625.1

* Prepayments have been excluded as they are not classified as a financial asset.

** VAT and employment taxes have been excluded as these are statutory liabilities.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

The Group's provisions and employee related liabilities are not analysed in the table above, or in the further analysis on the following page. This includes the liability for pension obligation of €88.7 million at 31 December 2022 (2021: €94.7 million). See notes 24 and 25 in relation to this and employee related liabilities.

	Financial assets at fair value through profit or loss		Assets / liabilities held at amortised cost		Derivative financial instruments with hedging relationships		Derivative financial instruments with no hedging relationships		Total	
Parent	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Assets										
Non-current assets										
Amounts due from insurer	-	-	**48.4**	48.4	-	-	-	-	**48.4**	48.4
Amounts due from equity accounted investees	-	-	**93.8**	3.0	-	-	-	-	**93.8**	3.0
Investments in subsidiary undertakings	-	-	**2,269.8**	2,016.0	-	-	-	-	**2,269.8**	2,016.0
Derivative financial instruments	-	-	-	-	-	6.2	**131.4**	84.7	**131.4**	90.9
Total non-current financial assets	-	-	**2,412.0**	2,067.4	-	6.2	**131.4**	84.7	**2,543.4**	2,158.3
Current assets										
Amounts due from insurer	-	-	-	30.9	-	-	-	-	-	30.9
Trade and other receivables*	-	-	**4,498.7**	2,124.9	-	-	-	-	**4,498.7**	2,124.9
Cash and cash equivalents	-	-	**107.4**	463.3	-	-	-	-	**107.4**	463.3
Derivative financial instruments	-	-	-	-	**21.9**	-	**802.7**	553.5	**824.6**	553.5
Total current financial assets	-	-	**4,606.1**	2,619.1	**21.9**	-	**802.7**	553.5	**5,430.7**	3,172.6
Total financial assets	-	-	**7,018.1**	4,686.5	**21.9**	6.2	**934.1**	638.2	**7,974.1**	5,330.9
Liabilities										
Non-current liabilities										
Borrowings and other debt	-	-	**502.1**	833.5	-	-	-	-	**502.1**	833.5
Lease liabilities	-	-	**56.7**	56.8	-	-	-	-	**56.7**	56.8
Derivative financial instruments	-	-	-	-	**5.4**	20.8	**156.6**	89.4	**162.0**	110.2
Total non-current financial liabilities	-	-	**558.8**	890.3	**5.4**	20.8	**156.6**	89.4	**720.8**	1,000.5
Current liabilities										
Borrowings and other debt	-	-	**563.4**	70.7	-	-	-	-	**563.4**	70.7
Lease liabilities	-	-	**7.9**	6.1	-	-	-	-	**7.9**	6.1
Trade and other payables**	-	-	**8,624.4**	6,093.2	-	-	-	-	**8,624.4**	6,093.2
Cash and cash equivalents	-	-	**170.5**	-	-	-	-	-	**170.5**	-
Derivative financial instruments	-	-	-	-	-	-	**813.5**	592.8	**813.5**	592.8
Total current financial liabilities	-	-	**9,366.2**	6,170.0	-	-	**813.5**	592.8	**10,179.7**	6,762.8
Total financial liabilities	-	-	**9,925.0**	7,060.3	**5.4**	20.8	**970.1**	682.2	**10,900.5**	7,763.3

* Prepayments have been excluded as they are not classified as a financial asset.

** VAT and employment taxes have been excluded as these are statutory liabilities.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

The Parent's employee related liabilities are not analysed in the table above, or in the further analysis on the following page. This includes the liability for pension obligation of €88.7 million at 31 December 2022 (2021: €94.7 million). See notes 24 and 25 in relation to this and employee related liabilities.

(c) Funding and liquidity management

The following table sets out the contractual maturities of financial liabilities (and assets of a similar nature), including the interest payments associated with borrowings and the undiscounted net cash flows attributable to derivative financial instruments. Borrowings with a carrying value of €5,827.3 million (2021: €4,459.0 million) and net derivative financial instrument liabilities of €607.1 million (2021: €710.9 million) are included in the Group balances below, but do not comprise part of the Parent's assets and liabilities as they are not held directly by the Parent. See notes 14, 22, 23 and 26 for further analysis of Group and Parent financial assets and liabilities.

Group	Carrying amount €m	Contractual cash outflows / inflows - net €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
31 December 2022						
Borrowings	6,892.8	8,193.6	736.5	532.1	1,893.8	5,031.2
Lease liabilities	128.8	155.4	16.4	13.4	35.0	90.6
Trade and other payables (excluding tax balances and accrued interest on borrowings)	2,231.1	2,231.1	2,231.1	-	-	-
Derivative financial instruments	1,595.4	1,760.8	1,112.2	166.3	327.6	154.7
Total liabilities	**10,848.1**	**12,340.9**	**4,096.2**	**711.8**	**2,256.4**	**5,276.5**
Derivative financial instruments	969.0	973.5	825.0	134.6	11.4	2.5
Total assets	**969.0**	**973.5**	**825.0**	**134.6**	**11.4**	**2.5**
Net liabilities	**9,879.1**	**11,367.4**	**3,271.2**	**577.2**	**2,245.0**	**5,274.0**
31 December 2021						
Borrowings	5,363.2	6,315.9	209.7	460.4	1,701.1	3,944.7
Lease liabilities	119.5	126.3	12.2	10.9	28.0	75.2
Trade and other payables (excluding tax balances and accrued interest on borrowings)	1,623.6	1,623.6	1,623.6	-	-	-
Derivative financial instruments	1,451.5	1,486.3	650.7	266.2	378.8	190.6
Total liabilities	8,557.8	9,552.1	2,496.2	737.5	2,107.9	4,210.5
Derivative financial instruments	682.0	685.5	603.1	65.3	17.1	-
Total assets	682.0	685.5	603.1	65.3	17.1	-
Net liabilities	7,875.8	8,866.6	1,893.1	672.2	2,090.8	4,210.5

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Parent	Carrying amount €m	Contractual cash outflows / inflows - net €m	Within 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m
31 December 2022						
Borrowings	1,065.5	1,135.0	588.2	74.6	154.0	318.2
Lease liabilities	64.6	71.8	8.3	7.0	19.2	37.3
Trade and other payables (excluding tax balances and accrued interest on borrowings)	8,574.6	8,574.6	8,574.6	-	-	-
Derivative financial instruments	975.5	1,677.6	1,070.0	152.6	300.6	154.7
Total liabilities	**10,680.2**	**11,459.3**	**10,241.1**	**234.2**	**473.8**	**510.2**
Derivative financial instruments	956.0	953.2	804.7	134.6	11.4	2.5
Total assets	**956.0**	**953.2**	**804.7**	**134.6**	**11.4**	**2.5**
Net liabilities	**9,724.2**	**10,506.1**	**9,436.4**	**99.6**	**462.4**	**507.7**
31 December 2021						
Borrowings	904.2	1,018.4	100.1	350.7	210.3	357.3
Lease liabilities	62.9	67.1	6.2	5.6	16.0	39.3
Trade and other payables (excluding tax balances and accrued interest on borrowings)	6,050.9	6,050.9	6,050.9	-	-	-
Derivative financial instruments	703.0	694.8	595.6	74.3	24.9	-
Total liabilities	7,721.0	7,831.2	6,752.8	430.6	251.2	396.6
Derivative financial instruments	644.4	640.2	557.8	65.3	17.1	-
Total assets	644.4	640.2	557.8	65.3	17.1	-
Net liabilities	7,076.6	7,191.0	6,195.0	365.3	234.1	396.6

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(d) Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the consolidated balance sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Group	Gross amount of financial instruments in the statement of financial position €m	Amounts not offset on the balance sheet €m	Net amount €m
31 December 2022			
Financial assets			
Currency swaps	21.9	(10.7)	11.2
Foreign exchange contracts	15.3	(15.2)	0.1
Forward fuel price contracts	931.8	(787.9)	143.9
	969.0	**(813.8)**	**155.2**
Financial liabilities			
Interest rate swaps	(24.7)	5.1	(19.6)
Inflation linked interest rate swaps	(563.2)	-	(563.2)
Currency swaps	(5.4)	1.2	(4.2)
Foreign exchange contracts	(41.8)	17.9	(23.9)
Forward fuel price contracts	(960.3)	789.6	(170.7)
	(1,595.4)	**813.8**	**(781.6)**
31 December 2021			
Financial assets			
Interest rate swaps	0.1	(0.1)	-
Currency swaps	6.2	(3.1)	3.1
Foreign exchange contracts	16.2	(9.4)	6.8
Forward fuel price contracts	659.5	(636.5)	23.0
	682.0	(649.1)	32.9
Financial liabilities			
Interest rate swaps	(8.7)	2.3	(6.4)
Inflation linked interest rate swaps	(720.6)	-	(720.6)
Currency swaps	(20.8)	2.5	(18.3)
Foreign exchange contracts	(14.0)	8.9	(5.1)
Forward fuel price contracts	(687.4)	635.4	(52.0)
	(1,451.5)	649.1	(802.4)

