

Ervia Governance Framework

Contents

	Page no.
1. Matters Reserved to the Board of Ervia	2
1a. Policies requiring Board approval	4
2. Financial Authority Levels delegated by Board to Management	5
3. Group Treasury / Banking Arrangements	7
4. Subsidiaries – Guiding Principles	11
5. Matters Reserved to the Boards of Irish Water, Gas Networks Ireland and GNI (UK)	12
6. Safety	14
7. Schedule of Irish Water Ministerial Consents	17
8. Schedule of Gas Networks Ireland Ministerial Consents	19

1. Matters Reserved to the Board of Ervia

1. Approval of Annual Budgets, Corporate Plans, long-term Strategic Plan.
2. Approval of all contracts/expenditure with a value in excess of €10m.
3. Approval of unbudgeted expenditure or over-expenditure (exceeding 5% or €1m) in respect of any transaction or series of transactions originally approved by the Board other than resolution of third-party claims on a matter previously approved by the Board.
4. Approval of Annual Reports and Financial Statements.
5. Trans-group pay agreements.
6. Significant amendments to Ervia Pension Schemes.
7. Appointment / removal of auditors, on recommendation of the Audit & Finance Committee.
8. Establishment of subsidiaries.
9. Establishment of joint ventures.
10. Acquisition of interests in non-group companies.
11. Issue of securities in Ervia or in any subsidiary.
12. The appointment of directors to subsidiary companies, if Ministerial Consent is required. Note: Subsidiary company directors who are also Ervia staff members are not entitled to receive any remuneration in their capacity as such.
13. Treasury Matters:
 - 13.1 PD40 - Treasury Policy – outlines board reserved items and delegated authorities for all treasury /banking matters including Derivatives. (See summary of delegated authorities in section 3.)
 - 13.2 Banking documentation requiring an Ervia board resolution.
14. Approval of any loan to, or financial transaction with, a member of the Ervia Board, of a subsidiary company board, of an associated company board or an employee of the organisation.
15. Initiation or settlement of any litigation which could have a significant reputational impact on Ervia or have a material financial impact (€10m) on the organisation.
16. Terms of employment of Senior Management (direct reports to the Group Chief Executive Officer) and Senior Management remuneration, both on recommendation from the Remuneration Committee.
17. Appointment, remuneration, assessment of performance of, and succession planning for, the Chief Executive, on recommendation from the Remuneration Committee.
18. Appointment and removal of the Secretary of the Company.
19. Material changes to Ervia Code of Business Conduct.

20. Expenditure above €10m in relation to investments and capital projects, including approval of major contract terms and conditions, and expenditure above €20M for Irish Water in flight capital projects already approved by Board in principle upon taking over responsibility for the provision of water services. All such expenditure to be reviewed and recommended for approval first by the Investment and Infrastructure Committee.
21. Award of all Framework Agreements where the total spend is in excess of €10m and of all Framework Agreements for Legal Services, PR/Marketing Consulting Services, Pension Advisory Services, Internal Audit and Risk Management Services and Insurance Broking.
22. Commercial Property Transactions (disposals and acquisitions including by lease or licence) with a value in excess of €500,000.
23. Formal submissions to the regulatory authorities in relation to price control.
24. Review of/changes to systems of internal financial and other controls, on the recommendation of the Audit and Finance Committee.
25. Declaration of a dividend.
26. Incurring of any borrowings from third parties.
27. Approval of any appointments of Ervia Executive team members to external boards or other external positions.
28. Twice yearly presentation on safety in relation to Ervia, GNI and IW (See section 6 below).
29. All Irish Water matters requiring Ministerial consent (list attached).
30. All Gas Networks Ireland matters requiring Ministerial consent (list attached).
31. All exceptions (if any) made to Ervia's Procurement Policy (PD 2) to be reported to the Board on a regular basis.

1a. Policies requiring Board approval

The following policies are Ervia Board Approved Policies. They result from Code or legislative requirements.

PD 2 - Procurement Policies and Procedures

PD 3 – Authorisation Levels and Contract Execution

PD 9 – Protected Disclosures Policy

PD 16 – Code of Business Conduct for all Employees

PD 17 – Internal Audit Charter

PD 40 – Treasury Policy

PD 66 – Enterprise Risk Management Policy

PD 84 – Anti-Fraud Policy

All Board approved policies are subject to an in-depth review for relevance and materiality on a rolling basis every 2 years. Only material changes to these policies will be brought to the Board during the intervening period. The materiality of amendments to policies is to be assessed by the policy owners in conjunction with the Sponsoring Executive and presented to the Chief Legal Officer for final approval.

