



ESB Networks DAC Terms of Reference

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1. Purpose

The purpose of this document is to set out the terms of reference of the Board of ESB Networks DAC.

ESB Networks DAC (the “Company”) is a designated activity company, limited by shares, established under the European Communities (Internal Market in Electricity) (Electricity Supply Board) Regulations 2008 (the “2008 Regulations”). It is a wholly owned subsidiary of ESB, a statutory corporation established under the Electricity (Supply) Act 1927.

The objects of the Company, which are set out in the Constitution, include the operation, maintenance and development of a safe, secure, economical and efficient electricity distribution system. The Commission for Regulation of Utilities (“CRU”) has issued the Distribution System Operator Licence (“DSO Licence”) to ESB Networks DAC under Section 14 of the Electricity Regulation Act 1999, as amended. CRU has also approved an arrangement whereby ESB Networks DAC shall manage the discharge of ESB of its functions as Distribution System Owner (“DAO”) and Transmission Asset Owner (“TAO”). A summary of the obligations is set out in Appendix 1.

2. Composition and Membership of the Board

2.1 Appointments to the Board

The Board shall be made up of not less than four and no more than eight members. Members of the Board are appointed by the Board of ESB, subject to the approval of the Minister for the Climate, Energy & the Environment with the concurrence of the Minister for Public Expenditure, Infrastructure, Public Service Reform & Digitalisation, in accordance with Regulation 5 of the 2008 Regulations.

There are currently five Board members – the Chairman, the Managing Director and three Directors, who are independent Board members. Non executive board members are normally appointed to serve for a period of between three and five years, which may be extended for one further period up to a maximum of eight years. Consistent with best corporate governance practice, no member of the Board should serve more than two full terms of appointment on that Board or should hold appointments to more than two State Boards, at the same time, unless the specific statutory provisions relating to the particular State body enable such service.

Board Members may not participate directly or indirectly in the day-to-day operation of the businesses of ESB relating to supply or generation of electricity.

Board members shall be indemnified by the Company with the benefit of Guarantee from ESB.

2.2 Code of Conduct

The Code of Conduct for ESB Networks DAC board members is approved by the Board and is brought to the attention of all Board Members. It is attached hereto in Appendix 2 and forms part of the Board Terms of Reference.

3. Responsibilities

3.1 Chairman of the Board

3.1.1 The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. This includes:

- i. chairing its meetings having agreed a balanced agenda with the Managing Director, and Company Secretary, and ensuring that adequate time is available for discussion of all agenda items;
- ii. facilitating constructive board relations and discussions at the Board which facilitate the effective contribution of all Board members and promote a culture of trust and openness;
- iii. ensuring accurate, timely and clear information is provided to the Board before the board meetings and, where necessary, between board meetings to assist in effective decision making and that time is focussed on the right topics;
- iv. ensuring that the Board applies sufficient challenge to management proposals, particularly on risk and examines and reviews management achievement of agreed performance targets; ensuring that once a Board decision is reached, there is appropriate delegation of authority to the Managing Director and;
- v. ensuring good information flows within the Board and its committees ¹ and between senior management and Board members;
- vi. leading on governance matters to ensure that there is a clear structure for, and effective running of, the Board;
- vii. leading the annual review of Board and Board member effectiveness;
- viii. facilitating induction, mentoring and assisting with ongoing professional development of Board Members, as required;
- ix. where the Chairperson is of the view that specific skills are required on the Board, he/she should advise the shareholder of this view for their consideration sufficiently in advance of a time when Board vacancies are due to arise;
- x. in assisting the shareholder in drawing up the specification for the Board appointment due regard for the benefits of a gender balanced and diverse Board should be considered; and
- xi. bringing evidence of non-compliance with any statutory obligations to the attention of the shareholder representative indicating (i) the consequences of such non-compliance and (ii) the steps that have been or will be taken to rectify the position.

3.1.2 In the absence of the Chairman for all or part of a duly convened Board meeting the remaining members present shall elect one of the non-executive Board members to chair the meeting (or part thereof) in accordance with the Constitution.

¹ The Board of ESB Networks DAC has not established dedicated Board Committees. The current arrangement is that ESB Networks sits within the framework of matters within the remit of the ESB Board Committees, with content provided to the Committees and oversight of those Committees appropriately limited to comply with ringfencing requirements and the agreed regulatory frameworks..

