

# Second-Party Opinion

## ESB Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the ESB Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Electricity Networks, and Energy Efficiency – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



**PROJECT EVALUATION AND SELECTION** ESB’s Green Finance Committee will be responsible for evaluating and selecting projects and assets in line with the eligibility criteria. ESB has in place environmental risk management procedures to identify and manage social and environmental risks associated with the projects and assets financed under the Framework. These procedures are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market expectation.



**MANAGEMENT OF PROCEEDS** ESB’s green finance committee will be responsible for the management of proceeds and will track the proceeds using an internal register. ESB intends to allocate all proceeds within 24 months of issuance. Any unallocated proceeds will be held temporarily in cash or cash equivalents. This is in line with market practice.



**REPORTING** ESB commits to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds distributed per eligible category or per project, amount of proceeds refinanced or allocated to newly financed projects and amount of unallocated proceeds. ESB intends to report on relevant impact metrics. Sustainalytics views ESB’s allocation and impact reporting as aligned with market practice.

---

**Evaluation Date** September 18, 2023

---

**Issuer Location** Dublin, Ireland

---

### Report Sections

---

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	11

---

**For inquiries, contact the Sustainable Corporate Solutions project team:**

---

**Nadia Djinnit (Amsterdam)**

Project Manager

[nadia.djinnit@morningstar.com](mailto:nadia.djinnit@morningstar.com)

(+31) 20 560 2933

---

**Chinmay Sirdeshmukh (Mumbai)**

Project Support

---

**Ashok Yashwant (Mumbai)**

Project Support

---

**Chetna Chauhan (Mumbai)**

Project Support

---

**Andrew Johnson (Paris)**

Client Relations

[susfinance.emea@sustainalytics.com](mailto:susfinance.emea@sustainalytics.com)

(+44) 20 3880 0193

---

### EU Taxonomy

Sustainalytics has assessed the ESB Green Bond Framework for alignment with the EU Taxonomy. The three use of proceeds criteria of the Framework map to four activities in the EU Taxonomy. Sustainalytics is of the opinion that all the use of proceeds categories align with the applicable technical screening criteria for substantial contribution (SC) to the environmental objectives of the EU Taxonomy and applicable “do no significant harm” (DNSH) Criteria in the EU Taxonomy. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards.

## Introduction

Electricity Supply Board (“ESB” or the “Company”) is an Irish electricity utility company that engages in the production, transmission, distribution, and supply of electricity in the Republic of Ireland, Northern Ireland and other parts of the UK. ESB has additional business activities including: i) the provision of telecommunication services for mobile and wireless operators through its joint venture SIRO; ii) public charging points; and iii) engineering consulting services. As of December 2022, ESB employs approximately 8,000 people. The Company is majority owned by the Irish government with a 96.9% stake.

ESB has developed the ESB Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects which aim to decarbonize the Irish grid and promote the transition to a low-carbon and climate resilient economy in the Republic of Ireland and Northern Ireland. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
2. Electricity Networks
3. Energy Efficiency

ESB engaged Sustainalytics to review the ESB Green Bond Framework, dated September 2023, and provide a second-party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).<sup>1</sup> The Framework will be published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The use of proceeds criteria alignment with the EU Taxonomy 2021 Delegated Act; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of ESB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. ESB representatives have confirmed (1) they understand it is the sole responsibility of ESB to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ESB.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<sup>2</sup> The ESB Green Bond Framework is available on Electricity Supply Board’s website at: <https://esb.ie/investors/green-financing>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, ESB is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ESB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the ESB Green Bond Framework

Sustainalytics is of the opinion that the ESB Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of ESB's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Electricity Networks, and Energy Efficiency – are aligned with those recognized by the GBP.
  - ESB has defined a two-year look-back period for the refinancing of its expenditures which Sustainalytics considers to be in line with market practice.
  - Under the Renewable Energy category, ESB may finance or refinance the development, and construction of onshore and offshore wind energy projects, and solar PV projects. Sustainalytics considers these investments to be in line with market practice.
  - Under the Electricity Networks category, ESB may finance or refinance transmission and distribution projects according to the following eligibility criteria:
    - Construction, reinforcement or replacement of transmission and distribution lines in an electricity system that meets at least two of the following criteria: i) the system in the interconnected European system;<sup>4</sup> ii) more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO<sub>2e</sub>/kWh, measured on a life cycle basis in accordance with electricity generation criteria over a rolling five-year period; iii) 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<sub>2e</sub>/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.
    - Installation of smart meters to grid systems interconnected to Europe.<sup>5</sup>
    - Construction, operation, and expansion of systems that connect renewable energy to grid systems interconnected to Europe.<sup>6</sup>
    - Sustainalytics considers these investments to be in line with market practice.
  - Under Energy Efficiency category, ESB may finance or refinance the construction and operation of battery storage projects. Sustainalytics recognizes the critical need to expand utility-scale storage systems in order to enable the expansion of renewable energy, while also noting that the environmental benefit of storage systems depends on the carbon intensity of the grid to which they are connected, and that deploying such assets to carbon-intensive grids or associated systems may result in increased emissions. Sustainalytics encourages ESB to

<sup>4</sup> The interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

<sup>5</sup> The interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

<sup>6</sup> The interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

- prioritize instalments of storage systems on grids that follow a credible decarbonization pathway<sup>7</sup> and to report on the positive impact of such instalments, where feasible.
- Sustainalytics notes that ESB excludes the financing of power generation projects wholly or partly powered by fossil fuels or nuclear power.
  - Project Evaluation and Selection:
    - ESB has established a Green Finance Committee which is responsible for evaluating and selecting projects in accordance with the eligibility criteria under the Framework. The Committee comprises heads from ESB's Treasury, Sustainability and Strategy Areas as well as representation from ESB's Business Units as required.
    - ESB has in place environmental risk management procedures to identify and manage social and environmental risks associated with the projects and assets financed under the Framework. These procedures are applicable to all allocation decisions made under the Framework. Sustainalytics considers ESB's environmental and social risk management systems to be adequate and aligned with market expectations. For more detail on ESB's environmental and social risk mitigation processes, please refer to Section 2
    - Based on the cross-functional oversight for the project evaluation and selection process and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - ESB's green finance committee will be responsible for the management and allocation of proceeds and will track the proceeds using an internal register.
    - ESB intends to allocate all the proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily held in cash or cash equivalents.
    - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - ESB commits to report on the allocation of proceeds and the corresponding impact in a dedicated report or ESB's sustainability report which will be published on its website on an annual basis until full allocation. Allocation reporting may include total amount of proceeds distributed per eligible category or per project, amount of proceeds refinanced or allocated to newly financed projects and amount of unallocated proceeds.
    - Impact reporting may include installed capacity of renewable energy (in MW), annual GHG emissions avoided (in tCO<sub>2</sub>e), estimated annual renewable energy production (in MWh), number of smart meters installed, and annual energy savings (MWh).
    - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021**

Sustainalytics has determined that the ESB Green Bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

### **Alignment with the EU Taxonomy**

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Substantial Contribution to an Environmental Objective of the EU Taxonomy (SC)
  - The three use of proceeds criteria outlined in the Framework were mapped to four activities of the EU Taxonomy. All were assessed and are aligned with the applicable SC.
2. Do No Significant Harm ("DNSH") Criteria
  - The Framework's three use of proceeds criteria were assessed and the corresponding all four activities are aligned with the applicable DNSH criteria.