2. Financial Authority Levels delegated by Board to Management (to be read in conjunction with PD/03)

2.1 Capital Investment /Authorities Delegated

Limit	Authority	Forum
<€200k	Department Manager or Head of Business Function (up to €100k limit can be delegated to individual level approved by Business Finance)	Individual
>€200k ≤ €2.5m	Business Division Managing Director <u>or</u> 3 Heads of Function to include Head of Asset Management and Head of Finance.	IAC/WIAC
>€2.5m ≤ €10m*	Chief Executive; <u>or</u> 3 Group Executives from Group Finance Director, Chief Legal Officer, Chief Operating Officer, Group Commercial Director, IW Managing Director, GNI Managing Director.	GIAC
>€10.0m	Ervia Board	Board Meeting

* On capital projects where the design budget is >€1m, GIAC approval is required.

2.2 Opex Expenditure /Authorities Delegated

Limit	Authority	Forum
<€200k	Department Manager or Head of Business Function (up to €100k limit can be delegated to individual level approved by Business Finance).	Individual
>€200k ≤ €2.5m	Business Division Managing Director <u>or</u> 3 Heads of Function to include Head of Asset Management and Head of Finance. In the case of Group Centre Opex Expenditure, Executive Director at an Executive Management meeting.	Business Division Management Meeting
>€2.5m ≤ €10m	Chief Executive; <u>or</u> 3 Group Executives from Group Finance Director, Chief Legal Officer, Chief Operating Officer, Group Commercial Director, IW Managing Director, GNI Managing Director.	Group/ Business Division Management Meeting
>€10.0m	Ervia Board	Board Meeting

2.3 Contract Approvals

Limit	Authority	Forum	Execution
<€200k	Department Manager or Head of Business Function (up to €100k limit can be delegated to individual level approved by Business Finance)	Individual	Responsible Contract Manager (Head of Department)
>€200k≤ €2.5m	Business Division Managing Director <u>or</u> 3 Heads of Function to include Asset Management (GNI)/Asset Delivery (IW) and Head of Finance. 3 Group Executives from Strategic Infrastructure & Group Strategy Director (Chair), Group HR Director, Group Finance Director, Chief Legal Officer.	NCAC/WCAC GSCAC	Group Centre Executive or Business Unit Managing Director
>€2.5m ≤ €10m	Chief Executive; <u>or</u> 3 Group Executives from Group Finance Director, Chief Legal Officer, Chief Operating Officer, Group Commercial Director, IW Managing Director, GNI Managing Director.	GCAC	CEO or 2 relevant Business Unit Directors/2 Group Executives from Group Finance Director, Chief Operating Officer and Group Commercial Director.
>€10.0m	Ervia Board	Board Meeting	Approval delegated from the Board.

3. Group Treasury / Banking Arrangements

The Ervia Board has general authority on all Treasury matters, for example external borrowing facilities of all amounts. The full extent of the Board's powers is set out in PD 40 – Treasury Policy. There are instances where authority is delegated to executive management of Ervia and subsidiary directors of IW and GNI. A summary of these general treasury matters and the current delegations in place is outlined below.

Treasury matter	Delegations in Place
<p>New funding facilities External and Internal loans</p>	<p>Matter reserved for the Board. The Board can delegate authority to Officers or servants of Ervia to accept and complete documentation on behalf of Ervia and its subsidiaries. A subsidiary requires Ervia Board approval to seek ministerial consent and to execute a facility.</p>
<p>Counterparty Approval</p>	<p>Matter Reserved for the Board. All counterparties must be approved by the Board.</p>
<p>Opening and closing of bank accounts Bank accounts used for transactional banking to support the day to day operations of the Ervia Group.</p>	<p>Delegated to CEO & GFD Group CEO & Group Finance Director acting together on behalf of Ervia and its subsidiaries.</p>
<p>Counterparty exposure limits For holding cash deposits, investments, treasury transactions</p>	<p>Matter Reserved for the Board Treasury transaction are only entered into with Board approved counterparties subject to limits set out in schedule 6 of the policy (PD40). The approved counterparty and exposure limits can be temporarily revised by the Group CEO and Group Finance Director acting together</p>
<p>Setup and maintenance of online banking agreements</p>	<p>Group CEO & Group Finance Director acting together on behalf of Ervia and its subsidiaries</p>