3.1.3 The Board

The Board is responsible for:

- i. establishing, in accordance with the Memorandum of Understanding between ESB and the Company (the “MOU”) and reflecting requirements of applicable law and the Company’s DSO Licence and regulatory obligations, the Company’s purpose, values and strategy and ensuring that these are reflected in the strategic plans and culture of the organisation;
- ii. seeking assurance that the Company conducts its affairs in compliance with its legal and regulatory obligations and duties;
- iii. preparing the Company’s Financial Statements and ensuring that they present a fair, balanced and understandable assessment of the Company’s position and prospects in accordance with ESB Group accounting policies and applicable legislation;
- iv. making all decisions in respect of, those matters specifically reserved to it in the MOU and the Delegated Authority Levels. These include the approval of the terms and conditions of regulated contracts and the determination of the charges arising for each contract offer. Matters reserved to ESB, including the approval of the Annual Financial Plan and the submission of Price Control submissions, shall not prevent the Company or its Board from exercising independent operational and management control of the functions necessary to discharge its licence obligations;
- v. delegating operational responsibility for the day-to-day running of the ESB Networks business unit to the Managing Director and the Company’s Senior Management Team. The Managing Director shall, on behalf of the Board, report to the Chief Executive of ESB, as shareholder representative of ESB, on all matters relating to compliance with ESB Group policies and procedures and in relation to the protection of ESB’s financial interest in the Company.
- vi. seeking assurance that the principles and provisions set out in the Code of Practice for the Governance of State Bodies (the “Code of Practice”) (and any other corporate governance codes and/or Government guidance that apply to ESB Networks) are adhered to.
- vii. reviewing on an annual basis and (as deemed necessary) revising and reissuing the Authority Levels;
- viii. overseeing the Managing Director and management’s effective execution of strategy, performance and delivery against the Business Plan, achievement of key financial and growth targets and the embedding of an appropriate culture throughout the organisation by providing clear support and constructive challenge;
- ix. reviewing the Company’s approach to risk with a view to satisfying itself that the systems of risk management used in the Company are robust and defensible;
- x. reviewing, on an annual basis, the Company’s system of internal controls (including financial controls) and monitoring of its effectiveness
- xi. immediately bringing to the attention of the Chairman and their fellow Board members evidence they may have of non-compliance with any statutory obligations that apply to the Company, with a view to having the matter rectified.

The Board shall:

- i. make all decisions in respect of those matters specifically reserved to it in the Memorandum of Understanding and in the Authority Levels (except to the extent delegated by the Board to a Board sub-committee or to management);
- ii. demonstrate objective judgement, bringing independent judgement to bear on issues of strategy, performance, resources, and standards of conduct ;
- iii. being mindful of their fiduciary duty to ESB Networks in the first instance, act with integrity and fairness in the interests of ESB Networks, asking the right questions and challenging poor behaviours always;
- iv. oversee cultural governance including setting the tone at the top on conduct and ethics;
- v. establish structures and procedures to facilitate the Board's independence from management and to avoid conflicts of interest;
- vi. commit sufficient time and effort keeping up to date and informed about strategic issues and changes affecting ESB Networks and the environment in which it operates;
- vii. keep under review corporate governance developments (including ethics- related matters) relevant to ESB Networks;
- viii. ensure that the Secretary of the Board has the necessary skills to discharge his/her duties;
- ix. meet at least annually without executive Board members or management present to discuss any matters deemed relevant; and
- x. review, on an annual basis, its performance in carrying out their responsibilities (see Part 7 below).

3.1.4 Managing Director is responsible for:

- i. executing the strategy, reporting progress on execution against strategic goals and related performance metrics and ensuring, where appropriate, in light of major developments, that strategy is revised;
- ii. overseeing the day-to-day running of the business and for delivery of profitable business performance in accordance with targets set by the Board; and
- iii. ensuring that appropriate management structures are in place to drive the success of ESB Networks in pursuing the objectives set by the Board; and
- iv. alerting the Chairman to forthcoming complex, contentious or sensitive issues affecting the Company. The Managing Director shall:
 - promote ESB Networks culture, values and behaviours through leading by example and engagement;
 - build and maintain an effective Senior Management Team and effective management structures within the organisation;
 - maintain on-going dialogue and consultation with the Chairman to ensure the information needs of the Board are met and timely decisions are made; and
 - be accountable to the Board for all authority delegated to executive management.