<sup>7</sup> Sustainalytics considers a transmission and distribution grid to be aligned with a credible decarbonization pathway if it meets either of the following criteria: i) more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO<sub>2</sub>e/kWh, measured on a life-cycle basis in accordance with electricity generation criteria, over a rolling five-year period or; ii) the average system grid emissions factor is below the threshold of 100 gCO<sub>2</sub>e/kWh, over a rolling five-year period.

- The four activities assessed have a total of 15 individual DNSH criteria (across all environmental objectives) applicable to them and all are aligned with the applicable DNSH criteria.
3. Minimum Safeguards
- Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
  - For Sustainalytics’ assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of Electricity Supply Board’s Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

EU Taxonomy Activities Corresponding to Framework Criteria	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Electricity generation from wind power	■	■		■	■	■	-	■
Electricity generation from solar photovoltaic technology	■	■		■	-	■	-	■
Transmission and distribution of electricity	■	■		■	-	■	■	■
Storage of electricity	■	■		■	-	■	-	■

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	

Note: The EU Taxonomy has not yet defined SC criteria for environmental objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different Objective, Sustainalytics has assessed alignment against the DNSH criteria for all six Objectives.

## Section 2: Sustainability Strategy of ESB

### Contribution to Electricity Supply Board’s sustainability strategy

Sustainalytics is of the opinion that ESB, as an energy producer, distributor and operator of Irish energy transmission infrastructure, has a business model that is supportive of positive environmental outcomes and the projects intended to be financed under this Framework are expected to contribute to achieving ESB’s objective of net zero by 2040.<sup>8</sup>

To achieve net zero by 2040, ESB has developed a “Driven to make a difference: net zero by 2040” strategy which sets out three strategic objectives: i) decarbonized electricity; ii) resilient infrastructure; and iii) empowered customers.<sup>9</sup> In addition, the Company has set interim targets for 2030 which include: i) setting a Science Based Target for 2030 to reflect alignment of its climate targets with commitments set out in the

<sup>8</sup> ESB, “Net Zero ESB Strategy 2040”, (2022), at: [https://cdn.esb.ie/media/docs/default-source/sustainability/esb-net-zero-to-2040-strategy---driven-to-make-a-difference.pdf?sfvrsn=5e132f8b\\_0](https://cdn.esb.ie/media/docs/default-source/sustainability/esb-net-zero-to-2040-strategy---driven-to-make-a-difference.pdf?sfvrsn=5e132f8b_0)

<sup>9</sup> Ibid.

Paris Agreement; ii) a fivefold increase in renewable generation to 5 GW as compared to 1 GW currently, iii) increase the amount of renewable generation connected to ESB's networks in Ireland and Northern Ireland from 6.2 GW in 2019 to 15 GW by 2030; iv) reduce carbon intensity of its generation fleet from 414 CO<sub>2</sub>/kWh in 2022 to 140 CO<sub>2</sub>/kWh by 2030; and v) decarbonize 63% of its generation output by 2030 and 100% by 2040.<sup>10</sup>

In addition to the above targets, ESB has set several supplementary targets to help achieve its 2040 objective. These include i) providing fibre broadband service to 770,000 homes by 2030; ii) the installation of 2.4 million smart meters by 2026 and 2.6 million by 2030; iii) retrofitting 35,000 homes by 2030; iv) providing infrastructure to support the electrification of approximately 1.3 million EVs and 660,000 heat pumps across Ireland and Northern Ireland; and v) increase the number of public charging points to 3000 including 200 high speed chargers across the UK and Ireland.<sup>11</sup>

ESB networks have connected approximately 700 MW of renewable energy to the electricity grid in 2022 as compared to 573 MW in 2017. In addition, 79 MW of battery storage were added in 2022. ESB undertook several initiatives for increasing the renewable energy supply across Ireland such as: i) Oweninny Phase 2 wind farm, a joint venture project, which will generate 83 MW of renewable energy to the grid and ii) MSD and ESB self-supply solar project to generate 7.9 GWh of renewable electricity; ii); In addition in the UK, Neart Na Gaoithe (NnG) offshore wind farm, a joint venture project under construction, will generate 450 MW of renewable energy to supply 375,000 homes and offset 400,000 tonnes of CO<sub>2</sub> emissions every year.<sup>12</sup>

Sustainalytics is of the opinion that the ESB Green Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

#### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity issues associated with large-scale infrastructure development; occupational health and safety issues; and community relations issues.

Sustainalytics is of the opinion that ESB is able to manage and mitigate potential risks through implementation of the following:

- Regarding land use and biodiversity risks, all of the Company's operational and maintenance activities are reviewed and where appropriate screened to determine if there is a requirement to undertake an environmental impact assessment. Moreover, the Company has established a Biodiversity Policy to manage its activities and avoid negative impacts on habitats, species, and natural heritage. The Company employs ecologists throughout its projects from feasibility, due diligence, to construction and operation of the projects to protect and mitigate potential biodiversity risks that may arise from its business activities. Additionally, ESB's Environmental Management Systems (EMS), certified by ISO 14001 standard, provides a mechanism by which necessary local statutory authorisations, operational procedures and improvement measures and programmes to protect biodiversity are developed and maintained.<sup>13</sup>
- With regard to occupational health and safety, ESB has a health and safety policy in place, which outlines the Company's commitment to prevent occupational injuries and illnesses by complying with all local and national health and safety laws.<sup>14</sup> The policy also outlines ESB management's role in promoting safe behaviours by providing safe tools and equipment including substances, providing necessary information and training including emergency response plan to employees on safety procedures and consulting with employees on matters related to their health and safety. In addition, the policy requires ESB's employees to report on any misconduct at work or any defect in systems which contravene the laws or policies of the Company.<sup>15</sup> Moreover, most of ESB's business units have health and safety management systems in place which are certified by ISO 45001 and set out occupational health and safety standards such as the identification of hazards, assessment of risks,

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> ESB, "Sustainability Report 2022", (2022), at: [https://cdn.esb.ie/media-staging/docs/default-source/sustainability/22118-esb-sustainability-report-ye22v6.pdf?sfvrsn=213694f8\\_3](https://cdn.esb.ie/media-staging/docs/default-source/sustainability/22118-esb-sustainability-report-ye22v6.pdf?sfvrsn=213694f8_3)

<sup>13</sup> Ibid.

