



Energy for
generations

ESB GREEN BOND FRAMEWORK

September 2023



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.

Contents

1.0	Introduction	3
2.0	Strategy	4
3.0	Risk Management	5
3.1	Environmental Risk Management	6
4.0	Strategy and Rationale for the Green Bond	8
5.0	Alignment with the EU Taxonomy	9
6.0	Alignment with the Green Bond Principles	10
6.1	Use of Proceeds	10
6.1.1	Exclusions	10
6.2	Process for Project Evaluation and Selection	11
6.3	Management of Proceeds	12
6.4	Reporting	12
6.5	External Review	13
7.0	Disclaimer	15

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.





1.0

Introduction

ESB considers Green Bonds to be an effective tool to fund the delivery of its Net Zero by 2040 strategy, offering transparency to investors who wish to allocate funds to green assets, and in doing so allowing them to support ESB's transition to reliable, affordable, low-carbon energy.

This Green Bond Framework reflects changes in sustainable finance best practices since the publication of ESB's initial framework in 2019. Eligible green project categories have been streamlined to clearly match the EU Taxonomy's classification system for environmentally sustainable economic activities as well as aligning with the latest Green Bond Principles ("GBPs") published by the International Capital Markets Association (ICMA). As the technical screening criteria ("TSC") of the EU Taxonomy advance over time, ESB will continue to update its Framework to align with best practice in this regard.

2.0 Strategy

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

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.

ESB has identified three strategic objectives, aligned with Sustainable Development Goals 7 (Affordable and Clean Energy), 9 (Industry, Innovation, and Infrastructure) and 13 (Climate Action), which are core to the delivery of our net zero ambition.



1. 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.



2. 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.



3. 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.

Further information regarding the ESB strategy is available on the ESB website¹.

¹ <https://esb.ie/sustainability/esg-hub/our-esg-strategy>

3.0 Risk Management

In line with the recommendations of the Green Bond Principles 2021², this section sets out the management arrangements established to achieve effective management of risks relevant to ESB's activities, including environmental risks.

The effective management of risks and the pursuit of opportunities support 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.

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.

In terms of governance structure :

- 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.

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.

² Green Bond Principles 2021 – recommendations to incorporate complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).

3.0 Risk Management (continued)

3.1 Environmental Risk Management

In recognition that our business activities have the potential to cause environmental impacts, ESB seeks to manage our activities in a manner that provides a high level of protection for our natural environment and contributes to the reduction of greenhouse gas emissions, while supporting sustainable economic development.

Due to the nature of our activities, we are subject to rigorous standards of environmental legislation and regulation through, for example, environmental licenses and permits issued by relevant Regulatory authorities, our Thermal generating stations operations are licensed activities, and we must comply with all conditions in the associated Industrial Emissions Licenses including all environmental aspects. Non-licensed activities are subject to assessment during planning processes and to subsequent planning conditions as determined by the planning authority. We strive for excellence in all our endeavours to comply with all applicable laws and regulatory requirements. We work through externally certified environmental management systems in line with the ISO14001:2015 standard throughout ESB to achieve this.

We seek out opportunities to adopt best practice, such as the European Distribution System Operators (E.DSO) sustainable grid charter and employ it in our operations. We are committed to playing our part as a responsible business by achieving an appropriately high standard of environmental management and by embedding sustainability in all our activities.

The emphasis on responsibility for environmental management in ESB flows through the Group from the Board through the Chief Executive to all senior management and in turn to each manager, supervisor, team leader and member of staff.

The Safety, Sustainability and Culture Committee are to advise the Board on health, safety, sustainability and environmental, cultural and diversity matters. The Committee are also responsible for the monitoring of progress against agreed sustainability, health, safety and key environmental performance indicators and risk management in these areas. The Executive Committee are ultimately responsible for embedding sustainability and the implementation of effective environmental management within their areas of responsibility. Each business unit within ESB has dedicated Environmental Managers who report to the relevant business unit senior manager and ultimately keep the Board abreast of all environmental-related matters.