3.1.5 Role of the Company Secretary

- i. The Secretary of the Board shall minute the proceedings and resolutions of all meetings of the Board, ensuring that the essence of the discussions and decisions at board meetings are accurately captured in the minutes; and minutes shall be provided to all members of the Board.
- ii. All Board members shall have access to the advice of the Secretary, who is responsible for
 - advising and supporting the Board, generally through the Chairman, on all governance matters;
 - under the direction of the Chair ensuring a good information flow within the Board and any relevant Board Committees, and between the executive management and non-executive board members; and
 - ensuring that Board procedures are complied with.
- iii. The Secretary of the Board is also responsible for organising on behalf of the Chairman the formal induction of new members of the Board and also for organising mentoring for Board Members where required, and assisting with ongoing professional development for Board members.
- iv. Appointment and removal of the Secretary are matters for the whole Board. The Board has a duty to ensure that the person appointed as Secretary of the Board has the skills necessary to discharge their statutory and legal duties and such other duties as may be delegated by the Board.

4. Board Meetings

The Chairman and the Managing Director, supported by the Company Secretary, are responsible for the effective management of the Board's agenda.

4.1 Agendas, Minutes and Conflicts of Interest

Board meetings shall be convened, take place, and be conducted in accordance with the Company's Constitution.

- a. Notice of Meetings
Board meeting agendas and papers shall be circulated at least one week prior to the Board meeting. Late papers or presentations will be accepted on an exceptional basis. From time to time, emergency meetings of the Board may be required subject to appropriate notice being given to all Board members.
- b. Agenda and Attendance at Meetings
 - i. The Chairman and the Managing Director, supported by the Company Secretary, are responsible for the effective management of the Board's agenda.
 - ii. Only members of the Board are entitled to be present at Board meetings. However, others (e.g. members of the Senior Management Team and/or external advisers) may be invited by or on behalf of the Chairman to attend for all or part of any Board meeting or Board committee meeting.
 - iii. There is an expectation of 100% attendance at all Board meetings and Board members will use their reasonable endeavours to attend all Board meetings.
 - iv. The Company Secretary's duties include attendance at Board meetings.
- c. Quorum
The quorum for a Board meeting is established by the Constitution.
- d. Minutes of Meetings
 - i. The Secretary of the Board shall minute the proceedings and resolutions of all meetings of the Board and of its committees including recording the names of those present and in attendance.
 - ii. Minutes of the Board meetings shall be filed electronically and provided to all members of the Board.
 - iii. The Secretary will maintain a Register of Actions for follow up on behalf of the Board
- e. Frequency of Meetings
The Board shall meet sufficiently regularly to discharge its duties effectively. Board meetings will be convened approximately six times per year and shall take place on such dates and at such times and place as may be determined by the Chairman or the Board.
The Company Secretary will provide Board members with a schedule of general board meetings and board strategy meetings at the start of each year.
- f. Conflicts of Interest
If a member of the Board finds that he or she has a conflict of interest, he or she shall immediately disclose this to the Chairman and the Company Secretary as required by the Board's Code of Conduct. In accordance with the Constitution, a Board member may not vote in respect of any contract, appointment or arrangement in which he or she is interested. The ESB Networks Board Code of Conduct provides further guidance in this regard.

5. Authority and Decision Making

5.1 Information and Advice

- i. The Board is authorised to seek all information it requires in order to perform its duties.
- ii. The Board is authorised to obtain, at the Company's expense, outside legal or other professional advice where the Board judges that this is necessary to allow Board members discharge their responsibilities. Formal procedures for how a Board member may access this advice is set down in a Board resolution.
- iii. To the extent that there is any inconsistency between these Terms of Reference and the Company's Constitution, the Constitution will prevail.

5.2 Decision Making

- i. Questions arising at Board meetings shall be decided by a majority of votes. Where there is equality of votes the Chairman will have a second or casting vote.
- ii. Specific matters reserved to the Board are documented in the Authority Levels approved by the Board.
- iii. The Authority Levels document may be amended by resolution of the Board from time to time.
- iv. The Board may decide to delegate authority to a Board sub-committee and to management within limits approved by the Board.