<sup>14</sup> ESB, "Health, Safety and Wellbeing Policy", (2020), at: [https://cdn.esb.ie/media/docs/default-source/corporate-governance/health-safety-wellbeing-policy--dec-2020-\(002\).pdf?sfvrsn=9ad307f0\\_2](https://cdn.esb.ie/media/docs/default-source/corporate-governance/health-safety-wellbeing-policy--dec-2020-(002).pdf?sfvrsn=9ad307f0_2)

<sup>15</sup> Ibid.



identification of preventive and protective measures, checks by supervisors, and analysis of accidents and near misses.<sup>16</sup>

- Regarding community relations risks, ESB has in place a stakeholder engagement strategy and plan to identify, engage, consult, and collaborate with different stakeholders to obtain feedback on their expectations.<sup>17</sup> The Company follows the AA1000 Stakeholder Engagement Standard<sup>18</sup> for its engagements with stakeholders and has the following principles of engagement: i) inclusiveness, ii) materiality, iii) responsiveness, and iv) impact. After identifying different stakeholders, ESB engages and keeps them informed about the developments, aims and objectives at ESB through i) bi-annual or quarterly meetings; ii) consultations with stakeholders iii) webinars; iv) physical or hybrid conferences; v) workshops; vi) publications in form of reports, vii) information booklets; and viii) email notifications.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that ESB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

### Human and Labour Rights

Electricity Supply Board has implemented the following policies and procedures regarding human and labour rights:

- ESB's operations are screened based on compliance with the global guidelines and principles mentioned in the UN Global Compact and the OECD Guidelines for Multinational Enterprises which provide guidelines on respecting human rights and addressing the adverse impact of business operations on human rights.<sup>19,20</sup> In addition, the Company adheres to UN Guiding Principles on Business and Human Rights (UNGPs).<sup>21</sup>
- ESB has in place a Group Policy on Human Rights under which it commits to ensuring that fundamental human rights are protected and respected. The employees are expected to be alert to any human rights violations in ESB's operations or in the operations of third-party entities with whom ESB does business, and to report any situations in which violations of a human right is suspected.<sup>22</sup>
- ESB has also developed a policy on Modern Slavery which outlines a grievance mechanism to respond to issues related to modern slavery in accordance with the grievance process outlined by the UN Principles on Business and Human Rights.<sup>23</sup>
- ESB developed its Code of Ethics which provides guidance for the Company on issues such as safeguarding health and safety at work and addresses equality and non-discrimination, fair wages, and prohibition of child and forced labour and workplace harassment.<sup>24</sup> Additionally, the Company's Health, Safety and Wellbeing Policy ensures that all incidents and accidents are

<sup>16</sup> ESB, "Sustainability Report 2022", (2022), at: [https://cdn.esb.ie/media-staging/docs/default-source/sustainability/22118-esb-sustainability-report-ye22v6.pdf?sfvrsn=213694f8\\_3](https://cdn.esb.ie/media-staging/docs/default-source/sustainability/22118-esb-sustainability-report-ye22v6.pdf?sfvrsn=213694f8_3)

<sup>17</sup> ESB, "Stakeholder Engagement Strategy and Plan 2023", (2023), at: [https://www.esbnetworks.ie/docs/default-source/publications/stakeholder-engagement-strategy-plan-2023-2mb.pdf?sfvrsn=104f3c4b\\_5](https://www.esbnetworks.ie/docs/default-source/publications/stakeholder-engagement-strategy-plan-2023-2mb.pdf?sfvrsn=104f3c4b_5)

<sup>18</sup> AA1000 Stakeholder Engagement Standard, at: <https://www.accountability.org/standards/aa1000-stakeholder-engagement-standard/>

<sup>19</sup> UN, "Global Compact", at: <https://unglobalcompact.org/what-is-gc/mission/principles>

<sup>20</sup> OECD, "OECD Guidelines for Multinational Enterprises", (2011), at: <https://www.oecd.org/daf/inv/mne/48004323.pdf>

<sup>21</sup> UN, "Guiding Principles on Business and Human Rights", (2011), at:

[https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>22</sup> ESB, "ESB Group Policy on Human Rights", at: [https://cdn.esb.ie/media/docs/default-source/Publications/esb-human-rights-policy.pdf?sfvrsn=c3a600f0\\_6#:~:text=ESB%20strives%20to%3A&text=Provide%20safe%20and%20healthy%20working,working%20culture%20free%20of%20discrimination.](https://cdn.esb.ie/media/docs/default-source/Publications/esb-human-rights-policy.pdf?sfvrsn=c3a600f0_6#:~:text=ESB%20strives%20to%3A&text=Provide%20safe%20and%20healthy%20working,working%20culture%20free%20of%20discrimination.)

<sup>23</sup> ESB, "ESB Policy on Modern Slavery", (2019), at: [https://cdn.esb.ie/media/docs/default-source/procurement/esb-policy-on-modern-slavery-20199e4b8396c5fc426db1240f7540015a98.pdf?sfvrsn=54b7c163\\_0](https://cdn.esb.ie/media/docs/default-source/procurement/esb-policy-on-modern-slavery-20199e4b8396c5fc426db1240f7540015a98.pdf?sfvrsn=54b7c163_0)

<sup>24</sup> ESB, "Code of Ethics", at: [https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-ethics-code---the-way-we-work-2022.pdf?sfvrsn=a0e89c27\\_0](https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-ethics-code---the-way-we-work-2022.pdf?sfvrsn=a0e89c27_0)

reported and investigated and appropriate actions are taken to minimize future occurrences.<sup>25</sup> In addition, the Company's Code of Conduct requires its suppliers, agents and third parties such as contractors and sub-contractors to identify, assess, address or remedy any modern slavery issues in their operations and supply chain.

Sustainalytics has, based on the work of its research services and its ESG Risk Rating assessment, evaluated the performance of the Company in the area of human and labour rights, and has not detected involvement in any significant controversies to suggest that the above policies are not being implemented effectively.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the framework.

