Electricity Supply Board
Annual General Meeting - 26 June 2013

Statement by ESB ESOP Trustee Limited on behalf of 10,800 participants in the ESB Employee Share Ownership Plan (ESOP)

Chairman, thank you for inviting me to address this meeting.

The ESOP Trustee recognises that these are difficult times for trade and that the full effects of the acquisition of NIE will take time to work through the results of the business. Therefore it wishes to congratulate the Board, management and the workforce on the results attained in these circumstances.

The Trustee notes the various movements on the Board and in senior management. Congratulations Chairman on your re-appointment and to the Chief Executive on his appointment to the Board. We believe we have a good working relationship with both of you and we thank you for that and for your continuing commitment to the Company. Thank you also to Sean Conlon and Garry Keegan who have retired from the Board and welcome to Anne Butler and Noreen O'Kelly. We look forward to working with you.

I should mention the changes in the Executive Team and, in particular, the contribution of John Shine who left in May. Congratulations to Brid Horan the new Deputy CEO and to John McSweeney the Head of Innovation.

We also wish to extend our sympathies to the families and colleagues of the members of staff and contractors fatally injured during the year.

I would particularly like to highlight the certification of the transmission assets ownership arrangements. This was an issue that exercised the ESOP considerably because the loss of ownership of those assets, regardless of how it was handled would, in our opinion have been a serious blow to the integrity of ESB. The Trustee appointed international experts to assist us in preparing our submission on this matter and while much of the credit for the outcome must deservedly go to the management team that dealt with the matter on behalf of ESB; we believe that our contribution also influenced the decision by the authorities to seek to retain the present structure.

This success for ESB brings me to the proposed capital dividend sought by Government from the Company. €400 million is a lot of money by anyone's standards and we are not in favour of it. This will mean that the Company will have to sell assets in excess of that amount, which could have detrimental effects on ESB in to the future. One could further argue that selling assets in the current climate is not a wise option. We believe that regardless of what assets are sold to fund this extraction of funds, and regardless of the commercial logic as to whether the assets should be retained or not, the ESB needs to be strengthened as it faces in to the FIU (the France-Ireland-UK) market where it will be a relative minnow. Extracting €400 million is doing the exact opposite and in the context of the scale of the mess that the Irish banking crisis has visited on our country, it is a mere drop in the ocean. Thus we are weakening one of the jewels in the Irish business firmament, to pour a drop in the ocean into the abyss created by the banking mess. This does not make sense and it is not good enough to state that it is a Troika requirement. By the time this dividend comes to pass, the Troika is scheduled to have left our shores. We fail to see how it will make sense to weaken the Company in those circumstances.

On a separate matter we are alarmed to see that there are still pension funding issues to be addressed. Given the strict legislation imposing liability on employers, will we see the extraction of €400 million and a need to make further substantial payments into the pension fund? If so, when will the straw break the camel's back?

This morning, shortly before the Trustee Board met to finalise its position in relation to this meeting, we received a copy of a solicitor's letter addressed to the Chief Executive and the other shareholders but not to us, although the implications extend to us as a shareholder. As a Trustee, we are obliged to take advice and we have not been afforded an opportunity to do so. For that reason alone, we will be abstaining on Resolutions 1 and 2 in respect of the shares over which we have discretion – some 98.5 million shares.

Turning briefly to the ESOP's own business, we continue to engage with the Department of Communications, Energy & Natural Resources and NewERA as fellow stockholders and also with their advisers. We held the first internal, or grey market within the ESOP 5% stake last September and are obliged to hold another this year. The market confirmed our fears regarding the lack of liquidity, with almost 60% of the stake overhanging the market because it is held by leavers – of whom there are more than there are continuing employees. Under the existing rules and regulations of the ESOP, it is extremely difficult to see how the ESOP Trustee can protect the best interests of its beneficiaries, as envisaged in the Tripartite Agreement, when it comes to future markets. The Trustee is absolutely resolute in its determination to seek a solution to this issue as a matter of urgency. We are seeking to address these issues with the Company and other stakeholders.

Finally, I would remind the meeting that as the Trustee represents participants who have the right to decide how to vote their ESB stock, I shall be voting in accordance with those directions as well as on behalf of the Trustee. This will result in a mix of abstentions and votes both for and against motions and resolutions.

Thank you

David Beattie
ESOP Chairman
26 June 2013