6. Reporting

The Managing Director shall report to the Board at each Board meeting on the Company's operations, performance and key risks, and shall provide insights into matters likely to impact the future prospects of the Company.

7. Effectiveness Reviews and Performance Evaluation

- i. The Board shall, at least once a year, review its own performance to ensure it is operating effectively. An external Board evaluation will take place every third year.
- ii. The Board shall review the results of the evaluation and agree improvements as required.
- iii. The Board shall review the effectiveness of Board committees in fulfilling their responsibilities and duties as set out in their Terms of Reference.
- iv. The Chairman will meet individually with non-executive directors annually to share views and insights and to discuss individual's development needs.

8. Review

The Board will review these Terms of Reference at least annually and will approve such amendments as it deems necessary.

Appendix 1

DSO Licence obligations include:

- Directing the safe, secure, reliable, economical and efficient operation of the distribution system within the specified technical parameters, taking into account exchanges with other interconnected systems
- Identifying the development and maintenance needs of the distribution system to ensure all reasonable demands for electricity are met and having regard to the environment
- Offering terms and entering into agreements, where appropriate, with any person seeking to use the distribution system
- Proposing charges to apply for connection to and use of the distribution system

DAO/TAO Obligations

In 2009 ESB and ESB Networks DAC entered into an Asset Management Agreement whereby ESB Networks DAC shall manage the discharge by ESB of its functions as Distribution System Owner (“DAO”) and Transmission Asset Owner (“TAO”) including the carrying out of the construction and maintenance works required to be performed by ESB in its capacity as DAO and TAO. ESB has agreed to provide ESB Networks DAC with the personnel required to perform those functions.

The legal and regulatory obligations of the DAO include:

- facilitating the development, maintenance and operation of the distribution system in an efficient economical, co-ordinated, safe, secure and reliable manner;
- neither preventing or restricting effective competition in the generation and supply of electricity; and
- promote good industry practice and efficiency in the implementation and administration of matters covered by Operation Agreements.

The legal and regulatory obligations of the TAO include:

- maintaining the transmission system and carrying out construction work in accordance with the Transmission System Operator’s development plan;
- implementing any works required by the Transmission System Operator in accordance with the Infrastructure Agreement; and providing the Transmission System Operator with such information as is required to ensure the secure and efficient operation, development and maintenance of the transmission system.

Appendix 2

ESB Networks DAC Board Code of Conduct

Foreword from the Chairman Marguerite Sayers

As Chair of the ESB Networks DAC Board, I am proud to present our Board Code of Conduct—our clear commitment to ethical leadership, integrity, and the highest standards of corporate governance. Operating as a regulated entity under licence granted by the Commission for Regulation of Utilities (CRU), we recognise that the responsibility we hold as Directors is distinctive and profound. In a rapidly changing energy landscape, our behaviours, actions, decisions, and the example we set shape the trust placed in us by our employees, customers, communities, stakeholders, and our regulator.

This Code is more than a set of rules; it reflects Our Purpose, Our Values, and Our Behaviours. It challenges each of us to lead with courage, care, and drive; to act always in the best interests of ESB Networks DAC; and to foster a culture where ethical conduct—anchored in regulatory compliance, independence of judgement, and stewardship of commercially sensitive information—is the foundation of every decision.

Because we are a regulated business with our own Board and Directors, we also affirm our ring-fencing obligations and the independence required of the Distribution System Operator (DSO). We commit to transparency, to responsible engagement with the CRU, and to maintaining clear and appropriate boundaries in the interests of the public good.

I urge every Board Member to embrace this Code wholeheartedly - to be proactive in declaring and managing any conflicts of interest so that our judgement remains independent and our integrity beyond reproach; to champion diversity, inclusion, and open dialogue; and to support one another in upholding the standards we expect in ESB Networks DAC.

Together, let us lead by example—with integrity, transparency, accountability, and unwavering respect for our regulatory obligations. In doing so, we will continue to earn the trust of others and secure a sustainable, values-driven future for ESB Networks DAC and the communities we serve.

Marguerite Sayers
Chairman

1. Introduction

The Board has adopted this Code of Conduct (Code) which places Our Purpose, Our Values and Our Behaviours at the centre of how Board Members will lead.

