

**Electricity Supply Board  
Annual General Meeting – 20<sup>th</sup> September 2011**

**Statement on behalf of ESB ESOP Trustee Limited**

**Chairman,**

Thank you for this opportunity to address the meeting. This is one of the very few opportunities that arise where the ESOP trustee can meet with its fellow stockholders in the presence of management and the other stakeholders in the ESOP. That having been said, since the last AGM we have had several meetings with the Department of Communications, Energy and Natural Resources and one joint meeting with them and the Department of Finance, the previous stockholder before the Department of Public Expenditure and Reform. Meetings between stockholders are important and, we believe, help to dispel misconceptions about each party's motivation and agenda.

The year under review and the period since its completion have been eventful, with a number of noteworthy developments with a background of continuing difficult market conditions. In this context we view the results as satisfactory.

The re-branding exercise has been achieved and following from it and the reduction in domestic market share, the ESB is again able to compete in the domestic market. This is to be welcomed and management and staff congratulated on its achievement.

Regularly we see hostile media reports often misunderstanding, at best, or misrepresenting the position and policies of the ESB. While appreciating that at times it is wrong to respond to every comment, ESOP would be supportive of a more robust media stance from ESB on many issues.

The Cahill process has now concluded and the Minister has decided to seek for Ireland to be permitted to avail of Article 9.9 certification in relation to ownership of the transmission assets. We welcome this outcome and trust that it will be pursued strenuously and rigorously through the Commission. The ESOP played an active role in the Cahill process and subsequent analysis, as did management and the group of unions, and we are pleased with the outcome of the deliberations. In doing so I would specifically like to mention the important role played by Mr Cahill and record our thanks to him for his civility and professionalism that pervaded the process.

We welcome the acquisition of NIE. We believe that it makes both short and long-term financial and strategic sense. We congratulate the Board and management on its planning and successful execution.

For our own part, we have been working towards the distribution of stock held in the ESOP to our beneficiaries. This is a complex process which has been beset by added complexities relating to the need to value the stock in the ESB held by

the ESOP, past uncertainties as to its retaining the transmission assets, pension issues and taxation changes. In this regard we would specifically wish to commend management, staff and the group of unions for solving the pensions issue, which had a potentially very significant impact on stockholder value. We also wish to acknowledge, with thanks, the assistance of the Minister for Communications, Energy and Natural Resources and his officials in addressing the otherwise retrospective application of the Universal Social Charge to stock held in the ESOP. The Minister for Finance and his officials also played a role in this matter and in addressing the proposed application of PRSI to the ESOP.

We are awaiting a clearance from the Revenue Commissioners following upon which a sizeable proportion of the 5% holding will pass directly to the beneficiaries of the ESOP after which we shall run the first internal or 'grey' market for their shares. New members of staff with more than one year's continuous service will be able to become ESOP beneficiaries and participate in that market alongside established participants in the ESOP.

Returning to the ESB itself, I understand that we will be losing our Chief Executive later this year. On behalf of ESOP and its participants I would like to congratulate you Padraig on an outstanding career and contribution. As this will be marked later in the year I will keep my remarks to a minimum for now.

There have also been three retirements from the ESB Board and consequent appointments. We thank those that have retired for their significant contributions and welcome the new directors.

Turning now to the elephant in the room, so to speak, the announcement of the State's intention to dispose of a minority interest in ESB. I and the ESOP have been both quoted and mis-quoted on this matter in the media – through reports that did not originate with us. Our position is very straightforward:

- We acknowledge that the future ownership of the 95% holding in ESB is a matter for Government to determine.
- We assert that as the other stockholder we have a legitimate interest in the process, strategy and outcome. We expect open consultation with us regarding the strategy, desired outcomes and the future governance of ESB.
- While we have an open mind on the matter, the strategic thinking that has led Government to this decision is not clear to us and we would like to understand it.
- We do not believe that a sale at this time will result in an optimum outcome as regards:
  - Short or long-term return to the State
  - Delivery of an appropriate investor and alignment of the investor's interests with the ESB or the State
  - Strategic development of ESB and achieving long-term goals
  - Strategic development of Ireland's electricity sector in the national interest
  - Maintenance of proper governance arrangements

- Protection of value
- As a trustee it is our duty to protect the long-term value of the interest in ESB of the 10,000 current ESOP beneficiaries. Following the imminent running of the grey market that number will potentially extend to include all current staff with more than 12 month's service.
- We look forward to constructive engagement on this matter with the Ministers as fellow stockholders - it is key to the future of employee share participation in ESB and we have a unique perspective to bring to the deliberations.

Finally, Chairman we would like to congratulate you, the Board, the management and staff who have collectively navigated the ship through another year strewn with obstacles and challenges and you Chairman in particular for your courtesy and availability at all times.

Thank you.

David Beattie  
ESOP Chairman

20<sup>th</sup> September 2011