### Anti-bribery and anti-corruption

Electricity Supply Board has implemented the following policies and procedures regarding anti-bribery and anti-corruption:

- ESB has a zero-tolerance approach towards bribery, corruption, and frauds. Its Anti-bribery, corruption and fraud policy outlines standards, which apply to all employees, relating to bribery, theft, accepting gifts, hospitality, entertainment, and financial reporting.<sup>26</sup>
- ESB has established a whistleblowing procedure enabling employees to ask questions related to ethical and professional conduct, and report any breaches of the Company's Anti-bribery, corruption and fraud policy. This procedure extends to contractors as well who are required to report such instances to their ESB managers.<sup>27</sup>
- ESB also has in place code of ethics which establishes steps to conduct business in an ethical manner. This includes meeting all applicable laws, regulations and contractual terms and conditions, including legal obligations to report lobbying activities on behalf of ESB.<sup>28</sup>

Sustainalytics has, based on the work of its research services and its ESG Risk Rating assessment, evaluated the performance of the Electricity Supply Board in the area of anti-bribery and anti-corruption. Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard against bribery and corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Electricity Supply Board policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

## Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

### Advancing the transition to a low-carbon economy in Ireland

The EU energy sector accounted for 80% of the bloc's total GHG emissions as of 2021.<sup>29</sup> As part of the European Green Deal, the EU has set a goal to become climate neutral by 2050.<sup>30</sup> It has also set intermediate targets to reduce its GHG emissions by at least 40% by 2030 relative to 1990 levels and to increase the share

<sup>25</sup> ESB, "ESB Health, Safety and Wellbeing Policy", at: [https://cdn.esb.ie/media/docs/default-source/corporate-governance/health-safety-wellbeing-policy--dec-2020-\(002\).pdf?sfvrsn=9ad307f0\\_2#:~:text=It%20is%20through%20the%20contractual%20documents%20that%20this%20policy%20is%20enacted.&text=ESB%20is%20committed%20to%20achieving,of%20our%20values%20in%20ESB](https://cdn.esb.ie/media/docs/default-source/corporate-governance/health-safety-wellbeing-policy--dec-2020-(002).pdf?sfvrsn=9ad307f0_2#:~:text=It%20is%20through%20the%20contractual%20documents%20that%20this%20policy%20is%20enacted.&text=ESB%20is%20committed%20to%20achieving,of%20our%20values%20in%20ESB).

<sup>26</sup> ESB, "ESB Anti-bribery, corruption and fraud policy", (2022), [https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-anti-bribery-corruption-and-fraud-policy--december-2022.pdf?sfvrsn=6b7bf692\\_3](https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-anti-bribery-corruption-and-fraud-policy--december-2022.pdf?sfvrsn=6b7bf692_3)

<sup>27</sup> ESB, "ESB Anti-bribery, corruption and fraud policy", (2022), [https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-anti-bribery-corruption-and-fraud-policy--december-2022.pdf?sfvrsn=6b7bf692\\_3](https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-anti-bribery-corruption-and-fraud-policy--december-2022.pdf?sfvrsn=6b7bf692_3)

<sup>28</sup> ESB, "The way we work at ESB – Our code", at: [https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-ethics-code--the-way-we-work-2022.pdf?sfvrsn=a0e89c27\\_0&\\_gl=1\\*xg7xcv\\*\\_ga\\*NzE5NzA5Njk4LjE2OTI5NDQ3MTA.\\*\\_ga\\_FK4GRM6Q1X\\*MTY5MzM4OTY0Ny42LjAuMTY5MzM4OTY0Ny4wLjAuMA](https://cdn.esb.ie/media/docs/default-source/corporate-governance/esb-ethics-code--the-way-we-work-2022.pdf?sfvrsn=a0e89c27_0&_gl=1*xg7xcv*_ga*NzE5NzA5Njk4LjE2OTI5NDQ3MTA.*_ga_FK4GRM6Q1X*MTY5MzM4OTY0Ny42LjAuMTY5MzM4OTY0Ny4wLjAuMA).

<sup>29</sup> European Environment Agency, "Annual European Union Greenhouse Gas Inventory 1990-2021 and inventory report 2023", at: <https://www.eea.europa.eu/publications/annual-european-union-greenhouse-gas-2>

<sup>30</sup> European Commission, "2030 Climate and Energy Framework", at: [https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2030-climate-energy-framework\\_en](https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2030-climate-energy-framework_en)



of energy usage from renewable sources to at least 32% by 2030.<sup>31</sup> To increase clean energy production, the European Commission launched the REPowerEU plan in May 2022 through which it aims to install new solar PV systems with a capacity of more than 320 GW by 2025 and almost 600 GW by 2030.<sup>32</sup>

Ireland, as part of its Climate Action Plan 2021, has set a target to reduce its GHG emissions by at least 51% by 2030 compared to 2018 levels and achieve net zero emissions by 2050.<sup>33</sup> This plan also includes increasing the proportion of renewable energy in the country’s energy mix to 80% by 2030 as compared to 42% in 2020.<sup>34</sup> Despite the targets, EPA’s projections indicate Ireland will achieve a GHG reduction of only 29% by 2030 as compared to a target of 51%.<sup>35</sup> The projections also indicate that achieving the 2030 targets will require development and implementation of policies and actions to deliver emissions reduction across all sectors, including energy, in the short term.<sup>36</sup> This includes increasing renewable energy share to 80% by 2030, as per the Climate Action Plan, which has the potential to reduce emissions from the energy industry by 60% by 2030.<sup>37</sup>

In addition to renewable energy, the Irish government recognizes the importance of electricity storage in balancing renewable energy demand and variable generation, as well as sustaining energy security, and supporting decarbonization of the Irish electricity sector.<sup>38</sup> Moreover, one of the actions of 2023 of the Irish Climate Action Plan 2023 is to develop and publish a policy framework for electricity storage based on electricity system needs.<sup>39</sup>

Based on the above, Sustainalytics is of the opinion that ESB’s investments in renewable energy, energy efficiency and energy storage projects are expected to support the achievement of Ireland’s and the EU’s GHG reduction targets and contribute to the country’s transition towards a low-carbon economy.

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the ESB Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Electricity Networks	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
		7.3 By 2030, double the global rate of improvement in energy efficiency.
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.