In this Code, the Board is committing to conducting business in an ethical manner and in accordance with the principles set out below.

2. Scope

This Code of Conduct is applicable to all ESB Networks DAC (the Company) Board Members.

3. Objectives

The objectives of this Code are to:

- Establish a shared understanding of the principles guiding Board Members' actions and behaviours;
- Provide a frame of reference to guide decision making;
- Promote and maintain confidence and trust in ESB Networks including
- the protection of its reputation; and to
- Help Board Members to identify possible conflicts of interest and provide guidance for managing them appropriately.

4. General principles

The Board aims to achieve high standards of conduct and business ethics by:

This is achieved by:

- Providing effective leadership of the company
- Treating everyone with dignity and respect
- Engaging openly and honestly with our employees, customers, communities and stakeholders and
- Using any information provided to fulfil our roles for the benefit of the company.

5. Our behaviours

ESB Networks has adopted the ESB structured competency framework known as 'Our Behaviours' provides a shared language for the behaviours that bring Our Values – Courageous, Caring, Trusted And Driven – to life in everyday actions and decisions.

Board Members must lead by example and set the tone from the top. It is recommended that all Board Members familiarise themselves with the 'Our Behaviours' framework. The framework - as it applies to Board Members - can be summarised as follows:



Accountable & Ethical

We will....	We will not....
Conduct our business with integrity, acting at all times in the best interests of the company, and leading by example.	Tolerate any form of wrongdoing, ensuring that all such matters are fully investigated and actioned.
Use company property and assets responsibly.	Discuss or disclose confidential information to third parties unless required by law to do so or act on or share confidential information about ESB Networks for financial or other personal benefit.

Respectful & Supportive

We will....	We will not....
Value and embrace diversity, listening to different perspectives with an open mind.	Tolerate harassment or bullying or hesitate to challenge inequities.
Communicate with our stakeholders in a transparent, honest, respectful and authentic way.	Seek to be disrespectful, conceal or mislead in our communications with stakeholders.

Proactive

We will....	We will not....
Be proactive in disclosing and resolving actual or potential conflicts of interest.	Accept or offer gifts or hospitality that could influence or be perceived as influencing a business decision.
Show leadership in sustainability and be socially responsible.	Tolerate breaches of ESB's Group Human Resources Policy.
Role model Safe & Sound practices in the performance of our Board duties and in our interactions with each other.	Abdicate our responsibility for our own safety and wellbeing and the safety and wellbeing of others at ESB Networks.

Growing & Adaptive

We will....	We will not....
Actively seek out new knowledge and perspectives relevant to our Board Responsibilities.	Assume our current knowledge is sufficient for future challenges.
Embrace change and encourage innovation to ensure ESB Networks remains future-fit.	Resist adapting our approach in response to new information or changing circumstances.
Reflect on Board decisions and outcomes to identify learning opportunities for continuous improvement.	Ignore feedback or opportunities to learn from our experiences.
Be mindful that our obligations as Board Members persist post our tenure as ESB Networks Board Members.	Retain Board papers/materials or discuss confidential information obtained in our role as Board Members on stepping down from the Board.
Take advantage of any training and information sessions to keep learning current.	Lose effectiveness as a Board Members by not keeping skills current.

Collaborative

We will....	We will not....
Build trust by listening actively and valuing diverse viewpoints in Board discussions.	Dismiss or talk over others' contributions in meetings.
Share information openly and work together to achieve shared goals for ESB Networks.	Prioritise personal agendas over collective Board objectives.
Support and challenge each other constructively to reach the best outcomes.	Avoid difficult conversations or fail to address issues directly with colleagues.

5A. How we lead effectively

5.1 Enacting our purpose, our values and our behaviours by

1. Monitoring culture and strategy for alignment with ESB's Purpose, Values and Behaviours, as adopted by ESB Networks;
2. Making Our Purpose, Our Values and Our Behaviours integral to our actions, interactions and decisions - taking a long- term view while ensuring we continue to meet our short-term commitments; and
3. Putting sustainability at the heart of our business, integrating social and environmental factors in our decision-making with a belief in electricity as an enabler of decarbonisation, social regeneration solidarity and nature restoration.