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 and emerging risks. The Safety, Sustainability and Culture Committee of the Board monitors the management of safety, environment and climate risk, as well as climate opportunities.

The Audit and Risk Committee oversees the overall enterprise risk management in ESB. 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 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.

Further information regarding ESB's risk management activities are included in the 2022 Annual Report³.

Further information regarding ESB's broader sustainability and ESG-related activities is available on the ESB website⁴.



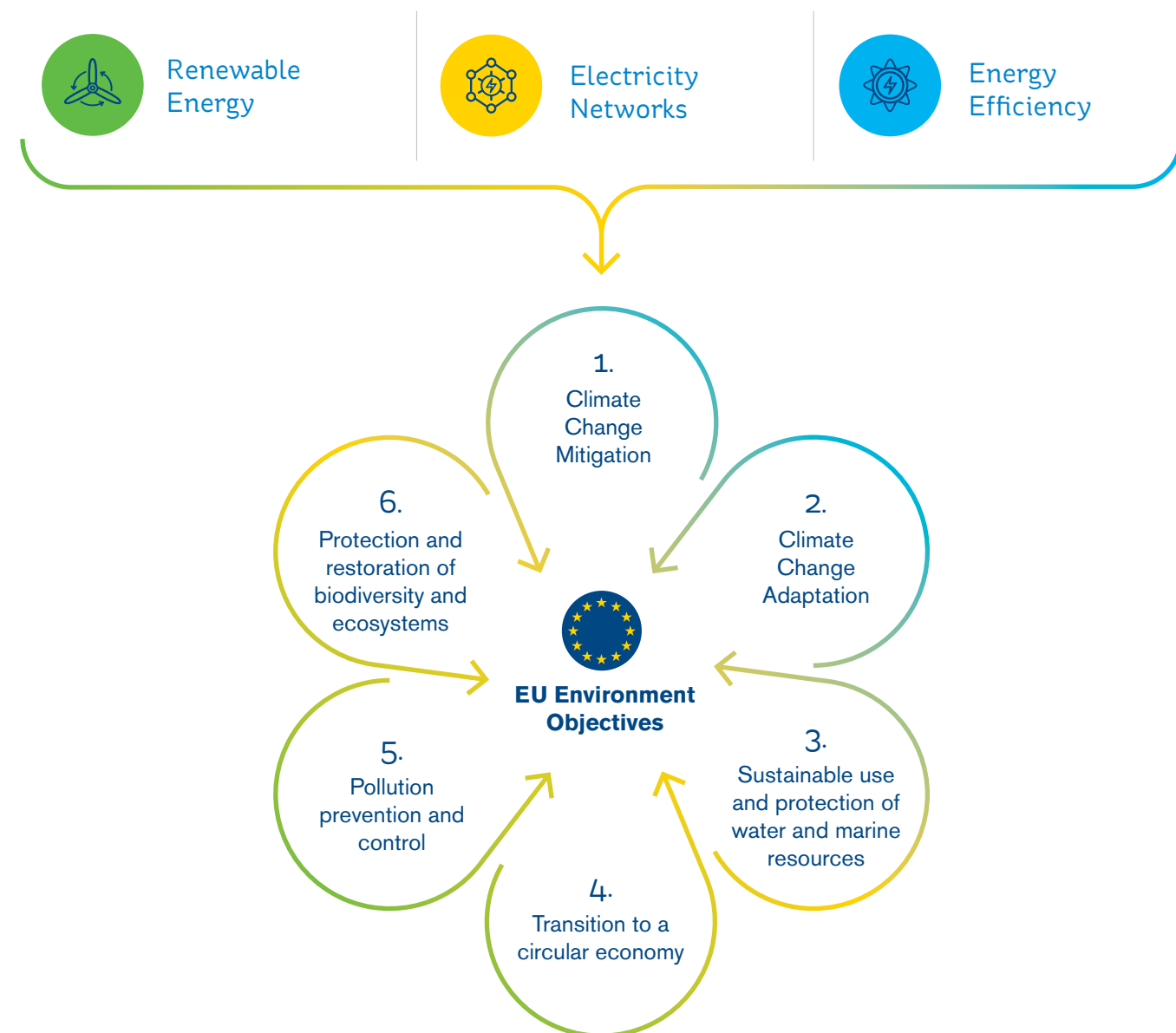
³ https://cdn.esb.ie/media/docs/default-source/investor-relations-documents/esb-2022-annual-report-and-financial-statements.pdf?sfvrsn=fffa1a32_0