<sup>31</sup> Ibid.  
<sup>32</sup> European Commission, “REPowerEU: affordable, secure and sustainable energy for Europe”, at: [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en)  
<sup>33</sup> Sustainable Energy Authority of Ireland, “Energy in Ireland”, (2022) at: <https://www.seai.ie/publications/Energy-in-Ireland-2022.pdf>  
<sup>34</sup> Central Statistics Office, “Environmental Indicators Ireland”, (2022), at: <https://www.cso.ie/en/releasesandpublications/ep/p-eii/environmentalindicatorsireland2022/energy/#:~:text=The%20share%20of%20renewable%20energy%20sources%20used%20in%20the%20generation,1990%20to%2042%25%20in%202020.>  
<sup>35</sup> Environmental Protection Agency, “Ireland projected to fall well short of climate targets, say EPA”, (2023), at: <https://www.epa.ie/news-releases/news-releases-2023/ireland-projected-to-fall-well-short-of-climate-targets-says-epa.php>  
<sup>36</sup> Ibid.  
<sup>37</sup> Ibid.  
<sup>38</sup> IRDEA, “Developing and Electricity Storage Policy Framework for Ireland”, (2023), at: [https://districtenergy.ie/resources/Documents/IrDEA%20Electricity%20Storage%20Policy%20Framework%20Consultation%20Submission%20Jan%202023%20-%20Final%20\(1\).pdf](https://districtenergy.ie/resources/Documents/IrDEA%20Electricity%20Storage%20Policy%20Framework%20Consultation%20Submission%20Jan%202023%20-%20Final%20(1).pdf)  
<sup>39</sup> Government of Ireland, “Climate Action Plan 2023”, at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/256997/b5da0446-8d81-4fb5-991e-65dd807bb257.pdf#page=null>

	<p>9. Industry, innovation and infrastructure</p>	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>
--	---	--

## Conclusion

ESB has developed the ESB Green Bond Framework under which it will issue green bonds and the use of proceeds to finance renewable energy, transmission and distribution, and battery storage projects. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The ESB Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and ESB has committed to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the ESB Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics is of the opinion that ESB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed the ESB Green Bond Framework for alignment with the EU Taxonomy. The three use of proceeds criteria of the Framework map to four activities in the EU Taxonomy. Sustainalytics is of the opinion that all the use of proceeds categories aligns with the applicable technical screening criteria for substantial contribution (SC) to the environmental objectives of the EU Taxonomy and applicable “do no significant harm” (DNSH) Criteria in the EU Taxonomy. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards.

Based on the above, Sustainalytics views that Electricity Supply Board is well positioned to issue green bonds and that the ESB Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

# Appendices

## Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE<sup>40</sup> activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for Electricity Supply Board Framework is shown in Table 2 below.

### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Renewable Energy	Wind energy	4.3. Electricity generation from wind power	D35.11 and F42.22	Mitigation	Table 3
	Solar energy	4.1. Electricity generation using solar photovoltaic technology	D35.11 and F42.22	Mitigation	Table 4
Electricity Networks	Transmission and distribution of electricity	4.9. Transmission and distribution of electricity	D35.12, D35.13	Mitigation	Table 5

<sup>40</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

---

Energy Efficiency	Storage of electricity	4.10. Storage of electricity	No dedicated code	Mitigation	Table 6
-------------------	------------------------	------------------------------	-------------------	------------	---------

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer’s Framework criteria with the EU Taxonomy’s TSC and DNSH criteria for the relevant NACE activity.

Table 3

<b>Framework Activity assessed</b>		Wind energy	
<b>EU Activity</b>		4.3 Electricity generation from wind power	
<b>NACE Code</b>		D35.11 and F42.22	
<b>SC Criteria</b>		<b>Alignment</b>	
Mitigation	The activity generates electricity from wind power.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
<b>DNSH Criteria</b>		<b>Alignment</b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 7		Aligned
Sustainable use and protection of water and marine resources	In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council, <sup>41</sup> requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive’s Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848 <sup>42</sup> in relation to the relevant criteria and methodological standards for that descriptor.	<p><u>Ireland:</u></p> <p>Ireland has transposed Directive 2008/56/EC into Irish national law of the Marine Strategy Framework Directive.<sup>43</sup> In addition, as per the Article 17 update to Ireland’s Marine Strategy Part 2: Monitoring Programme (Article 11): appropriate measures are required to be taken to mitigate impacts in relation to that Directive’s Descriptor 11 (Noise/Energy).<sup>44</sup></p> <p>The updated Marine Strategy Framework Directive (MSFD) takes into consideration coherence with the revised criteria and methodological standards outlined in the Commission Decision 2017/848/EU on Good Environmental Status.<sup>45</sup></p> <p><u>UK:</u></p>	Aligned

<sup>41</sup> Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive) (OJ L 164, 25.6.2008, p. 19).

<sup>42</sup> Commission Decision (EU) 2017/848 of 17 May 2017 laying down criteria and methodological standards on good environmental status of marine waters and specifications and standardised methods for monitoring and assessment, and repealing Decision 2010/477/EU (OJ L 125, 18.5.2017, p. 43).

<sup>43</sup> ISB, “S.I. No. 249/2011 - European Communities (Marine Strategy Framework) Regulations 2011”, at: <https://www.irishstatutebook.ie/eli/2011/si/249/made/en/print>

<sup>44</sup> Government of Ireland, “Marine Strategy Framework Directive 2008/56/EC Article 17 update to Ireland’s Marine Strategy Part 2: Monitoring Programme (Article 11)”, at: <https://assets.gov.ie/203341/f36b708f-6515-4515-995f-595b35ca58ef.pdf>

<sup>45</sup> Government of Ireland, “The Marine Strategy Framework Directive (MSFD)”, at: <https://www.gov.ie/en/publication/f8aa5-the-marine-strategy-framework-directive-msfd/>

		<p>EU Marine Strategy Framework Directive (2008/56/EC) is implemented in the UK through the Marine Strategy Regulations 2010<sup>46</sup> with a definition of good environmental status including energy and noise impact.</p> <p>In addition, for large offshore wind projects in the UK, an Environmental Impact Assessment (EIA) is required, unless the relevant authority (e.g., the Secretary of State in England) grants an exemption. An EIA assesses all potential environmental impacts of a project during construction, operation and decommissioning, and any associated mitigation measures.</p>	
<p>Transition to a circular economy</p>	<p>The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.</p>	<p>ESB follows its environmental management system certified by the ISO14001:2015 standard for all its operations. This system provides steps to protect and mitigate potential environmental risks that may arise from its business activities. Additionally, ESB assesses equipment and components used in its projects to ensure high durability and recyclability.</p> <p>Moreover, ESB has in place an environmental and sustainability policy which provides guidance to operate with minimum materials necessary to conduct ESB's business operations and takes life cycle of materials into account. In addition, the policy requires the Company to apply waste hierarchy to minimize waste disposal arising from its operations.</p> <p>Dismantling of wind farms is taken into account in the planning stage of the project. In addition, a decommissioning plan is a requirement of the EIA.</p> <p>All of ESB's wind projects are fully assessed and an Environmental Impact Assessment Report (EIAR) is completed as part of the planning process. Commitments are made by ESB in the application on mitigation, if required, and all planning conditions are managed by means of ESB's EMS.</p>	<p>Aligned</p>
<p>Protection and restoration of biodiversity and ecosystems</p>	<p>Refer to the assessment set out in Appendix 3, Table 9</p>	<p>Aligned</p>	