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(d) Master netting or similar agreements (continued)

Parent	Gross amount of financial instruments in the statement of financial position €m	Amounts not offset on the balance sheet €m	Net amount €m
31 December 2022			
Financial assets			
Interest rate swaps	6.8	-	6.8
Currency swaps	21.9	(8.9)	13.0
Foreign exchange contracts	19.2	(15.1)	4.1
Forward fuel price contracts	908.1	(784.6)	123.5
	956.0	**(808.6)**	**147.4**
Financial liabilities			
Interest rate swaps	(24.7)	4.2	(20.5)
Currency swaps	(5.4)	1.2	(4.2)
Foreign exchange contracts	(41.2)	16.8	(24.4)
Forward fuel price contracts	(904.2)	786.4	(117.8)
	(975.5)	**808.6**	**(166.9)**
31 December 2021			
Financial assets			
Interest rate swaps	3.2	(0.1)	3.1
Currency swaps	6.2	(3.5)	2.7
Foreign exchange contracts	23.0	(9.0)	14.0
Forward fuel price contracts	612.0	(608.8)	3.2
	644.4	(621.4)	23.0
Financial liabilities			
Interest rate swaps	(8.7)	3.1	(5.6)
Currency swaps	(20.8)	4.1	(16.7)
Foreign exchange contracts	(13.5)	6.4	(7.1)
Forward fuel price contracts	(660.0)	607.8	(52.2)
	(703.0)	621.4	(81.6)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(e) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including amounts due from equity accounted investees, outstanding receivables and committed transactions. In Parent, credit risk also arises in respect of amounts due from subsidiary undertakings.

Financial assets

	2022		2021	
	Group €m	Parent €m	Group €m	Parent €m
Amounts due from insurer	**48.4**	**48.4**	79.3	79.3
Trade and other receivables[1]	**3,342.7**	**6,862.3**	1,718.9	4,143.9
Cash and cash equivalents[2]	**990.0**	**256.4**	537.0	463.3
Derivative financial instruments	**969.0**	**956.0**	682.0	644.4
	5,350.1	**8,123.1**	3,017.2	5,330.9

[1] Prepayments have been excluded as they are not classified as a financial asset.

[2] Including restricted cash balances.

Trade and other receivables

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts with in the financial markets. The Group's policy is to limit its exposure to each financial institution based on accepted credit ratings of not less than BBB- or equivalent.

Treasury related credit risk (relating to cash and derivative instruments)

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts with in the financial markets. The Group's policy is to limit its exposure to each financial institution based on accepted credit ratings of not less than BBB- or equivalent.

Trading in derivatives is performed to mitigate financial risks and is executed in compliance with the Specification and Requirements of the Minister for Finance issued under the aegis of the Financial Transactions of Certain Companies and Other Bodies Act 1992, most recently in December 2017. The Specification and Requirements outline the type of derivatives which ESB can transact and the associated requirements which ESB must satisfy regarding each derivative counterparty. Dealing activities are controlled by putting in place robust dealing mandates with counterparties. The Group does not hold or trade derivative instruments for speculative purposes. Exposures, related limits and compliance with the Minister's Specification and Requirements are subject to ongoing review and monitoring. The Group has not experienced any losses due to failure of such counterparties to deliver on their obligations.

Financial Guarantees

The Group enters into various commitments. These consist of financial guarantees, letters of credit and other commitments. Even though these obligations may not be recognised on the Group balance sheet, credit risk exists in relation to these instruments as they commit the Group to make payments on behalf of subsidiary companies in the event of a specific act and therefore they form part of the overall risk of the Group.

The nominal values of such commitments are listed below:

	2022 €m	2021 €m
Financial guarantees	**449.4**	713.0
Letters of credit	**502.0**	382.0
Total	**951.4**	1,095.0

Commodity credit risk (relating to derivatives)

The Group also has credit risk associated with commodity positions. These arise from derivative financial instruments that are entered into to hedge energy and fuel price risks and are managed in accordance with the Minister's Specification and Requirements (Financial Transactions of Certain Companies and Other Bodies Act 1992). The Group establishes counterparty credit risk limits to restrict uncollateralised exposure. Net exposures, collateral requirements and compliance are monitored on an ongoing basis. So Energy was acquired during the year ending 31 December 2021 and was fully incorporated in the governance structure in February 2022.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Collateral, in the form of bonds and guarantees, is required by ESB business units from various parties, specifically in the form of Letters of Credit from certain power Contract for Differences (CfD) counterparties. Total such collateral received by ESB in respect of power CfD positions at 31 December 2022 was €81.2 million (2021: €60.3 million collateral received by ESB). In addition an increasing proportion of fuel commodity purchases are executed on regulated exchanges. The Group's positions on trades executed on such exchanges are collateralised through the posting of initial margin and collateral in respect of the mark to market position on open forward trades. Total net exchange traded collateral at 31 December 2022 received by ESB was €748.8 million (2021: €260.6 million collateral received by ESB). The Group is cognisant of any changes in the creditworthiness of counterparties, and all appropriate steps are taken to further secure the Group's position, both by negotiating adequate protections in advance in the underpinning contractual master agreements and active management of any exposures, particularly where indications exist of a deterioration in the financial standing of counterparties.

(f) Foreign currency risk management

Foreign currency exposures arise mainly through the purchase of fuel and power, station overhaul costs, other purchases denominated in foreign currencies, borrowings in foreign currencies (including the private placement as described in note 22) and investments outside the Eurozone.

Foreign currency forward purchase contracts and cross currency swaps are used to reduce volatility arising from foreign currency exposures. The foreign currency forward purchase contracts in place at 31 December 2022 relate to forecast cash flows expected to occur up to 2025, with cross currency swaps relating to debt obligations extending to 2028.

At year end, ESB's total debt portfolio amounted to €6.9 billion (2021: €5.4 billion), of which the Parent held €1.0 billion (2021: €0.9 billion). The underlying debt, before and after swaps, was denominated in the following currencies:

	Before swaps		After swaps	
Group	2022 (%)	2021 (%)	2022 (%)	2021 (%)
Currency				
Euro	**69**	70	**66**	69
US Dollar	**3**	4	**-**	-
Sterling	**28**	26	**34**	31
Total	**100**	100	**100**	100

	Before swaps		After swaps	
Parent	2022 (%)	2021 (%)	2022 (%)	2021 (%)
Currency				
Euro	**49**	62	**71**	91
US Dollar	**22**	26	**-**	-
Sterling	**29**	12	**29**	9
Total	**100**	100	**100**	100

As shown above, the majority of the debt portfolio is either denominated in or swapped into euro for both principal and interest, thereby reducing the foreign currency risk exposure in the Group. In managing its foreign operations, the Group is cognisant of borrowing in currencies that match the functional currency of the foreign operation. Therefore a proportion of debt is sterling-denominated primarily as a result of the NIE Networks acquisition and the operations of Carrington Power Limited.

Movements in the Euro / Sterling exchange rate impact on the carrying value of Sterling Debt, in Euro terms. Overall sensitivity to exchange rate volatility is driven by the level of Sterling denominated debt. This sensitivity exists whether or not the debt is held in a Group company whose functional currency is Sterling. Whether the movement is recognised in the OCI or the income statement however depends on the functional currency of the company. Translation movements arising on Sterling denominated debt and intra Group balances in Group companies whose functional currency is Euro are recognised in the income statement. Translation movements on Sterling denominated debt in Group companies whose functional currency is Sterling are recognised in the translation reserve on consolidation.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

A change of 10% in foreign currency exchange rates at 31 December 2022 would increase equity and profit before taxation by the amount set out below. This analysis assumes that all other variables remain constant.