5.2 Exercising sound independent judgement and objectivity by

1. Challenging and questioning, in a constructive manner, management performance and proposals;
2. Exercising a professional approach and sound judgement in our interactions and communications;
3. Acting at all times in good faith and in the best interests of ESB Networks, while having regard to the interests of the shareholder(s), employees, and other stakeholders; and
4. Participating in learning and development opportunities and keeping up to date on business and industry developments.

5.3 Protecting ESB Networks's reputation by

1. Upholding high standards of corporate governance and compliance with Board policies and all applicable laws, licences and regulations;
2. Guiding and supporting management in meeting ethical obligations including as a responsible taxpayer and employer;
3. Using our skills and experience to advance ESB Networks's business, helping to solve the challenges of climate change and biodiversity loss; and
4. Maintaining high standards in our communications (including on social media – please refer to ESB Group Social Media Policy for further guidance) at all times.

5.4 Acting with integrity by

1. Declaring and avoiding conflicts of interest (See Section 6 below for further guidance);
2. Avoiding the giving or receiving of corporate gifts, hospitality, preferential treatment or benefits of any kind which might affect or appear to affect independent judgement;
3. Being conscious of and never using, or attempting to use Board Membership to obtain improper benefit for ourselves, our own family, or others connected to us;
4. Making appropriate use of the resources made available to us for the performance of our duties;
5. Never engaging in bribery or corruption or conduct activities in breach of applicable economic sanctions.

5B. How we treat each other

As Board Members we will:

1. Value diversity of thought, opinion, and experience in the board room, acknowledging that such diversity leads to better decision outcomes;
2. Question appropriately, debate constructively, challenge rigorously and listen sensitively to the views of others, inside and outside the Board;
3. Commit to an open and inclusive Board where members and those we interact with feel valued and trusted and where everyone chooses to take responsibility for their own safety and the wellbeing and safety of others; and
4. Show respect for fellow Board Members by engaging politely, arriving punctually to meetings, being well-prepared, informed and present.

5C. How we engage with our employees, customers, communities and stakeholders

As Board Members we will:

1. Dedicate time to engaging with employees to understand their lived experience as an employee to support the embedding of a values-based culture;
2. Prioritise investments that provide our customers and communities with safe, secure, affordable and clean electricity, and which support the achievement of Net Zero by 2040;
3. Encourage and support involvement in community initiatives/activities which align to Our Purpose and are in keeping with Our Values and Our Behaviours;
4. Promote respect for nature and the environment through our stewardship of environmental responsibilities; and
5. Gain the trust of stakeholders by living Our Values through Our Behaviours and being authentic in our communications.

5D. How we use information

As Board Members we will:

1. Protect personal, commercial and confidential materials in all forms;
2. Only use approved ESB Networks applications and encrypted devices to access board and related papers;
3. Not divulge confidential business information to third parties¹, including to the media/or to the public via social media. Unauthorised release of confidential information represents a gross breach of trust which can be highly damaging to the Company. The Board has resolved that, as a rule, only the Chairman and Managing Director or persons authorised by them should deal with public officials, regulatory authorities and/or the media on matters relating to ESB Networks;
4. Exercise caution when discussing business matters with others;
5. Return any and all confidential information and company-owned devices to the company at the end of our terms of office Board Members;
6. Promptly notify the Company Secretary of any unintended disclosure of confidential company information or loss of a company owned device; and
7. Continue to respect the confidentiality of matters relating to ESB Networks even after departure from the Board.

¹ Unless required by law

6. Conflicts of interest

Protecting the integrity of the decision-making process, behaving ethically and maintaining trust are at the core of this code. Board members must always seek to avoid not only actual, but also potential or perceived conflicts.

Conflicts of interest can arise from time to time and should never be a problem if they are openly and effectively managed. Board members themselves are responsible for proactively identifying and reviewing possible conflicts of interest and ensuring that any conflicts of interest are addressed promptly by taking one or more of the measures set out in appendix attached.

6.1 Requirement to disclose

In Ireland, Board Members are governed by:

- general fiduciary duties as directors applying under Irish law.
- the Ethics in Public Office Acts 1995 and 2001 (Ethics Acts);
- the Code of Practice for the Governance of State Bodies 2019;
- the Regulations of the Electricity Supply Board; and
- in the case of members of boards of subsidiary companies, the applicable provisions of the Companies Act, 2014.