<sup>46</sup> Government of UK, "The Marine Strategy Regulations 2010", at: <https://www.legislation.gov.uk/ukxi/2010/1627/contents/made>



Table 4

<b>Framework Activity assessed</b>		Solar energy	
<b>EU Activity</b>		4.1 Electricity generation using solar photovoltaic technology	
<b>NACE Code</b>		D35.11 and F42.22	
<b>SC Criteria</b>		<b>Alignment</b>	
Mitigation	The activity generates electricity using solar PV technology.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
<b>DNSH Criteria</b>		<b>Alignment</b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 7		Aligned
Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	<p>ESB follows its environmental management system certified by the ISO14001:2015 standard for all its operations. This system provides steps to protect and mitigate potential environmental risks that may arise from its business activities. Additionally, ESB has financial provisions to restore sites back to their original conditions at end of life and to recycle or refurbish materials as appropriate.</p> <p>Moreover, ESB has in place an environmental and sustainability policy which provides guidance to operate with minimum materials necessary to conduct ESB's business operations and takes life cycle of materials into account. In addition, the policy requires the Company to apply waste hierarchy to minimize waste disposal arising from its operations.</p>	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 9		Aligned

Table 5

<b>Framework Activity assessed</b>	Transmission and distribution of electricity
<b>EU Activity</b>	4.9. Transmission and distribution of electricity

NACE Code		D35.12, D35.13	
<i>SC Criteria</i>		<i>Alignment</i>	
Mitigation	<p>The activity complies with one of the following criteria:</p> <ol style="list-style-type: none"> <li>1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:               <ol style="list-style-type: none"> <li>a) the system is the interconnected European system, i.e., the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;</li> <li>b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO<sub>2e</sub>/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;</li> <li>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<sub>2e</sub>/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;</li> </ol> </li> </ol> <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO<sub>2e</sub>/kWh measured on a life cycle basis is not compliant.</p> <p>Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.</p> <ol style="list-style-type: none"> <li>2. The activity is one of the following:               <ol style="list-style-type: none"> <li>a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO<sub>2e</sub>/kWh measured on a life cycle basis to a substation or network;</li> <li>b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to compliance with the technical screening criteria under the transport Section of the Annex I of the Climate Delegated Act;</li> </ol> </li> </ol>	<p>The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.</p>	<p>Aligned</p>

	<ul style="list-style-type: none"> <li>c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014<sup>47</sup> and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1<sup>48</sup></li> <li>d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation;</li> <li>e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including:             <ul style="list-style-type: none"> <li>i) sensors and measurement tools (including meteorological sensors for forecasting renewable production);</li> <li>ii) communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed).</li> </ul> </li> <li>f) 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<sup>49</sup>, 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;</li> <li>g) construction/installation of equipment to allow for exchange of specifically renewable electricity between users;</li> <li>h) construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant.</li> </ul> <p>For the purposes of this Section, the following specifications apply:</p> <ul style="list-style-type: none"> <li>a) the rolling five-year period used in determining compliance with the thresholds is based on five consecutive historical years, including the year for which the most recent data are available;</li> </ul>		
--	---	--	--

<sup>47</sup> Commission Regulation (EU) No 548/2014 of 21 May 2014 on implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to small, medium and large power transformers (OJ L 152, 22.5.2014, p. 1).

<sup>48</sup> CEI EN 50588-1 Medium power transformers 50 Hz, with highest voltage for equipment not exceeding 36 kV.

<sup>49</sup> Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on rules for the internal market for electricity and amending Directive 2012/27/EU (OJ L 158/125, 14.6.2019),

	<ul style="list-style-type: none"> <li>b) a 'system' means the power control area of the transmission or distribution network where the infrastructure or equipment is installed;</li> <li>c) transmission systems may include generation capacity connected to subordinated distribution systems;</li> <li>d) distribution systems subordinated to a transmission system that is deemed to be on a trajectory to full decarbonisation may also be deemed to be on a trajectory to full decarbonisation;</li> <li>e) to determine compliance, it is possible to consider a system covering multiple control areas which are interconnected and with significant energy exchanges between them, in which case the weighted average emissions factor across all included control areas is used, and individual subordinated transmission or distribution systems within that system is not required to demonstrate compliance separately;</li> <li>f) it is possible for a system to become non-compliant after having previously been compliant. In systems that become non-compliant, no new transmission and distribution activities are compliant from that moment onward, until the system complies again with the threshold (except for those activities that are always compliant, see above). Activities in subordinated systems may still be compliant, where those subordinated systems meet the criteria of this Section;</li> <li>g) a direct connection or expansion of an existing direct connection to production plants includes infrastructure that is indispensable to carry the associated electricity from the power generating facility to a substation or to the network.</li> </ul>		
<b><i>DNSH Criteria</i></b>		<b><i>Alignment</i></b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 7		Aligned
Transition to a circular economy	A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	ESB's network policy statement on the environment requires the Company to take steps to minimize the production of all wastes as far as practicable and recover waste found at networks locations and dispose of all residual waste in a safe and responsible manner. In 2021, 99% of waste materials generated by ESB networks as part	Aligned

		<p>of its business operations were diverted from landfill.<sup>50</sup> ESB achieves this by engaging with waste contractors to identify opportunities for waste recovery and reuse. The Company also looks for other uses of waste such as international synergies through industrial symbiosis. ESB also works with suppliers to reduce packaging material which will end up as waste.</p> <p>ESB networks comply with EU regulation 517/2014 in relation to SF6. Additionally, the Company has SF6 gas management as part of its EMS. SF6 gas is collected and recycled to minimise the volume of procured gas. This is done using a gas cleaning area where SF6 gas is removed from the network, cleaned then re-used, which saves the purchase of new gas and the destruction of scrap gas with a high GWP.</p> <p>ESB follows its environmental management system certified by the ISO14001:2015 standard for all its operations. This system provides steps to protect and mitigate potential environmental risks that may arise from its business activities.</p> <p>Moreover, ESB has in place an environmental and sustainability policy which provides guidance to operate with minimum materials necessary to conduct ESB’s business operations and takes life cycle of materials into account. In addition, the policy requires the Company to apply waste hierarchy to minimize waste disposal arising from its operations.</p>	
<p>Pollution prevention and control</p>	<p>Overground high voltage lines:</p> <ul style="list-style-type: none"> <li>a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines.<sup>51</sup></li> <li>b) activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general</li> </ul>	<p>a) ESB follows its environmental management system certified by ISO14001:2015 standard for all its operations. This system provides steps to identify, manage, and mitigate potential environmental risks when designing, constructing and maintaining overhead works associated with High Voltage Lines. In addition, ESB complies with relevant environment laws applicable in Ireland and EU.<sup>54</sup> Regarding health and safety, ESB has in place health and safety management systems which are certified by ISO 45001</p>	<p>Aligned</p>