⁴ <https://esb.ie/sustainability>

4.0 Strategy and Rationale for the Green Bond

ESB considers that Green Bonds are an effective tool to channel liquidity into assets which facilitate the transition to low-carbon electricity generation and reduce greenhouse gas emissions, supporting its strategy. ESB believes that Green Bonds offer transparency to investors who wish to allocate funds to green assets, and in doing so support ESB's transition to reliable, affordable, low-carbon energy as well as adding a further diversity to ESB's investor base. ESB's Green Bond Framework has been designed to reflect ESB's strategy and to contribute to the EU's Climate Change Mitigation Objective and align as far as possible with the EU Taxonomy as set out below.

ESB's Green Bond will primarily contribute to Climate Change Mitigation through the following Eligible Green Project categories:



5.0 Alignment with the EU Taxonomy

The European Commission has established a classification system of environmentally sustainable economic activities known as the 'EU Taxonomy'. The 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. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. 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. 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 to any of the above environmental objectives (Do No Significant Harm – 'DNSH').

A Taxonomy-Eligible activity is one that is listed in the Delegated Acts, irrespective of whether the economic activity meets the criteria above to become Taxonomy-Aligned. The alignment between the Eligible Green Projects and the provisions of the EU Taxonomy are summarised below.

1. Substantial Contribution

Under the current definitions established by the EU Taxonomy, the Eligible Green Projects make a Substantial Contribution to the EU Environmental Objective of Climate Change Mitigation.

2. Do No Significant Harm

ESB has established a mature system of management arrangements to manage and mitigate the environmental risks relevant to the power generation and transmission and associated activities carried out by The Group. The primary tool by which such risks are managed is via a formalised Environmental Management System. All relevant operating business units have established an Environmental Management System certified to the ISO 14001 Standard⁵.

3. Minimum Safeguards

The Minimum Safeguards are procedures to ensure the 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.

ESB has established a number of management arrangements to ensure alignment with the Minimum Safeguards, in particular the ESB Group Policy on Human Rights⁶

The overall purpose of the Policy is to set out ESB's commitment to ensuring that universally-recognised fundamental human rights are protected and respected within its sphere of influence and to ensuring that ESB's operations are conducted in a manner that does not violate those rights and is compliant with applicable laws and the UN Guiding Principles on Human Rights and Business.

ESB, via either direct due diligence processes or via third party assessments that enable ESB to leverage its position to deliver better outcomes in accordance with the OECD standards, identifies, assesses and minimises the risk of violations of human rights through due diligence processes which cover ESB's own operations.

In addition, 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.

ESB also has policies and procedures relating to anti-bribery, corruption and fraud, competition law and tax. Further details on these matters can be found in the 2022 Annual Report.

⁵ Additional details of the Group Management Systems are available in the 2022 ESB Sustainability Report

⁶ [ESB Group Policy on Human Rights](#)

6.0 Alignment with the Green Bond Principles⁷

6.1 Use of Proceeds

The net proceeds from the issuance of Green Bonds will be used to finance or refinance, in whole or in part, Eligible Green Projects, where an Eligible Green Project is defined as a project whose spend falls within the next 24 months or has been incurred in the previous 24 months, and that falls into the following categories according to the Green Bond Principles, and meets

the Eligibility Criteria which demonstrate alignment with the relevant EU Taxonomy Technical Screening Criteria as per below:

6.1.1 Exclusions

Uses of Proceeds for the following will be specifically excluded:


























- Financing of any power generation project wholly or partly powered by fossil fuels or nuclear power.