	31 December 2022		31 December 2021	
Group	Other comprehensive income gain / (loss) €m	Profit before taxation gain / (loss) €m	Other comprehensive income gain / (loss) €m	Profit before taxation gain / (loss) €m
10% strengthening				
US Dollar	**-**	**(28.4)**	-	(10.3)
Sterling	**249.3**	**(155.5)**	231.1	(81.5)
10% weakening				
US Dollar	**-**	**20.8**	-	25.0
Sterling	**(304.7)**	**128.0**	(282.5)	100.4

The following assumptions were made in respect of the sensitivity analysis above:

- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only;
- changes in the carrying value of derivative financial instruments that are cash flow hedges impact other comprehensive income only.;

(g) Commodity price risk management

The volatility of the fuel prices required for the Group's electricity generation activities has been significant in recent years and the resulting exposures to fuel price movements are managed by the Group on a selective hedging basis. The Group has entered into forward commodity price contracts in relation to the purchase of gas and coal required for electricity generation activities, refer to note 23 for further details. Forward fuel price contracts are valued based on physical volumes contracted and outstanding, and on the forward prices of products of a similar nature, at the balance sheet date, discounted where necessary based on an appropriate forward interest curve.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts.

A general increase of 10% in the price of gas and coal at 31 December 2022 would impact equity and profit before taxation by the amount set out below. This analysis assumes that all other variables, in particular foreign exchange rates remain constant and includes the impact of the value of commodity swaps in place. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remain constant.

	31 December 2022		31 December 2021	
Group	Other comprehensive income gain €m	Profit before taxation gain €m	Other comprehensive income gain €m	Profit before taxation gain €m
Gain due to 10% increase in gas and coal prices	**74.9**	**6.1**	11.2	14.6

	31 December 2022		31 December 2021	
Parent	Other comprehensive income gain €m	Profit before taxation gain €m	Other comprehensive income gain) €m	Profit before taxation gain €m
Gain due to 10% increase in gas and coal prices	**-**	**4.4**	-	10.3

A general increase of 10% in the wholesale electricity price of the I-SEM at 31 December 2022 would impact other comprehensive income and profit before taxation by the amounts set out below. This analysis assumes that all other variables, in particular foreign exchange rates remain constant. A 10% reduction would have an equal and opposite effect, on the basis that all other variables remained constant.

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

	31 December 2022		31 December 2021	
Group	**Other comprehensive income (loss) €m**	**Profit before taxation loss) €m**	**Other comprehensive income loss €m**	**Profit before taxation (loss) €m**
Loss due to 10% increase in the Wholesale Electricity Price	**(103.8)**	**-**	(19.7)	-

	31 December 2022		31 December 2021	
Parent	**Other comprehensive income gain / (loss) €m**	**Profit before taxation gain / (loss) €m**	**Other comprehensive income gain / (loss) €m**	**Profit before taxation gain / (loss) €m**
Gain / (loss) due to 10% increase in the Wholesale Electricity Price	**-**	**-**	-	-

The sensitivity analysis provided above for the Group and Parent has been calculated as at 31 December 2022 using the following base commodity prices and foreign currency rates:

	2022	2021
Gas (Stg. p/therm)	**188.69**	104.07
Wholesale Electricity Price (€/MWh)	**231.78**	80.97
Coal (US$/tonne)	**190.24**	100.45
Foreign currency rate (US$ = €1)	**1.07**	1.13
Foreign currency rate (Stg£ = €1)	**0.8849**	0.8397

(h) Fair value

The fair values of financial assets and liabilities carried at amortised cost together with the carrying amounts shown in the balance sheet are as follows:

31 December 2022	**Group Carrying value €m**	**Fair value €m**	**Parent Carrying value €m**	**Fair value €m**
Long-term debt	6,329.4	6,263.7	502.1	479.9
Short-term borrowings	563.4	560.4	563.4	560.4
Lease liabilities	128.8	128.8	64.6	64.6
Total borrowings	**7,021.6**	**6,952.9**	**1,130.1**	**1,104.9**
Non-current trade and other payables	-	-	-	-
Current trade and other payables	2,299.5	2,299.5	8,624.4	8,624.4
Amounts due from insurers	(48.4)	(48.4)	(48.4)	(48.4)
Non-current trade and other receivables	(536.5)	(536.5)	(2,363.6)	(2,363.6)
Current trade and other receivables	(2,806.2)	(2,806.2)	(4,498.7)	(4,498.7)
Cash and cash equivalents	(990.0)	(990.0)	63.1	63.1
Net liabilities	**4,940.0**	**4,871.3**	**2,906.9**	**2,881.7**

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

31 December 2021	**Group Carrying value €m**	**Fair value €m**	**Parent Carrying value €m**	**Fair value €m**
Long-term debt	5,292.5	5,818.9	833.5	919.1
Short-term borrowings	70.7	78.1	70.7	78.1
Lease liabilities	119.5	119.5	62.9	62.9
Total borrowings	5,482.7	6,016.5	967.1	1,060.1
Non-current trade and other payables	9.3	9.3	-	-
Current trade and other payables	1,681.6	1,681.6	6,093.2	6,093.2
Amounts due from insurers	(79.3)	(79.3)	(79.3)	(79.3)
Non-current trade and other receivables	(167.6)	(167.6)	(2,019.0)	(2,019.0)
Current trade and other receivables	(1,551.3)	(1,551.3)	(2,124.9)	(2,124.9)
Cash and cash equivalents	(537.0)	(537.0)	(463.3)	(463.3)
Net liabilities	4,838.4	5,372.2	2,373.8	2,466.8

Cross currency swaps that swap fixed US dollar debt to euro fixed are included in fair value of long-term debt above, the fair value of the related derivative is an asset of €21.9 million (31 December 2021: a liability of €6.2 million).

Current trade and other receivables and trade and other payables are all due within one year, and have been provided for where impaired, their carrying value is considered to be materially in line with their fair value.

ESB Eurobonds and NIE Networks Sterling bonds are regarded as Level 1 fair values. The fair value of these bonds are derived from observation of the most recent traded values for these bonds in liquid markets at the balance sheet date. Other borrowings and debt are Level 2 fair values. The primary valuation technique used for borrowings and other debt classified as Level 2 fair values is discounting of the future associated cash flows using the zero coupon discount curve of the relevant currency.

Fair value - discount rates

The interest rates used to discount future estimated cash flows, where applicable, are based on the applicable EURIBOR, or SONIA yield curve at the reporting date plus an appropriate constant credit spread.

(i) Fair value hierarchy

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels relevant to financial assets and liabilities held by the Group have been defined as follows:

- **Level 1:** inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- **Level 2:** inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Group

31 December 2022	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Assets				
Derivative financial instruments				
- Currency swaps	-	21.9	-	**21.9**
- Foreign exchange contracts	-	15.3	-	**15.3**
- Forward fuel price contracts[1]	-	931.8	-	**931.8**
Financial assets at fair value through profit or loss	-	-	5.0	**5.0**
	-	**969.0**	**5.0**	**974.0**
Liabilities				
Derivative financial instruments				
- Interest rate swaps	-	(24.7)	-	**(24.7)**
- Currency swaps	-	(5.4)	-	**(5.4)**
- Foreign exchange contracts	-	(41.8)	-	**(41.8)**
- Forward fuel price contracts[1]	-	(938.4)	(21.9)	**(960.3)**
- Inflation-linked interest rate swaps	-	(563.2)	-	**(563.2)**
	-	**(1,573.5)**	**(21.9)**	**(1,595.4)**
Net liability	**-**	**(604.5)**	**(16.9)**	**(621.4)**

31 December 2021	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Assets				
Derivative financial instruments				
- Interest rate swaps	-	0.1	-	0.1
- Foreign exchange contracts	-	6.2	-	6.2
- Forward fuel price contracts[1]	-	16.2	-	16.2
- Forward electricity price contracts	-	657.3	2.2	659.5
Financial assets at fair value through profit or loss	-	-	5.3	5.3
	-	679.8	7.5	687.3
Liabilities				
Derivative financial instruments				
- Interest rate swaps	-	(8.7)	-	(8.7)
- Currency swaps	-	(20.8)	-	(20.8)
- Foreign exchange contracts	-	(14.0)	-	(14.0)
- Forward fuel price contracts[1]	-	(685.7)	(1.7)	(687.4)
- Inflation-linked interest rate swaps	-	(720.6)	-	(720.6)
	-	(1,449.8)	(1.7)	(1,451.5)
Net (liability) / asset	-	(770.0)	5.8	(764.2)

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[1] Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel at 31 December.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(i) Fair value hierarchy (continued)