6.2 Definition

A conflict of interest is any situation in which a Board member's personal interests or loyalties could, or could be seen to, prevent the Board Member from making a decision in the best interests of the company or where the influence of third parties could compromise or override independent judgement. Such personal interests may be direct or indirect and can include interests of a person connected to the Board member.

In summary, Board Members must:

- disclose outside business interests and duties in conflict or potential conflict with ESB Networks's business activities when joining the Board and as and when they arise;
- refrain from taking part in any decision making process relating to the matter in which the Board Member has an interest; and
- where an actual conflict arises, not seek or retain any information or materials regarding that matter.

Appendix sets out the procedures to be followed to record a conflict of interest and appropriate approaches for Board Members to consider in these situations.

6.3 Advice

Statements submitted by Board Members in accordance with the Ethics Acts will be reviewed by the Company Secretary to assess compliance and whether risk of a conflict of interest may exist. If a Board Member has any doubt as to whether an interest should be disclosed or whether the interest declared is a material interest, he/she should consult with the Chairman and/or Company Secretary.

6.4 Post resignation

It is recommended that the acceptance of further employment or other roles where the potential of conflict of interest arises should be restricted during a reasonable period of time after a Board Member has resigned from the Board. Former Board Members can consult with the Company Secretary if advice is required in this regard.

6.5 Specific advice for ESB Networks Board Members

Employee Share Ownership Programme

Board Members who are also participants in the ESB Networks Employer Share Ownership program could be conflicted in relation to the Board's deliberations and decisions regarding certain matters e.g. dividends. In these circumstances, and for the avoidance of doubt, the Chairman of the Board can, at Board meetings at which such decisions are to be made:

1. Note that employee Board Members who are ESOP participants could have a theoretical interest in a relevant decision of the Board;
2. Assess whether the theoretical interest is likely in their view to give rise to a conflict of interest that would prevent those employee Board Members from participating in the discussion (and in any decision made); and
3. Offer the employee Board Members the opportunity to abstain from voting on the decision if they themselves (or any of them) felt personally that they were conflicted.

7. Biennial review of code

The ESB Networks Board will review this Code of Conduct biennially.

Notes

1. Recording of interests disclosed

Details of interests disclosed by Board Members will be kept by the Company Secretary in a confidential register, access to which is restricted to the Chairman and the Company Secretary and other authorised individuals. Details will only be provided to authorised third parties (e.g. Standards in Public Office Commission) where there is a legal obligation or requirement to so provide.

2. Disclosures of interests: On appointment and thereafter

On appointment and annually thereafter, Board Members shall furnish the Company Secretary or other nominated person a statement in writing of:

1. any interests of the Board member; and/or
2. interests, of which the Board Members has actual knowledge, of his/her spouse, civil partner or other family member,

which could materially influence the Board Member in, or in relation to, the performance of his/her duties by reason of the fact that such performance could confer on, or withhold from, the Board Member (or a person connected to them) a substantial benefit.

It is recognised that the interests of a Board Member and persons connected to them can change at short notice. In these circumstances, the Board Member must:

- return all materials relating to the matter to the Company Secretary as early as possible;
- at the meeting disclose the fact of such an interest and the nature of it;
- neither influence or seek to influence a decision to be made in relation to the matter;
- absent himself/herself from the meeting or that part of the meeting during which the matter is discussed;
- take no part in any deliberation of the Board or Committee relating to the matter; and
- not vote on a decision relating to the matter.

The disclosure of interest must be recorded in the minutes of the meeting concerned. The Chairman has a determining role in relation to these matters.

3. Addressing a conflict of interest

In deciding what approach to take to a conflict of interest, the Board can consider if:

- the conflict can be avoided or simply documented?
- the conflict will realistically impair the disclosing Board member's capacity to impartially participate in decision making?
- alternative options are available to avoid the conflict?
- there is the possibility of creating an appearance of improper conduct that might impair confidence in or the reputation of the company?



ESB Networks
Leopardstown Road,
Fockrock,
Dublin 18,
D18XN80

Tel 1800 372 757 or +353 21 2386555
Email esbnetworks@esb.ie

esbnetworks.ie