Setup new online banking agreements and ongoing maintenance of the existing online banking agreements	
Operating Bank Mandates Maintenance of Operating Bank Mandates	Group CEO & Group Finance Director acting together on behalf of Ervia and its subsidiaries
Setup of new dealing relationships	Group CEO & Group Finance Director acting together on behalf of Ervia and its subsidiaries
ISDA Master Agreement Required for transacting derivatives with relationship banks.	Group CEO & Group Finance Director acting together on behalf of Ervia and its subsidiaries

Derivatives

The Board has approved authority levels for certain senior executives and management to enable them to enter into specific derivative transactions, subject to specific pre-defined parameters prescribed in the below extract from the Treasury Policy (PD40) - Schedule 2: Authority Levels.

Ervia Group

All Spot, Forward, and Swap Transactions	<p>Group CEO and Group Finance Director acting together</p> <p>Head of Group Treasury</p> <p>Front Office Manager</p> <p>Front Office Analyst</p>	<ul style="list-style-type: none"> • Spot/Fwds >GBP 25m • FX Swaps >GBP 50m • Spot/Fwds less than GBP 25m • FX Swaps less than GBP 50m • Less than GBP 5m • Less than GBP 500k
Other Currency Risk Management	Group CEO and Group Finance Director acting together	> €5m

	Group Finance Director	Up to €5m
	Head of Group Treasury	Up to €1m
Interest Rate Swaps and inflation linked Swaps	Group CEO and Group Finance Director acting together	All
Loan Drawdown, Money Market Deposits	Head of Group Treasury	All
Interest Rate Resets	Head of Back Office Operations	All

Subsidiary

All Spot, Forward, and Swap Transactions	CEO, CFO and Subsidiary Managing Director acting together	<ul style="list-style-type: none"> • Spot/Fwds >GBP 25m • FX Swaps >GBP 50m
	Ervia Head of Group Treasury	<ul style="list-style-type: none"> • Spot/Fwds less than GBP 25m • FX Swaps less than GBP 50m
	Ervia Front Office Manager	<ul style="list-style-type: none"> • Less than GBP 5m
	Ervia Front Office Analyst	<ul style="list-style-type: none"> • Less than GBP 500k
Other Currency Risk Management	CEO, CFO and Subsidiary Managing Director acting together	> €5m
	CFO	Up to €5m

	Ervia Head of Group Treasury	Up to €1m
Interest Rate Swaps and inflation linked Swaps	CEO, CFO and Subsidiary Managing Director acting together	All
Loan Drawdown, Money Market Deposits	Ervia Head of Group Treasury	All
Interest Rate Resets	Ervia Head of Back Office Operations	All

A Ministerial Specification (annual document produced by the Minister for Finance) governs treasury borrowings, permissible interactions, counterparties, and speculative products and is appended to the Treasury Policy (PD 40).

4. Subsidiaries – Guiding Principles

In each case of 100% Ervia subsidiaries, **the full Ervia Authority levels apply** and the subsidiary must operate within this authority framework subject always to statutory, regulatory or other governmental or legislative requirements.

Any transaction which is submitted to a Subsidiary Board for approval under section 5 must also obtain the approval required pursuant to section 2 – Financial Authority Levels or section 3 – Group Treasury/Banking Arrangements, as appropriate.

5. Matters Reserved to the Boards of Irish Water, Gas Networks Ireland and GNI (UK) – subject to overall approval of Ervia Board

A. Irish Water

1. Approval of Annual Report and Accounts.
2. Proposal of Annual Business Plan.
3. Proposal of Annual Budget.
4. Review and approval of Safety Policy and Procedures (see section 6).
5. Appointment of Auditors, in conformance with group policy.
6. Convening an AGM and EGM.
7. Fixing of remuneration of Directors.
8. Applications to the Minister for a Ministerial consent (consent of Ervia required prior to seeking Ministerial consent.)
9. Review and adoption of Ervia's Risk Management Policy (as it relates to IW) – obligation derives from the Code of Practice for the Governance of State Bodies.
10. Banking arrangements i.e. changes to bank mandates/cheque signatories, and in line with the delegated authority framework.
11. Affixing the seal to documents – extends to the executed documents schedule.
12. Capitalisation of undistributed profits.
13. Purchase of insurance.