Parent

31 December 2022	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Assets				
Derivative financial instruments				
- Interest rate swaps	-	6.8	-	**6.8**
- Currency swaps	-	21.9	-	**21.9**
- Foreign exchange contracts	-	19.2	-	**19.2**
- Forward fuel price contracts	-	908.1	-	**908.1**
	-	**956.0**	**-**	**956.0**
Liabilities				
Derivative financial instruments				
- Interest rate swaps	-	(24.7)	-	**(24.7)**
- Currency swaps	-	(5.4)	-	**(5.4)**
- Foreign exchange contracts	-	(41.2)	-	**(41.2)**
- Forward fuel price contracts	-	(904.2)	-	**(904.2)**
	-	**(975.5)**	**-**	**(975.5)**
Net liability	**-**	**(19.5)**	**-**	**(19.5)**

31 December 2021	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Assets				
Derivative financial instruments				
- Interest rate swaps	-	3.2	-	3.2
- Currency swaps	-	6.2	-	6.2
- Foreign exchange contracts	-	23.0	-	23.0
- Forward fuel price contracts	-	612.0	-	612.0
	-	644.4	-	644.4
Liabilities				
Derivative financial instruments				
- Interest rate swaps	-	(8.7)	-	(8.7)
- Currency swaps	-	(20.8)	-	(20.8)
- Foreign exchange contracts	-	(13.5)	-	(13.5)
- Forward fuel price contracts	-	(660.0)	-	(660.0)
	-	(703.0)	-	(703.0)
Net liability	-	(58.6)	-	(58.6)

Notes to the Financial Statements (continued)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

Measurement of fair values - valuation techniques and significant unobservable inputs
The following table shows the valuation technique used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Currency swaps, foreign exchange contracts and interest rate swaps	**Level 2** - Present valuation of future cashflows contracted using market observable inputs and discounted back to present value.		
Forward fuel and electricity price contracts	**Level 2** - The fair value of forward fuel contracts is determined by reference to gas, coal and carbon prices with the resulting value discounted to present values.		
	Level 3 - The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable.	Forward electricity prices	The estimated fair value would increase / (decrease) if Wholesale Electricity Price was higher / (lower). Generally a change in gas prices is accompanied by a directionally similar change in Wholesale Electricity Price.
Inflation-linked interest rate swaps	**Level 2** - Independent valuations are used and validated using the present valuation of expected cash flows using the interest rate yield curve of the relevant currency. The zero-coupon curve is based on using the interest rate yield curve of the relevant currency.		
Financial assets at fair value through profit or loss	**Level 3** - Where applicable, unquoted investments are valued by deriving an enterprise value using one of the following methodologies: ▪ the price of a recent investment; ▪ revenue multiple; ▪ cost, less any required provision.	Forecast annual revenue growth rate. Forecast gross margin	Novusmodus typically assess the value of investments based on its expectations of the proceeds which could be realised in a disposal. See note 7 and 16. This value will usually be driven by a number of inputs including the ability of the investee to grow its revenue and associated margins leading to higher EBITDA thus higher values.

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

The following table shows a reconciliation from opening balances at 1 January 2021 to the year ended 31 December 2022 for fair value measurements in Level 3 of the fair value hierarchy:

Group	Financial assets at fair value through profit or loss €m	Forward electricity price contracts €m	Forward fuel price contracts €m	Total €m
Balance at 1 January 2021	8.6	-	(2.9)	**5.7**
Additions	-	-	2.3	**2.3**
Total gains / (losses):				
▪ in the income statement	-	-	(2.2)	**(2.2)**
▪ in the OCI	-	-	(12.3)	**(12.3)**
Settlements	-	-	15.6	**15.6**
Translation movements	(3.3)	-	-	**(3.3)**
Balance at 31 December 2021 - net	5.3	-	0.5	**5.8**
Balance at 1 January 2022	5.3	-	0.5	**5.8**
Additions	-	-	(28.6)	**(28.6)**
Total gains / (losses):				
▪ in the OCI	-	-	2.5	**2.5**
Settlements	-	-	3.7	**3.7**
Translation movements	(0.3)	-	-	**(0.3)**
Balance at 31 December 2022 - net	**5.0**	**-**	**(21.9)**	**(16.9)**

Financial assets at fair value through profit or loss are carried at fair value.

Where applicable, unquoted investments are valued by deriving an enterprise value using one of the following methodologies:

- the price of a recent investment;
- revenue multiple;
- cost, less any required provision.

Forward fuel price contracts and forward electricity price contracts included at Level 3 in the fair value hierarchy relate to long-term contracts whose valuations are based on a number of forward price assumptions, with some unobservable inputs, including assumed forward electricity, carbon and gas inputs for longer term periods.

Sensitivity analysis - Level 3 fair values
For the fair values of forward fuel and electricity price contracts reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	31 December 2022		31 December 2021	
Group	Other comprehensive income gain / (loss) €m	Profit before taxation gain / (loss) €m	Other comprehensive income gain/ (loss) €m	Profit before taxation gain / (loss) €m
Gain due to 10% increase in gas prices	**74.9**	**-**	11.2	-
Loss due to 10% increase in Wholesale Electricity Prices	**(103.8)**	**-**	(19.7)	-

Notes to the Financial Statements (continued)

30. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	2022 €m	2021 €m
Tangible assets contracted for	**773.2**	538.2
Intangible assets contracted for	**11.9**	15.8
Total contracted for	**785.1**	554.0

	2022 €m	2021 €m
Share of equity accounted investees commitments		
NNG Windfarm Holdings Limited	**233.0**	269.0
Inch Cape Offshore Holdings Limited	**84.3**	-
SIRO Limited	**39.1**	17.6
Oweninny Power DAC	**8.8**	-
FuturEnergy Ireland Development Holdings DAC	**6.1**	-
Total contracted for	**371.3**	286.6

(b) Fuel contract commitments

There are a number of long-term gas supply arrangements in place for different periods up to 2026. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives included in these arrangements have been separated and valued in accordance with IFRS 9.

(c) Other disclosures

During the year, following the imposition of EU sanctions, ESB terminated a number of contracts with a supplier. The supplier has subsequently written to ESB challenging ESB's termination of the contracts in question and has advised that it intends to initiate a claim seeking damages for wrongful termination of those contracts. On the basis of the legal advice received, no provision has been made in respect of this matter in the financial statements on the basis that ESB believes that the claim can be successfully defended.

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties have arisen in the normal course of business. While any litigation or dispute has an element of uncertainty, the Board members believe that there were no contingent liabilities which would have a materially adverse effect on the Group's financial position.

31. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Group is a state-owned company. 86.7% of the issued share capital is held by the Minister for Public Expenditure and Reform, a further 10.2% of the issued share capital is held by the Minister for Environment, Climate and Communications and the ESOP retaining 3.1% of the stock (see note 20 for further details).

Related Party Disclosures

In accordance with Paragraph 25 of IAS 24, ESB Group is exempt from disclosing related party transactions with another entity that is a related party solely because the Irish Government has control, joint control or significant influence over both the Group and that entity.

Semi-State bodies

In the ordinary course of business, the Group purchased/sold goods and services from entities controlled by the Irish Government such as Ervia, Bord na Móna, EirGrid and Coillte Teoranta.

The Group previously operated a long-term agreement with Bord na Móna in relation to the purchase of peat and the utilisation of ancillary services for the running of power stations. There were no payments for these services in the year ended 31 December 2022 (2021: €1.2 million) and amounts due to Bord na Móna at 31 December 2022 amounted to €nil million (2021: €0.3 million). The peat stations closed at the end of 2020.

An infrastructure agreement is in place between the Group and EirGrid plc under the auspices of the Commission for Regulation of Utilities (CRU), in relation to the role of owner of the transmission system.

The Group has entered into a number of joint venture arrangements with Bord na Móna and Coillte Teoranta to develop and operate wind farms. See note 16 for further details.

Banks owned by the Irish State

In the normal course of business ESB transacts with certain Irish banks which have become wholly or partially controlled by the Irish Government. All of ESB's transactions with such banks are on normal commercial terms. ESB had no material concentration of borrowings with any such banks during the period or at 31 December 2022. A portion of the cash and cash equivalents as disclosed in note 19 was on deposit with such banks.

Board members' interests

Other than agreed allocations under ESOP, Board members had no beneficial interest in ESB or its subsidiaries at any time during the year.