<sup>50</sup> ESB, “ Environmental Performance Report 2021, (2022), at: [https://www.esbnetworks.ie/docs/default-source/publications/environmental-performance-report-2021\\_final\\_website-version.pdf?sfvrsn=aaf3a230\\_9](https://www.esbnetworks.ie/docs/default-source/publications/environmental-performance-report-2021_final_website-version.pdf?sfvrsn=aaf3a230_9)

<sup>51</sup> IFC, “Environmental, Health, and Safety (EHS) Guidelines” of 30 April 2007 : <https://www.ifc.org/content/dam/ifc/doc/2023/ifc-general-ehs-guidelines.pdf>

<sup>54</sup> Key pollution related Acts and Regulations include the following: Waste Management Act, 1996; Protection of the Environment Act, 2003; Waste Management (Shipment of Waste) Regulations, 2007; Local Government (Water Pollution) Act, 1977; Local Government (Water Pollution) Act, 1990; EC Environmental Objectives (Surface Waters) Regulations, 2009; European Communities Environmental Objectives (Surface Waters) (Amendment) Regulations 2012; EC Environmental Objectives (Surface Waters) Regulations, 2009; Air Pollution Act, 1987, (Licensing of Industrial Plant) Regulations, 1988; Air Quality Standard Regulations 2011; European Communities (Environmental Liability) Regulations 2008; European Communities (Environmental Liability) (Amendment) Regulations 2015.

	<p>public to electromagnetic fields (0 Hz to 300 GHz)<sup>52</sup> and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP).<sup>53</sup></p> <p>Activities do not use PCBs (polychlorinated biphenyls).</p>	<p>which sets out occupational health and safety standards such as identification of hazards, assessment of risks, identification of preventive and protective measures, checks by supervisors, and analysis of accidents and near misses.</p> <p>Broadly in line as ESB Networks maintains an independent ISO 14001 Environmental Accreditation and works in accordance with Irish and EU Law. Similarly - ESB is ISO 9001 Safety Accredited and the business works in line with our Safety Management System.</p> <p>Based on the above, Sustainalytics notes ESB’s adherence to the mentioned environmental laws applicable in Ireland and EU are comparable with IFC General Environmental, Health, and Safety Guidelines and therefore considers the criteria to be aligned.</p> <p>b) ESB complies with the requirements of European Recommendations (1999/519/EC) to limit exposure of the general public to electromagnetic fields (0 Hz to 300 GHz).<sup>55</sup> ESB intends to finance projects in Ireland, and other parts in the UK (such as Northern Ireland) and not in any third countries.</p> <p>ESB has confirmed to Sustainalytics that PCBs will not be used in projects financed under this Framework.</p>	
<p>Protection and restoration of biodiversity and ecosystems</p>	<p>Refer to the assessment set out in Appendix 3, Table 9</p>	<p>Aligned</p>	

Table 6

<b>Framework Activity assessed</b>	Storage of electricity
<b>EU Activity</b>	4.10. Storage of electricity
<b>NACE Code</b>	No dedicated code

<sup>52</sup> Council Recommendation of 12 July 1999 on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) (1999/519/EC) (OJ L 199, 30.7.1999, p. 59).

<sup>53</sup> ICNIRP 1998 Guidelines for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 ghz) (version of [adoption date]):

<https://www.icnirp.org/cms/upload/publications/ICNIRPemfgdl.pdf>.

<sup>55</sup> ESB, “EMF & YOU – Information about electric & magnetic fields and the electricity network in Ireland”, (2017), at: [https://esb.ie/docs/default-source/default-document-library/emf-public-information\\_booklet\\_v9.pdf?sfvrsn=0](https://esb.ie/docs/default-source/default-document-library/emf-public-information_booklet_v9.pdf?sfvrsn=0)



<b>SC Criteria</b>		<b>Alignment</b>	
Mitigation	<p>The activity is the construction and operation of electricity storage including pumped hydropower storage.</p> <p>Where the activity includes chemical energy storage, the medium of storage (such as hydrogen or ammonia) complies with the criteria for manufacturing of the corresponding product specified in Sections 3.7 to 3.17 of the Annex I. In case of using hydrogen as electricity storage, where hydrogen meets the technical screening criteria specified in Section 3.10 of the Annex I of the Climate Delegated Act, re-electrification of hydrogen is also considered part of the activity.</p>	<p>ESB intends to finance the construction and operation of electricity storage, specifically battery storage systems. ESB has communicated to Sustainalytics that the activity does not include the use of hydrogen or ammonia.</p>	Aligned
<b>DNSH Criteria</b>		<b>Alignment</b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 7		Aligned
Sustainable use and protection of water and marine resources	<p>In case of pumped hydropower storage not connected to a river body, the activity complies with the criteria set out in Appendix B to this Annex.</p> <p>In case of pumped hydropower storage connected to a river body, the activity complies with the criteria for DNSH to sustainable use and protection of water and marine resources specified in Section 4.5 (Electricity production from hydropower).</p>	<p>As ESB does not intend to finance pumped hydropower storage projects, Sustainalytics considers assessment of this DNSH criteria not to be applicable.</p>	Not Applicable
Transition to a circular economy	A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	<p>ESB follows its environmental management system certified by the ISO14001:2015 standard for all its operations. This system provides steps to protect and mitigate potential environmental risks that may arise from its business activities.</p> <p>ESB has communicated to Sustainalytics that the decommissioning provisions for such projects will be taken into account and embedded in the financial projections for all installations where required. Additionally, recycling of valuable battery materials will take place at the end of life (typically 30 years).</p> <p>Moreover, ESB has in place an environmental and sustainability policy including ESB Group standard waste document which provides guidance to operate with minimum materials necessary to conduct ESB's business operations and takes life cycle of materials into account. In addition, the policy applies EU waste hierarchy to minimize waste disposal arising from its operations or during decommissioning of the project.</p>	Aligned

Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 9	Aligned
---	--	---------

### Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation, Sustainable Use and Protection of Water and Marine Resources and Protection and Restoration of Biodiversity and Ecosystems