B. Gas Networks Ireland

1. Approval of Annual Report and Accounts.
2. Proposal of Annual Business Plan.
3. Proposal of Annual Budget.
4. Review and approval of Safety Policy and Procedures (see section 6).
5. Appointment of Auditors, in conformance with group policy.
6. Convening an AGM and EGM.
7. Fixing of remuneration of Directors.
8. Applications to the Minister for a Ministerial consent (consent of Ervia required prior to seeking Ministerial consent.)
9. Review and adoption of Ervia's Risk Management Policy (as it relates to GNI) obligation derives from the Code of Practice for the Governance of State Bodies.
10. Banking arrangements i.e. changes to bank mandates/cheque signatories, and in line with the delegated authority framework.

11. Affixing the seal to documents – extends to the executed documents schedule.
12. Capitalisation of undistributed profits.
13. Purchase of insurance.

C. GNI (UK)

1. Approval of Annual Report and accounts.
2. Proposal of Annual Business Plan to Ervia Board.
3. Proposal of Annual Budget to Ervia Board.
4. Review and approval of Safety Policy and Procedures (see section 6).
5. Approval of expenditure authorisation levels in relation to investments and capital projects including approval of terms of major contracts.
6. Banking arrangements i.e. changes to bank mandates/cheque signatories, and in line with the delegated authority framework.
7. Approval of Services Agreements.
8. Risk Management review.
9. Appointment of Auditors, in conformity with group policies.
10. Convening an AGM and EGM.
11. Fixing of remuneration of Directors.
12. Affixing the seal to documents – extends to the executed documents schedule.
13. Capitalisation of undistributed profits.
14. Purchase of insurance.

6. Safety

Summary

In addition to monthly Ervia Board meetings where safety is a standing item on the agenda, there are quarterly Ervia Central Safety Committee (CSC) meetings which the Directors of the IW and GNI Subsidiary Boards attend both in their capacity as Directors and as members of the Ervia Executive to discuss safety issues across both businesses. Some of the Directors of IW and GNI attend Business Unit Safety Committee meetings which are held every 6-8 weeks to discuss the management of health and safety affairs in the respective business and for the taking of less important decisions not requiring CSC and/or Ervia Board level consideration.

1) Ervia Board

Safety is a standing item at the monthly Ervia Board Meetings where the Ervia Board are updated on safety incidents, leading and lagging safety metrics and performance trending. A monthly safety report is issued to the Board with the papers for the meeting. More detailed updates and 'deep dives' on specific matters are provided twice yearly where the Ervia Board is updated on safety incidents, strategies, initiatives and events, and has the opportunity to review and question safety strategy, policies and procedures across the Group.

2) Ervia Central Safety Committee

A safety briefing is provided by the HSQE Managers and Managing Directors in IW and GNI on a quarterly basis. With regard to Group Centre, Major Projects and Shared Services a similar briefing is provided by the HSQE Manager Group Centre, Major Projects and Shared Services and the Managing Director of Strategic Infrastructure and Strategy. The convenor of these meetings is the Chief Operating Officer.

Mandatory agenda items are:

1. Safety performance metrics;
2. Safety incidents reported within the period;
3. Status update on current investigations of historic incidents;
4. Current policies and proposed reforms to policies;
5. Relevant legislative amendments or case law for noting; and
6. Health and safety decisions to be considered and taken.

In addition to the mandatory items outlined above, the meeting also deals with the following safety items:

- Organisational wide safety leadership and culture:
- Organisational wide health and wellbeing;
- All business units to present highlights from the respective Committee meetings and updates on Business Unit Safety Action Plans;
- Opportunity for business units to learn from each other.

Notes of these meetings are taken separately for GNI and IW which are included in the papers for the subsequent Subsidiary Board Meetings. Dual Directors of Ervia and of the Subsidiary Boards (i.e. the Group Chief Executive Officer) will note that they are making decisions in their capacity as a Subsidiary Director and not as an Ervia Director.

The Ervia Board is updated twice yearly on all relevant matters arising at the quarterly Ervia Central Safety Committee meetings. Common agreed paper/presentation templates are prepared by the business units for Ervia Board meetings.