6.2 Process for Project Evaluation and Selection

A dedicated Green Finance Committee (the “Committee”) has been created to ensure compliance with the Green Bond Framework and oversee the entire issuance process. The Committee is composed of the Heads of ESB’s Treasury, Sustainability and Strategy Areas, as well as representatives from the ESB’s Business Units on a case-by-case basis.

The Committee will review proposed projects with respect to the Eligibility Criteria set out previously. The project should show a clear positive environmental impact and be aligned to ESB’s strategic intent of meeting ‘customer energy needs by bringing the best of its capabilities together to deliver innovative and value-driven solutions for a low-carbon world’. Proposed projects will be subject to

ESB’s environmental risk management procedures implemented within ESB operational units. Projects will also be assessed for alignment with the relevant provisions of the EU Taxonomy, including alignment with the Do No Significant Harm and Minimum Safeguards components.

Green Bond Principles: Eligible Green Project categories	EU Taxonomy Activity and Number	Eligibility Criteria for Investments and Expenditures	Corresponding EU Taxonomy Technical Screening Criteria: Substantial Contribution	EU Taxonomy: Alignment to the Technical Screening Criteria ⁸	Relevant Sustainable Development Goals
 Renewable Energy	Electricity generation from wind power 4.3	Offshore and onshore wind power generation projects	The activity generates electricity from wind power.		  
	Electricity generation using solar PV technology 4.1	Solar power projects	The activity generates electricity using solar PV technology.		  
 Electricity Networks	Transmission and distribution of electricity 4.9	Grid expenditure including modernisation and upgrade to facilitate increased renewable energy capacity connection subject to the Grid meeting at least two of the EU Taxonomy criteria for eligibility.	One of the following criteria applies: (a) the system is the interconnected European system, ⁹ (b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO ₂ e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; (c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO ₂ e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;		 
	Transmission and distribution of electricity 4.9	Smart meter installation (in a jurisdiction where the overall grid system is interconnected to Europe as per the EU Taxonomy)	Installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council (180), which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs		  
	Transmission and distribution of electricity 4.9	Connection of renewable electricity supplies to the grid (in a jurisdiction where the overall grid system is interconnected to Europe as per the EU Taxonomy)	Construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO ₂ e/kWh measured on a life cycle basis to a substation or network;		  
 Energy efficiency	Storage of electricity 4.10	Battery Storage projects	The activity is the construction and operation of electricity storage including pumped hydropower storage		 

⁷ Green Bond Principles 2021, with June 2022 Appendix 1, as published by the International Capital Market Association (<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>)

⁸ Alignment with the Technical Screening Criteria of the EU Taxonomy, including Substantial Contribution (SC), DNSH and MS, as assessed in the relevant Second Party Opinion

⁹ The interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

6.0 Alignment with the Green Bond Principles (continued)

The Committee will also be responsible for managing any future updates to the Green Bond Framework, including any expansion of the use of proceeds requirements. Any changes to the Green Bond Framework will be published on ESB's website.

6.3 Management of Proceeds

In accordance with the evaluation and selection process presented above, an amount equal to the Green Bond net proceeds will be allocated to Eligible Green Projects.

ESB commits on a best-efforts basis to reach full allocation to Eligible Projects within two years of the Green Bond issuance. The Group will set up a register and will put internal controls in place to monitor and track the net proceeds against Eligible Projects. ESB will maintain a minimum level of cash or cash equivalents against the unallocated funds of the Green Bond.