Table 7

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment</i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>56</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under the Framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> </ul>	<ul style="list-style-type: none"> <li>ESB has confirmed to Sustainalytics that it will perform climate risk and vulnerability assessment in its projects where physical climate risks are material.</li> <li>The Company has also confirmed such assessments as per the following: <ul style="list-style-type: none"> <li>(a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime;</li> <li>(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II of this Appendix, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;</li> <li>(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.</li> </ul> </li> </ul> <p>ESB climate hazard assessments consider 14 hazards, which include heat wave, changing precipitation, coastal erosion etc, two climate scenarios which include, Representative Concentration Pathway (RCP) 2.6 and RCP 8.5 and two time periods – 2030 and 2050.</p> <p>After the assessment, ESB has communicated to Sustainalytics that it will develop and implement a plan with solutions that (i) do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of</p>	Aligned

<sup>56</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

	other economic activities and (ii) are consistent with local, sectoral, regional or national adaptation efforts.	
--	--	--

Table 8

Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources		
<b>DNSH Criteria</b>	<b>Alignment</b>	
<ul style="list-style-type: none"> <li>Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council<sup>57</sup> and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders.</li> <li>Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council<sup>58</sup> and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.</li> </ul>	<ol style="list-style-type: none"> <li>Directive 2000/60/EC has been transposed into Irish law in the European Communities (Water Policy) Regulations 2003<sup>59</sup> and into the UK law in The Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 and the Water Environment (Water Framework Directive) Regulations (Northern Ireland) 2017 in Northern Ireland.<sup>60</sup></li> <li>Directives 2011/92/EU and 2000/60/EC have been transposed into Irish and UK laws. In addition, ESB performs an EIA as per local and national laws which include, where relevant, an assessment on the impact of water.</li> </ol>	Aligned

Table 9

Criteria for the Protection and Restoration of Biodiversity and Ecosystems	
<b>DNSH Criteria</b>	<b>Alignment</b>

<sup>57</sup> Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1). For activities in third countries, in accordance with applicable national law or international standards which pursue equivalent objectives of good water status and good ecological potential, through equivalent procedural and substantive rules, i.e. a water use and protection management plan developed in consultation with relevant stakeholders which ensures that 1) the impact of the activities on the identified status or ecological potential of potentially affected water body or bodies is assessed and 2) deterioration or prevention of good status/ecological potential is avoided or, where this is not possible, 3) justified by the lack of better environmental alternatives which are not disproportionately costly/technically unfeasible, and all practicable steps are taken to mitigate the adverse impact on the status of the body of water.

<sup>58</sup> Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 26, 28.1.2012, p. 1)

<sup>59</sup> ISB, "S.I. No. 722/2003 - European Communities (Water Policy) Regulations 2003", at: <https://www.irishstatutebook.ie/eli/2003/si/722/made/en/print>

<sup>60</sup> Government of UK, "The Water Environment (Water Framework Directive) (England and Wales) Regulations 2017", at: <https://www.legislation.gov.uk/uksi/2017/407/contents/made>

<ul style="list-style-type: none"> <li>• An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards.</li> <li>• Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</li> <li>• For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• Directive 2011/92/EU has been transposed into Irish<sup>61</sup> and UK laws.<sup>62</sup> In addition, where required by local and national laws, ESB will conduct an environmental impact assessment or appropriate assessment.</li> <li>• ESB has communicated that mitigating or compensating measures will be implemented as identified as part of the EIA.</li> <li>• All of ESB’s projects or its business activities are reviewed and assessed at an early stage for potential impacts on European sites designated for nature conservation i.e. Special Areas of Conservation (SACs) and Special Protection Areas (SPAs), European sites designated for nature conservation i.e. Special Areas of Conservation (SACs) and Special Protection Areas (SPAs). ESB has confirmed to Sustainalytics that mitigation measures will be identified and implement and will be included in the permit.</li> </ul>	<p>Aligned</p>
--	---	----------------

<sup>61</sup> ISB, “S.I. No. 191/2020 - European Union (Environmental Impact Assessment) (Environmental Protection Agency Act 1992) (Amendment) Regulations 2020”, at: <https://www.irishstatutebook.ie/eli/2020/si/191/made/en/print>

<sup>62</sup> Government of UK, “Directive 2014/52/EU of the European Parliament and of the Council”, at: <https://www.legislation.gov.uk/eudr/2014/52>

# Appendix 4: Green Bond / Green Bond Programme - External Review Form

## Section 1. Basic Information

---

Issuer name:	Electricity Supply Board
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	ESB Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 18, 2023
Publication date of review publication:	

---

## Section 2. Review overview

### SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
  - Use of Proceeds
  - Process for Project Evaluation and Selection
  - Management of Proceeds
  - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones: EU Taxonomy

### ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

### Does the review include a sustainability quality score?

- Of the issuer
- Of the project
- Of the Framework
- Other (please specify):
- No scoring

### ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

#### ISSUER'S OVERARCHING OBJECTIVES

**Does the review include:**

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

#### CLIMATE TRANSITION STRATEGY

**Does the review assess:**

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

**Overall comment on this section:**

### Section 3. Detailed review

#### 1. USE OF PROCEEDS

**Does the review assess:**

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

**Does the review assess if the issuer provides clear information on:**

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

**Overall comment on this section:**



The eligible category for the use of proceeds, Renewable Energy, Electricity Networks, and Energy Efficiency are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals specifically, SDG 7 and 9.

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones. Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards.
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

### Overall comment on this section:

ESB has established a green finance committee which is responsible for evaluating and selecting projects in accordance with the eligibility criteria under the Framework. The Committee comprises heads from ESB's Treasury, Sustainability and Strategy Areas as well as representatives from the ESB's Business Units. ESB has in place environmental risk management procedures to identify and manage social and environmental risks associated with the projects and assets financed under the Framework. These procedures are applicable to all allocation decisions made under the Framework. Sustainalytics considers ESB's environmental and social risk management systems to be adequate and aligned with market expectations.

## 3. MANAGEMENT OF PROCEEDS

### Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

### Overall comment on this section:

ESB's green finance committee will be responsible for the management and allocation of proceeds and will track the proceeds using an internal register. ESB intends to allocate all the proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily held in cash or cash equivalents. Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

## 4. REPORTING

### Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

### Overall comment on this section:

ESB commits to report on the allocation of proceeds and the corresponding impact in a dedicated report or ESB's sustainability report which will be published on its website on an annual basis until full allocation.

Allocation reporting may include total amount of proceeds distributed per eligible category or per project, amount of proceeds refinanced or allocated to newly financed projects and amount of unallocated proceeds. Impact reporting may include installed capacity of renewable energy (in MW), annual GHG emissions avoided (in tCO<sub>2</sub>e), estimated annual renewable energy production (in MWh), number of smart meters installed, and annual energy savings (MWh). Based on the commitment to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

#### Section 4. Additional Information

**Useful links** (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

**Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:**

**Additional assessment in relation to the issuer/bond framework/eligible project(s):**

#### ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

**Copyright ©2023 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