ESOP

During the year ended 31 December 2022, ESB paid fees of €0.2 million (2021: €0.3 million) on behalf of ESOP. Please refer to note 32 for details of ESOP repurchase.

Pensions

The Group operates a number of pension schemes for staff in the Republic of Ireland, Northern Ireland and the Great Britain. See note 10 and note 24 for further details.

Subsidiary undertakings

During the year ended 31 December 2022, ESB Parent purchased gas, engineering, consulting and other services, including rental services of €798.0 million (2021: €1,117.5 million) from its subsidiaries.

During the year, ESB Parent had sales of €827.4 million (2021: €1,010.9 million) to subsidiaries. These sales mainly relate to management services and electricity charges including Use of System Charges and sales of electricity and gas.

During the year, ESB Parent earned interest of €56.0 million (2021: €44.3 million) from subsidiaries and paid interest of €76.0 million (2021: €64.1 million) to subsidiaries on inter-company loans.

At 31 December 2022, ESB Parent had gross amounts payable of €7,383.4 million (2021: €4,986.9 million) to its subsidiaries. These payables mainly relate to amounts held on deposit for subsidiaries and other amounts due to subsidiaries, borrowings raised by ESB Finance DAC and loaned to ESB Parent and amounts due in respect of engineering and consulting services.

Notes to the Financial Statements (continued)

31. RELATED PARTY TRANSACTIONS (continued)

At 31 December 2022, ESB Parent had balances receivable of €5,005.1 million (2021: €3,474.0 million) from its subsidiaries (net of allowances). These receivables mainly relate to management services and loans to subsidiaries as well as electricity charges including Use of System Charges. The total impairment allowance in respect of amounts owed by subsidiary undertakings at 31 December 2022 was €30.3 million (2021: €115.5 million).

Equity accounted investees

Group	2022 €m	2021 €m
Sale of goods / services[1]	**11.9**	12.3
Purchase of goods / services[2]	**63.4**	56.5
Amounts owed from as at 31 December[3]	**536.7**	265.2
Equity advanced during the year[4]	**3.3**	61.1

[1] ESB provided electricity sales, management and other professional services during the year to equity accounted investees as set out in the above table.

[2] ESB purchases power from certain equity accounted investees under Power Purchase Agreements.

[3] Amounts owed from equity accounted investees include shareholders loans (shown net of any impairments), interest on these loans and trade receivable balances. Included in the expected credit loss provision is €0.5 million (2021: €0.5 million) in respect of balances owed from SIRO Limited and €0.2 million (2021: €0.2 million) in respect of the balances owed from Emerald Bridge Fibres DAC.

[4] In addition to the equity advanced during the year, the Group recognised contingent consideration of €nil million (2021: €10.8 million) in relation to ICOL Holdings Limited and €nil million (2021: €2.8 million) in relation to Superhomes Ireland DAC. Contingent consideration of €10.1 million was released during the year in relation to ICOL Holdings Limited. See note 28.

Terms and conditions

Sales to and purchases from equity accounted investees and associates are conducted in the ordinary course of business. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with equity accounted investees and associates are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables.

Key management compensation

	2022 €m	2021 €m
Salaries and other short-term employee benefits	**3.7**	3.9
Post-employment benefits	**0.4**	0.4
	4.1	4.3

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group. These include the remuneration of senior executives and board members.

32. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as Trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the company. The Trustee Company is chaired by an independent professional Trustee with four directors representing ESB employees and two directors representing ESB. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with IFRS 10 Consolidated Financial Statements, the financial statements for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

During the year ended 31 December 2015, ESB entered into an agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement ESB committed to match the acquisitions made by the ESOP Trustees up to a value of €25.0 million. During the year ended 31 December 2021, ESB entered into a further agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement, ESB committed up to €35.0 million in addition to the funds remaining from the 2015 agreement, to purchase shares in future ESOP internal markets from 2021 (inclusive) onwards. An ESOP provision of €36.5 million was recognised during the year ended 31 December 2021 in other reserves in respect of this agreement and the remaining balance of the 2015 agreement.

During 2022, ESB continued the repurchase of the ESOP capital stock and consequently a capital redemption reserve movement of €8.0 million (2021: €8.3 million) arose from the purchase and cancellation of the 8.0 million ESOP share capital (2021: 8.3 million) for a consideration of €12.4 million (2021: €9.6 million) and represents the nominal amount of the share capital cancelled. The repurchase reduced the ESOP repurchase provision by €12.4 million and at 31 December 2022, the ESOP repurchase provision (note 28) recognised in other provisions amounts to €14.6 million (2021: €27.0 million). The remaining balance of the provision will be discharged in future years as capital stock is repurchased.

33. POST BALANCE SHEET EVENTS

Details of the dividend declared since the year end are set out in note 20.

On 18 January 2023, ESB issued a new €350 million 3.75% fixed rate bond maturing in January 2043.

There are no other post balance sheet events that the directors believe require adjustment to or disclosure in the financial statements.

34. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 09 March 2023.

Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS

Company name	Registered office	Group share %	Nature of business
Subsidiary undertakings			
Direct subsidiary			
ESB Energy International Ltd.	2	100	Holding company
ESB Finance DAC.	2	100	Finance
ESB Financial Enterprises Ltd.	2	100	Holding company
ESB International Investments Ltd.	2	100	Holding company
ESB International Ltd.	2	100	Holding company
ESB Networks DAC.	37	100	Power distribution
ESBNI Ltd.	5	100	Holding company
Indirect subsidiary			
Airstream Wind Energy Ltd.	2	100	Development and construction of a wind farm
Airvolution Energy Ltd. (UK) (In Liquidation)	38	100	Power generation
Blarghour Wind Farm Ltd.	9	23	Power generation
Bullstown Solar Ltd	2	100	Business development
Cambrian Renewable Energy Ltd.	4	100	Power generation
Capital Pensions Management Ltd.	6	100	Pension scheme administration
Cappawhite Wind Ltd.	2	100	Power generation
Carrington Power Ltd.	4	100	Power generation
Castlepook Power DAC.	2	100	Power generation
Celtic 1 Osw Power Designated Activity Company	2	100	Dormant
Celtic 2 Osw Power Designated Activity Company	2	100	Dormant
Celtic Osw Power Holdings Designated Activity Company	2	100	Dormant
Chirmorie Wind Farm Ltd.	9	25.8	Power generation
Clogherhead Offshore Wind DAC.	2	75	Development of an offshore wind farm
Clogherhead Offshore Wind Holdings DAC.	2	75	Holding Company
Coolkeeragh ESB Ltd.	5	100	Power generation
Corby Power Ltd.	3	100	Power generation
Corvoderry Wind Farm Ltd.	2	100	Development and construction of a wind farm
Crockagarran Wind Farm Ltd.	5	100	Power generation
Crockahenny Wind Farm DAC.	2	75	Power generation
Curryfree Wind Farm Ltd.	5	100	Power generation
Dell Wind Farm Ltd.	9	15	Power generation
Durris Wind Farm Ltd.	9	8.2	Power generation
Inveroykel Wind Farm Ltd.	9	8.2	Power generation
Foel Fach Wind Farm Ltd.	9	8.2	Power generation
Darlees Wind Farm Ltd.	9	8.2	Power generation
Galsa Wind Farm Ltd.	9	8.2	Power generation
Pollie Hill Wind Farm Ltd.	9	8.2	Power generation
Vale of Leven Wind Farm Ltd.	9	8.2	Power generation
Shetland Offshore Wind Ltd.	4	100	Dormant