3) Business Unit Safety Committee meetings

These are already in place. The Terms of reference for the current Business Unit Safety Committee meetings will be revised to allow for recommendations on certain key safety issues to be elevated to the Ervia Central Safety Committee meetings for approval. Responsibility for the management of health and safety affairs and for the taking of less important decisions not requiring Board level consideration will be clearly identified in the Terms of Reference.

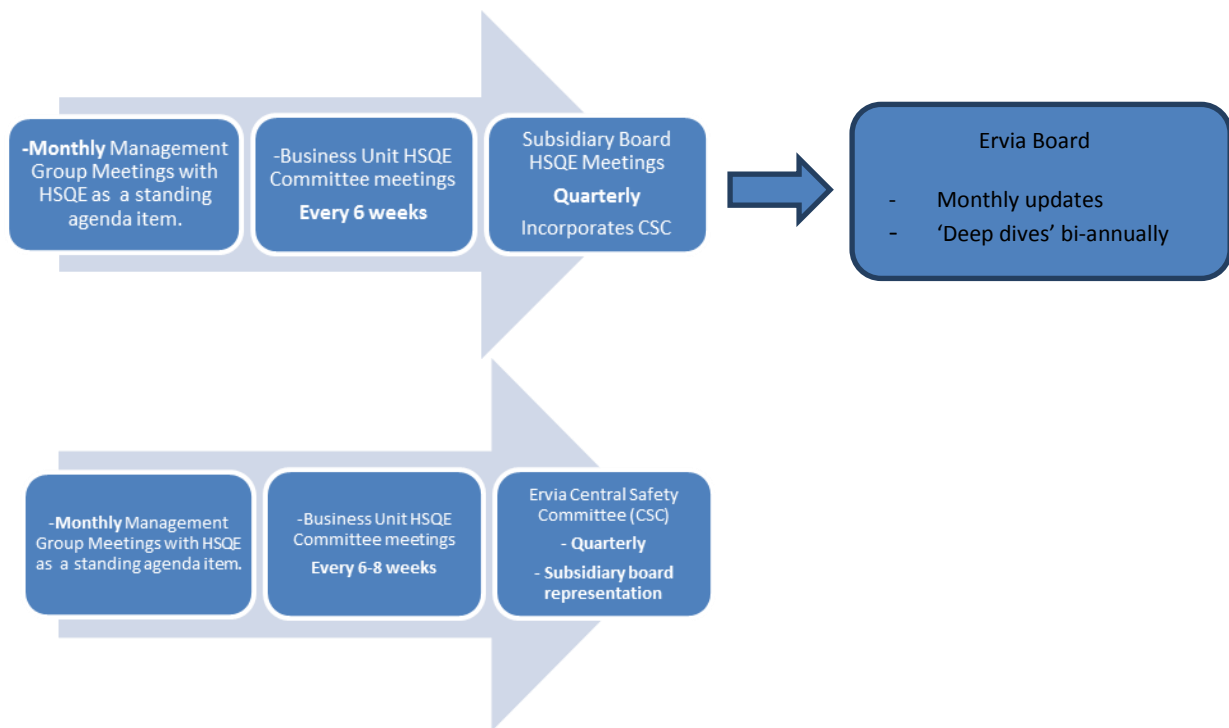
RATIONALE: Subsidiary directors should be directly involved in the decision making process with regard to critical health and safety issues and continuously appraised on all safety issues affecting the business.