During the life of the issued Green Bond, if the Eligible Projects are sold, cease to fulfil the Eligibility Criteria, or are otherwise determined to be incompatible with the environmental objectives of the Green Bond Framework, the proceeds will be re-allocated to replacement Eligible Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

6.4 Reporting

ESB intends to produce an Allocation and Impact Report annually. This report will be produced until full allocation of the Green Bond proceeds and thereafter if there are any material changes in this allocation. The report will include the following information:




Allocation Reporting

ESB is committed to providing investors with detailed information on the allocation of Green Bond proceeds including the following:

- Total funds distributed per Eligible Category and/ or per project where relevant
- Total funds used for refinancing or allocated to newly financed projects
- Amount of unallocated proceeds

Impact

Previous Impact Reports are available on the ESB website¹⁰. ESB intends to continue annual impact reporting based on similar impact metrics as appropriate, primarily carbon emissions avoided as a result of investments in renewable energy, and including other impact metrics depending on allocations made to eligible projects as indicated below:

Eligible Green Bond Category	Potential Impact Indicators
 Renewable Energy	<ul style="list-style-type: none">▪ MW of installed Renewables▪ Expected annual renewable energy generation (MWh)▪ Estimated annual GHG emissions reduced/avoided (in tonnes of CO₂ equivalent)
 Electricity Networks	<ul style="list-style-type: none">▪ MW of Renewables Connected▪ Number of smart meters installed▪ Estimated annual GHG emissions reduced/avoided (in tonnes of CO₂ equivalent) when available
 Energy Efficiency	<ul style="list-style-type: none">▪ Capacity of energy storage facilities installed▪ Expected annual generation (MWh)▪ Annual energy savings (MWh)▪ Estimated annual GHG emissions reduced/avoided (in tonnes of CO₂ equivalent) when available

10 <https://esb.ie/investors/green-financing>



On a best-efforts basis, ESB also intends to provide supplementary information as appropriate to demonstrate that projects eligible for allocation are also aligned with the EU Taxonomy.

The allocation and impact reporting will either be reported in its own dedicated report or integrated in ESB's existing annual sustainability report and will be made available via ESB's website at www.esb.ie.

6.5 External Review
Second-Party Opinion

Prior to issuance, ESB has commissioned Sustainalytics to conduct an external review of its Green Bond Framework and issue a Second Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles and the EU Taxonomy.

The Second Party Opinion will be made available on ESB's website www.esb.ie.

External Review

An external reviewer will provide an annual compliance review, until such time as the proceeds of the Green Bond have been allocated in full, confirming that an amount equal to the net proceeds of the Green Bond has been allocated in compliance (in all material respects) with the Eligibility Criteria defined in this Framework.



7.0 Disclaimer

The information and opinions contained in this Framework are provided as at the date of this document and are subject to change without notice. ESB does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

This Framework represents current ESB policy and intent, is subject to change and is not intended nor can be relied on, to create legal relations, rights or obligations.

This Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell ESB Bonds, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of ESB, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

Any decision to purchase any ESB Bonds should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such bonds.

Prospective investors are required to make their own independent investment decisions.

No representation is made as to the suitability of any ESB Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of ESB Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such ESB Bonds regarding the use of proceeds and its purchase of ESB Bonds should be based upon such investigation as it deems necessary.

ESB has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with ESB Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any ESB Bonds if the ESB fails to adhere to this Framework, whether by failing to fund or complete Eligible Green Projects or to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Green Projects. In addition, each environmentally focused potential purchaser of ESB Bonds should be aware that Eligible Green Projects may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of ESB Bonds or any other person might otherwise have in respect of this Framework or any ESB Bonds as a result of any failure to adhere to or comply with this Framework is hereby disclaimed.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.

This Framework contains certain statements which may constitute “forward-looking statements”. These statements are not guarantees or predictions of future performance and are subject to risks and uncertainties. As a result, actual results or developments may differ from those expressed in the statements contained in this Framework.