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Devon Wind Power Ltd.	4	100	Power generation
ESB 1927 Ltd.	2	100	Dormant
ESB Asset Development (UK) Ltd.	4	100	Business development
ESB Commercial Properties Ltd.	2	100	Property management and development
ESB Energy Ltd.	4	90	Supply company
So Energy Ltd.	34	90	Supply company
So Energy Trading Ltd.	34	90	Supply company
ESB Group (UK) Ltd.	4	100	Engineering and consultancy
ESB Independent Energy (NI) Ltd.	2	100	Electricity and gas sales
ESB Independent Energy Ltd.	2	100	Electricity and gas sales
ESB Independent Generation Trading Ltd.	2	100	Electricity and gas trading
ESB Innovation UK Ltd.	4	100	Provision of energy and electromobility services
ESB Innovation ROI Ltd.	2	100	Provision of energy and electromobility services
ESB International (Malaysia) Sdn. Bhd	17	100	Dormant
ESB Novusmodus Limited GP Ltd.	2	100	Clean technology investment
ESB Power Generation Holding Company Ltd.	2	100	Holding company
ESB Solar (IRE) Ltd.	2	100	Business and management consultancy activities
ESB Solar (NI) Ltd.	5	100	Business and management consultancy activities
ESB Telecoms Ltd.	2	100	Telecommunications
ESB Trading Ltd.	2	100	Management and operation services
ESB Wind Development Ltd.	2	100	Business development
ESBI Carbon Solutions Ltd.	2	100	Dormant
ESBI Computing Ltd.	2	100	Dormant
ESBI Consultants Ltd (In Liquidation)	1	100	Dormant
ESBI Contracting Ltd.	45	100	Dormant
ESBI Engineering and Facility Management Ltd.	1	100	Engineering
ESB Retail GB Ltd.	4	90	Holding company
ESBII UK Ltd.	4	100	Holding company
ESBI Luxembourg S.A.	24	100	Electricity generating assets investment
Facility Management UK Ltd.	4	100	Facility management
Fitzwilliam Street Lower Management CLG.	2	100	Property Management
Merrion Park Owners Management Company CLG.	2	100	Property Management
Garravagh Solar Farm Ltd	2	100	Business development
Garvagh Glebe Power Ltd.	2	100	Power generation
Garvary Wind Farm Ltd.	9	17	Windfarm development
Geothermal International Ltd. (In Administration)	40	92.6	Heat and air-conditioning installation
Geothermal International Polska Sp Zoo (Spolka Z Organiczona Odpowiedzialnoscia).	23	89	Dormant

Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Glendye Wind Farm Ltd.	9	21.1	Power generation
Gort Windfarms Ltd.	2	100	Power generation
Greengate Energy Recovery Ltd.	4	100	Dormant
Greystone Knowe Wind Farm Ltd.	9	13.9	Power generation
Harmony Solar Dennistown Ltd.	31	100	Business development
Harmony Solar Kildare Ltd.	31	70	Business development
Harmony Solar Ralphtown Ltd.	31	60	Business development
Harmony Solar Mullingar Ltd.	31	60	Business development
Harmony Solar Smithstown Ltd.	31	60	Business development
Harmony Solar Longford Ltd.	31	100	Business development
Harmony Solar Mayglass Ltd.	31	60	Business development
Harmony Solar Knockanoura Ltd.	31	60	Business development
Harmony Solar Louth Ltd.	31	60	Business development
Harmony Solar Meath Ltd.	31	60	Business development
Harmony Solar Offaly Ltd.	31	30	Business development
Harmony Solar Kilkenny Ltd.	31	30	Business development
Harmony Solar Clare Ltd.	31	30	Business development
Harmony Solar Kerry Ltd.	31	30	Business development
Harmony Solar Cork Ltd.	31	30	Business development
Harmony Solar Galway Ltd.	31	30	Business development
Helvick Head Offshore Wind Designated Activity Company	2	100	Dormant
Helvick Head Offshore Wind Holdings Designated Activity Company	2	100	Dormant
Hibernian Wind Power Ltd.	2	100	Power generation
Hunter's Hill Wind Farm Ltd.	5	100	Power generation
Kerry Wind Power Ltd.	2	100	Power generation
Kirkan Wind Farm Ltd.	9	11	Power generation
Knottingley Power Ltd.	4	100	Dormant
Loch Garman Offshore Wind Designated Activity Company	2	100	Dormant
Loch Garman Offshore Wind Holdings Designated Activity Company	2	100	Dormant
Moneypoint 1 Offshore Wind Designated Activity Company	2	100	Dormant
Moneypoint 2 Offshore Wind Designated Activity Company	2	100	Dormant
Moneypoint Offshore Wind Holdings Designated Activity Company	2	100	Dormant
Mount Eagle WindFarm Ltd.	2	100	Power generation
Mountainlodge Power DAC.	2	85.9	Power generation

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
NIE Finance PLC.	6	100	Finance
NIE Ltd.	6	100	Dormant
NIE Networks Services Ltd.	6	100	Non-trading
Northern Ireland Electricity Ltd.	6	100	Dormant
Northern Ireland Electricity Networks Ltd.	6	100	Power transmission and distribution
Orliven Ltd.	2	100	Power generation
Planet 9 Energy Ltd.	4	100	Trade of electricity
REG Greenburn Ltd.	41	10	Power generation
REG Knockodhar Ltd.	42	10	Power generation
Allt An Tuir Renewable Energy Park Ltd	42	10	Power generation
Kintyre Renewable Energy Park Ltd.	42	10	Power generation
Seastacks Offshore Wind Designated Activity Company	2	100	Dormant
Seastacks Offshore Wind Holdings Designated Activity Company	2	100	Dormant
Shantallow Solar Farm Ltd.	2	100	Business development
Sillahertane Energy Project Two Ltd.	2	100	Dormant
Synergen Power Ltd.	14	100	Power generation
Thameside Energy Recovery Holding Company Ltd.	4	100	Dormant
Thameside Energy Recovery Ltd.	44	80	Dormant
Tullamore Solar Farm Ltd.	2	100	Business development
Tullynahaw Power Ltd.	2	100	Power generation
Waterfern Ltd.	2	100	Power generation
West Durham Wind Farm Ltd.	4	100	Power generation
Woodhouse WindFarm Ltd.	2	100	Power generation
Y Bryn Wind Farm Ltd.	9	8	Power generation
Equity accounted investees			
Aldeburgh Offshore Wind Holdings Ltd.	26	50	Holding company
Aldeburgh Offshore Wind Investments Ltd.	26	50	Holding company
Emerald Bridge Fibres DAC.	2	50	Telecommunications
Five Estuaries Offshore Wind Farm Ltd.	27	12.5	Power generation
Galloper Wind Farm Holding Company Ltd.	27	12.5	Holding company
Galloper Wind Farm Ltd.	27	12.5	Power generation
Inch Cape Offshore Holdings Ltd.	32	50	Holding company
Inch Cape Offshore Limited.	32	50	Business development
NNG Windfarm Holdings Ltd.	30	50	Holding company
Neart Na Gaoithe Offshore Wind Ltd.	30	50	Power generation
Oweninny Power DAC.	2	50	Power generation
Oweninny Power Holdings DAC.	2	50	Holding company
Oweninny Power 2 DAC.	2	50	Power generation

Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Oweninny Power 2 Holdings DAC.	2	50	Holding company
Raheenleagh Power DAC.	2	50	Power generation
SIRO DAC.	2	50	Fibre to the building
SIRO JV Holdco Ltd.	43	50	Holding company
Sundew Solar DAC.	43	50	Solar farm development
Superhomes Ireland DAC.	35	50	Retrofit of homes
Retrofit Superhomes Ltd.	35	50	Retrofit of homes
FuturEnergy Ireland Development Holdings DAC.	36	50	Holding company
FuturEnergy Ireland Development DAC.	36	50	Holding company
FuturEnergy Ballyhoura DAC.	36	50	Power generation
FuturEnergy Barracree DAC.	36	50	Power generation
FuturEnergy Broemountain DAC.	36	50	Power generation
FuturEnergy Carrownagowan DAC.	36	50	Power generation
FuturEnergy Clonbullogue DAC.	36	50	Power generation
FuturEnergy Corbally DAC.	36	50	Power generation
FuturEnergy Corravaddy DAC.	36	50	Power generation
FuturEnergy Croagh DAC.	36	50	Power generation
FuturEnergy Croaghaun DAC.	36	50	Power generation
FuturEnergy Crowagh DAC.	36	50	Power generation
FuturEnergy Cullenagh DAC.	36	50	Power generation
FuturEnergy Glenard DAC.	36	50	Power generation
FuturEnergy Gortnahurra DAC.	36	50	Power generation
FuturEnergy Kealafreaghane DAC.	36	50	Power generation
FuturEnergy Lissinagroagh DAC.	36	50	Power generation
FuturEnergy Mongorry DAC.	36	50	Power generation
FuturEnergy North Mayo DAC.	36	50	Power generation
FuturEnergy Slieve Rusheen DAC.	36	50	Power generation
FuturEnergy Slieveragh DAC.	36	50	Power generation
FuturEnergy Tievemore DAC.	36	50	Power generation
FuturEnergy Tullintowello DAC.	36	50	Power generation
FuturEnergy Knockshanvo DAC.	36	50	Power generation
Ballinagree Wind DAC.	36	50	Power generation
Gortyrahilly Wind DAC.	36	50	Power generation
Cummeennabuddoge Wind DAC.	36	50	Power generation
Inchamore Wind DAC.	36	50	Power generation
Cahermurphy Renewables DAC.	36	27.5	Power generation
Springfield Renewables DAC.	36	32.5	Power generation
Lenalea Wind Farm DAC.	36	25	Power generation

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS (continued)

Company name	Registered office	Group share %	Nature of business
Investments			
Endeco Technologies Ltd.	19	17.2	Clean technology investment
Heliex Power Ltd.	20	1.3	Clean technology investment
Nualight Ltd.	21	42.3	Clean technology investment
Oriel WindFarm Ltd.	29	5	Power generation
Pesaka Technologies.	16	30	Power generation
Rousch Pakistan Power.	13	7	Power generation
VantagePoint Cleantech Partners II, L.P.	22	4.5	Clean technology investment
Other - wholly owned, non-controlled			
ESB ESOP Trustee Ltd.	15	100	Staff shareholding scheme

ESB's principal place of business is 27 Fitzwilliam Street Lower, Dublin 2, D02 KT92.

Notes:

1 ESB International, One, Dublin Airport Central, Dublin Airport, Cloghran, Co. Dublin, K67 XF72
2 27 Fitzwilliam Street Lower, Dublin 2, D02 KT92
3 Mitchell Road, Phoenix Parkway, Corby, Northamptonshire, MN17 1Q7
4 Tricor Services Europe LLP, 4th Floor, 50 Mark Lane, London, EC3R 7QR
5 2 Electra Road, Maydown, Derry, BT47 6UL
6 120 Malone Road Belfast, BT9 5HT
7 Palladium House, 1-4 Argyll Street, London, W1F 7TA
8 Clanwilliam House, Clanwilliam Court, Dublin 2, D02 CV61
9 22-24 King Street, Maidenhead, SL6 IEF
10 Shellingwood House, Westwood Way, Westwood Business Park, Coventry, CV4 8J2
11 Deloitte House, First Floor, Plot, 64518, Fairgrounds Office Park, Gaborne, Botswana
12 22nd Floor, Menara, EON Bank, Lala Raja Laut, 50350, Kuala Lumpur, Malaysia
13 94-W, 3rd Floor, AAMIR Plaza, Jinnah Avenue, Blue Area, Islambad, Pakistan
14 ESB Dublin Bay, Pigeon House Road, Ringsend, Dublin 4, D04 Y5N2
15 56 Mount Street Upper, Dublin 2, D02 P406
16 Level 1, Menara Yavasan, Tun Razak, Zoo, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
17 10th Floor, Wisma Havela, Thakardos, No 1 Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia
18 Clonshaugh Business and Technology Park, Clonshaugh, Dublin 17, D17 A662
19 3015, Lake Drive, Citywest Business Park, Dublin 24, D24 DKP4
20 Kelvin Building Bramah Avenue, East Kilbride, Glasgow, G75 0RD
21 Unit 18a South Ring Business Park, Kinsale Road, Cork, T12 WEY8
22 C/O Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O Box 2681, Grand Cayman, KY1-1111, Cayman Islands
23 Geothermal International Polska, Parkova 21 lok 7, 00-759 Warszawa, Poland
24 6, Rue Eugene Ruppert, L-2453, Luxembourg
25 2nd Floor Edgeborough House, Edgeborough Road, Guildford, Surrey, GU1 2BJ

Notes to the Financial Statements (continued)

35. SUBSIDIARY, EQUITY ACCOUNTED INVESTEES AND ASSOCIATE UNDERTAKINGS (continued)

Notes (continued):

26	C/O Alter Domus (UK) Limited, 10th Floor, 30 St Mary Axe London, EC3A 8BF
27	Windmill Hill Business Park, Whitehall Way, Swindon, SN5 6PB
28	25 Benson Street, East Corner of Benson & McDonald Streets Monrovia, Liberia
29	302 - 303 Balheary Demesne, Balheary Road, Swords, Dublin, Co. Dublin
30	Atria One, 144 Morrison Street, Edinburgh, United Kingdom, EH3 8EX
31	Ballyseskin House, Ballyseskin, Kilmore, Co. Wexford
32	5th Floor, 40 Princes Street, Edinburgh, EH2 2BY
33	Erasmus Smith House, Church Street, Cahir, Tipperary
34	107 Power Road, London, England, W4 5PY
35	Thurles Chamber Enterprise Centre, TUS Thurles Campus, Nenagh Road, Thurles, Tipperary
36	C/O FuturEnergy Ireland, 27/28 Herbert Place, Dublin 2, D02 DC97
37	Three Gateway, East Wall Road, Dublin 3, D03 R583
38	50 Seymour Street, London, England, W1H 7JG
39	27 Lower Fitzwilliam Street, Dublin 2
40	C/O Begbies Traynor, 340 Deansgate, Manchester, M3 4LY
41	C/O Gillespie Macandrew LLP, 5 Atholl Crescent, Edinburgh, Scotland, EH3 8EJ
42	C/O Womble Bond Dickinson (Uk) Llp, 2 Semple Street, Edinburgh, Scotland, EH3 8BL
43	The Herbert Building, The Park, Carrickmines, Co. Dublin, D18 K8Y4
44	Viridor House, Priory Bridge Road, Taunton, England, TA1 1AP
45	Baker Tilly Ireland, Joyce House, 22/23 Holles Street, Dublin 2, D02 YP92

Report of Board Members on Compliance with the Prompt Payment of Accounts Act, 1997 and European Communities (Late Payments in Commercial Transactions) Regulations, 2012 (S.I. No. 580 of 2012) as amended by European Communities (Late Payment in Commercial Transactions) (Amendment) Regulations 2016 (S.I. No. 281 of 2016)

Introduction

Payment terms during 2022 were governed by:

- The Prompt Payment of Accounts Act, 1997.
- European Communities (Late Payments in Commercial Transactions) Regulations, 2012 (S.I. No. 580 of 2012) as amended by European Communities (Late Payment in Commercial Transactions) (Amendment) Regulations 2016 (S.I. No. 281 of 2016) to combat late payments in commercial transactions. These regulations apply to contracts for goods and services supplied to ESB.
- Construction Contracts Act 2013. This Act applies to construction contracts over €10,000.

Statement of payment practices

ESB is committed to paying all undisputed supplier invoices within their agreed terms of payment.

Procedures and controls in place

Appropriate internal financial controls have been implemented including clearly defined roles and responsibilities. These procedures provide assurance against material non-compliance with the legislation.

Prompt Payment Code of Conduct

In 2015, the Government launched the Prompt Payment Code of Conduct, which can be found at www.irishstatutebook.ie/eli/1997/act/31. ESB is a signatory to this Code and undertakes to pay suppliers on time; give clear guidance to suppliers on payment procedures; and encourage the adoption of the Code by suppliers within their own supply chains.

Construction Contracts Act 2013

This Act came into effect on 25 July 2016. ESB has reviewed its responsibilities under this Act and has communicated these responsibilities to relevant staff.

Details of late payment interest in respect of 2022

When ESB validates a late payment request from a supplier, it is ESB's policy to pay interest due on such late payments. No such payments were made in respect of late payments during the year 2022 (2021: Nil).

Terence O'Rourke
Chairman

Paddy Hayes
Chief Executive

09 March 2023

Glossary

1. Balancing Market/Balancing Mechanism (BM)
The Balancing Market or Balancing Mechanism (BM) allows the Transmission System Operator to balance electricity supply and demand close to real time.

2. British Electricity Trading and Transmission Arrangements (BETTA)
British Electricity Trading and Transmission Arrangements (BETTA) is the wholesale electricity market operating in Great Britain (GB).

3. Brexit
Brexit is the departure of the United Kingdom from the European Union.

4. Commission for Regulation of Utilities (CRU)
The Commission for Regulation of Utilities (CRU) is the independent regulator of water and energy in the Republic of Ireland.

5. Contracts for Difference (CfDs)
A Contract for Difference (CfD) is a contract between two parties, a buyer and a seller, stipulating that the buyer will pay to the seller the difference between the current value of an asset and its value at contract time. If the difference is negative, the seller pays instead of the buyer.

6. COVID-19
COVID-19 is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease.

7. DAM
The Day-Ahead Market (DAM) allows market participants to buy or sell wholesale electricity one day before the operating day. It is the largest market in I-SEM for trading power and the biggest component of the wholesale electricity price.

8. DS3
DS3 refers to the "Delivering a Secure, Sustainable Electricity System" programme, which is designed to ensure that the power system can be securely operated with increasing amounts of variable non-synchronous renewable generation.

9. Energy for Generations Fund
In November 2013, ESB launched the Energy for Generations Fund, a corporate responsibility investment which will see up to €1 million per year disbursed across a range of community and issues-based initiatives.

10. Environmental Protection Agency (EPA)
The Environmental Protection Agency (EPA) is an independent public body established under the Environmental Protection Agency Act, 1992. It is at the front line of environmental protection and policing.

11. Environmental, Social and Governance (ESG)
Refers to the impact that a company has on its employees, customers and communities in which it operates. ESG Reporting refers to the information or data provided relating to an organisation's environmental, social and governance performance.

12. EU Taxonomy
A classification system, establishing a list of environmentally sustainable economic activities. The EU Taxonomy provides appropriate definitions for which economic activities can be considered environmentally sustainable.

13. General Data Protection Regulation (GDPR)
A European Union regulation that has been designed to strengthen and unify data protection within the EU.

14. Gigabit (Gb/s)
Gigabit (Gb/s) is a unit of data transfer rate equal to 1,000 megabits per second.

15. Gigawatt (GW)
Gigawatt, being the amount of power equal to 1 billion watts.

16. Gigawatt Hours (GWh)
Gigawatt hours, being the amount of energy equivalent to delivering 1 billion watts of power for a period of one hour.

17. Great Britain (GB)
England, Wales and Scotland.

18. Greenhouse Gas Emissions (GHG)
Any gas that has the property of absorbing infrared radiation (net heat energy) emitted from Earth's surface and reradiating it back to Earth's surface, thus contributing to the greenhouse effect.

19. Impairment
An impairment charge is determined when the carrying value (book value) of assets exceeds its recoverable amount.

20. Integrated Single Electricity Market (I-SEM)
This European Target Model is a development flowing from the Third Energy Package and is an umbrella term for a detailed list of new common EU guidelines, procedures and codes to be put in place to enable a single EU-wide wholesale electricity market. The implementation of these common EU guidelines, procedures and codes across the EU will allow electricity and gas to be traded freely across the Union.

21. Joint Venture
A company or other entity which is controlled jointly with other parties.

22. Liquidity
Available cash on hand plus amounts undrawn under available Revolving Credit Facilities or other facilities. It excludes restricted cash amounts.

23. Lost Time Injuries (LTIs)
A work-related injury causing an absence for one or more working days, counting from the day after the injury, before the person returns to normal or restricted work.

24. Megawatt (MW)
Megawatt, being the amount of power equal to 1 million watts.

25. Megawatt Hours (MWh)
Megawatt hours, being the amount of energy equivalent to delivering 1 million watts of power for a period of one hour.

26. Net-Zero
The target of:

- Reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways
- Neutralising any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter

27. Novusmodus Fund
The Novusmodus Fund is a venture capital fund in which seed capital is invested into emerging technologies.

28. OHSAS 18001
OHSAS 18001 Occupational, Health and Safety Management Certification is an international standard which provides a framework to identify, control and decrease the risks associated with health and safety within companies.

29. Over the Counter Trading Platform
Financial instruments (specifically electricity price contracts) which enable participants in the SEM to reduce their risk (and therefore electricity price volatility for their customers) by trading these products directly (over the counter) with each other, rather than via an intermediary or through an exchange, in order to hedge their exposure to movements in the wholesale price of electricity.

30. P1 Incidents
Incidents which have a high probability of causing high consequence injuries such as fatality, amputation, loss of eye, multiple injuries, major fracture, 2nd/3rd degree burns, being unconscious (major/serious), road traffic collision reportable injuries, fatalities, and excessive material damage.

31. Price Review 5 (PR5)
Regulatory periods are of 5 years' duration and the Price Control Review (PR5) covers the period 2021 to 2025 and sets out the total regulated allowed revenues over that period as determined by the Commission for Regulation of Utilities (CRU).

32. Regulatory Period 6 (RP6)
Regulatory Period 6 (RP6), is a regulatory period of 5 years' duration for price control, covering the period 1 April 2017 to 31 March 2024, determined by the Utility Regulator in Northern Ireland.

33. Safe and Sound
An ESB culture change programme that will serve to build a world-class safety culture and environment that is sustainable over time.

34. Science Based Targets
A clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change.

35. Single Electricity Market (SEM)
The Single Electricity Market (SEM) is a wholesale pool-based electricity market operating north and south of the Irish Border.

36. Single Electricity Market Operator (SEMO)
The SEM/ISEM is operated by SEMO, a joint venture between EirGrid and SONI, the transmission system operators in Ireland and Northern Ireland respectively.

37. SIRO
A joint venture with Vodafone, which will bring 1 gigabit per second (Gb/s) broadband to customers across Ireland using the existing distribution network.

38. Smart Energy Services
Smart Energy Services is a complete energy management solution that brings all of the skills and experience of a global energy innovator to businesses.

39. Smart Grid
A transformed electricity transmission and distribution network or grid that uses robust two-way communications, advanced sensors and distributed computers to improve the efficiency, reliability and safety of power delivery and use.

40. Smart Meter Programme
The Smart Meter Programme is delivering the next generation of energy meter. They will replace the traditional electricity and gas meters removing the need for a home visit to read the meter and will eliminate the need to use estimates whenever a meter cannot be read.

41. Safety Leadership Strategy
A framework that shows a clear and simple way of articulating the safety responsibilities, obligations and expectations that everyone in ESB has in order to maintain a safe environment.

Glossary (continued)

42. Sustainable Energy Authority of Ireland (SEAI)
The Sustainable Energy Authority of Ireland (SEAI) was established as Ireland's national energy authority under the Sustainable Energy Act 2002.

43. System Operator for Northern Ireland (SONI)
The System Operator for Northern Ireland (SONI) ensures the safe, secure and economic operation of the high voltage electricity grid in Northern Ireland and in co-operation with EirGrid colleagues is also responsible for running the all-island wholesale market for electricity.

44. Task Force on Climate related Financial Disclosures (TCFD)
An entity created by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders.

45. The Way We Work at ESB
The Way We Work at ESB brings together ESB's purpose, strategy and values. In ESB, the purpose statement tells the world why ESB exists – the reason for being, beyond profit. It's who ESB is, and it's lived through its values. Values are how ESB puts the purpose into action. It encapsulates and aligns the culture and informs behaviours.

46. United Kingdom (UK)
England, Wales, Scotland and Northern Ireland.

47. Utility Regulator (UR)
The independent non-ministerial government department set-up to ensure the effective regulation of the electricity, gas and water and sewerage industries in Northern Ireland.

48. Vertically Integrated Utility (VIU)
A Vertically Integrated Utility (VIU) refers to presence within and ownership of assets across all of the elements of the electricity value chain including the generation, transmission, distribution and supply of power to customers.

Alternative Performance Measures

The Group reports certain alternative performance measures (APMs) that are not required under International Financial Reporting Standards (IFRS). These measures below are used by management alongside IFRS measures to assess the performance and financial position of the Group. The key APMs used by the Group are as follows:

APM	Purpose	Closest equivalent IFRS measure	Definition
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Performance measure	Operating Profit	Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions.
EBITDA before exceptional items	Performance measure	Operating Profit	Operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation, revenue from supply contributions and exceptional items separately disclosed in the Income Statement.
Operating Profit before exceptional items	Performance measure	Operating Profit	Operating profit excluding exceptional items separately disclosed in the Income Statement.
Net Debt	Debt measure	Borrowings and other debt, lease liabilities less cash and cash equivalents	Long term borrowings and other debt plus short term borrowings and other debt less cash and cash equivalents (excluding any restricted cash) plus lease liabilities.
Capital expenditure	Capital expenditure measure	Capital additions to intangible assets, property, plant and equipment and equity accounted investees	Additions to property, plant and equipment, intangible assets (excluding emissions allowances) plus additions to equity accounted investees.
Return on Capital Employed (ROCE) percentage	Capital efficiency measure	N/A	Adjusted operating profit after tax (excluding exceptional items and impairments and including share of equity accounting investees income) divided by average capital employed (equity plus total borrowings plus right of use assets plus deferred tax plus allowance for doubtful debt less accrued income taxes).
Gearing percentage	Financial leverage	N/A	Net debt divided by the sum of net assets and gross debt.

A reconciliation of the performance and debt metrics above to the financial statements has been included in the Financial Review on page 58.

sourcedesign.ie

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