Safety Policies

The following policies will be reviewed and updated on an annual basis:-

- PD 76 Group Safety Policy
- PD 76 IW Safety Policy
- PD 76 GNI Safety Policy

Proposed Safety Governance Structure



7. Schedule of Irish Water Ministerial Consents

1. To buy, sell or deal in shares, securities, debentures, stocks or bonds or any entity or sovereign or to provide managerial, executive supervisory or consultative services to any entity.
2. To acquire or dispose of any entity and/ or business.
3. To buy, sell or deal in shares, securities, debentures, stocks or bonds of any company or sovereign or other public body.
4. To draw, make, accept etc. cheques, bills of exchange, promissory notes, bills of lading and other instruments and securities or to sell, mortgage or otherwise deal in the assets of the company which would involve a disposal of a significant part of the business of Irish Water.
5. Any joint venture arrangement, profit sharing arrangement or amalgamation other than an industry cooperation agreement.
6. To take part in the formation, management, supervision and control of any company or undertaking.
7. Any listing of Irish Water.
8. Winding up of Irish Water.
9. To guarantee or support the borrowings and debt of any other entity.
10. To issue shares in Irish Water or variation of rights attached to them.
11. Any transaction described in the Borrowing Powers of Certain Bodies Act 1996 except if it is with or in favour of Ervia.
12. Any borrowing, fundraising or giving of security by Irish Water.
13. Transfer of shares.
14. Change in authorised share capital.
15. Purchase/redeem its own shares.
16. Capital undistributed profits.
17. Fix the terms and conditions of the Directors.
18. Remuneration of Directors.
19. Establish, maintain and/or contribute to a pension.
20. Declare dividends or establish a reserve.
21. To give or lend money to any entity including by way of guarantee or indemnity.
22. To secure or collateralise any indebtedness or obligation of Irish Water.
23. Amendment to the Memorandum and Articles of Association.
24. The establishment, maintenance or contribution to a pension or for employees or their families.

25. Borrow money (including money in a currency other than the currency of the State) from such persons as it considers appropriate, whether by means of the issue of debentures (or other debt security) or otherwise.

8. Schedule of Gas Networks Ireland Ministerial Consents

1. Carrying out the activity of a parent company save in respect of any subsidiary which arises or is transferred to the Company.
2. Participation in any arrangements or funding activities (including fundraising, borrowing, credit rating etc) of Ervia in respect of the Ervia Group.
3. Carrying on any other business under Clause 2 in respect of which, if Ervia were to carry on that business, Ervia would be required to seek the consent of the Minister pursuant to the Gas Acts or any other enactment from time to time to carry out.
4. Any acquisition or disposal of shares or other interests in a body corporate or other body.
5. Any purchase, acquisition or winding-up of the business of or other interests of any entity.
6. Any issue or allotment of securities of the Company.
7. Any subscription, acquisition or other action in respect of any shares or other interests of any company or other body (excluding any action in respect of the co-ordination, financing and managing the business and operation of any company in which the Company holds any interest).
8. Any borrowing or fundraising and any security given for the same other than any borrowing or fundraising from or security given to or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water).
9. The provision of any loan, credit or financial accommodation or support to any person other than to or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water) and other than any credit or financial accommodation given in the ordinary course of business.
10. Any security or collateral other than security or collateral given to or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water).
11. Any guarantee, other support, indemnity or surety and any security or collateral given for the same other than any guarantee, support, indemnity, surety, security or collateral given to or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water).
12. Carrying out any activity which comprises a disposal (whether in a single transaction or in a series of transactions) of all, or (otherwise than in the ordinary course of business of the Company) a significant part of, the undertaking, property and assets of the Company.
13. The incorporation of the Company in or under the laws of any place outside the State.
14. Any formation, establishment or control of a company or undertaking.
15. Any listing and/or admission of securities of the Company to trading on an exchange, market or multilateral trading facility.

16. Ceasing to carrying on or winding up the business of the Company, cancelling any registration of and winding up or procuring the dissolution of the Company.
17. Any transaction of a type described in section 3 of the Borrowing Powers of Certain Bodies Act 1996 other than such a transaction with or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water).
18. The participation in or contribution to any non-contributory or contributory pension or superannuation fund, scheme or arrangement for the benefit of any persons who are or shall have been at any time in the employment or service of the Company or the spouses, civil partners widows and widowers, families, relatives or dependants of such persons any other officers or servants of the Company as the Company may determine from time to time save for any arrangements made for the purposes of compliance with Section 121 of the Pensions Act 1990 (as amended) as that section may be amended or replaced from time to time and the carrying out of any activity under Clause 3(21) which would fall within the scope of this Clause 6 (r).
19. Any joint venture arrangement (other than any industry co-operation agreement), sharing of profits or amalgamation or any assumption or taking over of any obligation of any person save as arises or is transferred to the Company pursuant to the agreements referred to in Clause 2(6).
20. Any other activities not set out in (a) – (s) above to be undertaken by the Company (directly or through any subsidiary) to the extent that Ervia requires the consent of a Minister of the Government to carry out the said other activities.
21. Carrying out the activity of a parent company save in respect of any subsidiary which arises or is transferred to the Company.
22. Participation in any arrangements or funding activities (including fundraising, borrowing, credit rating etc) of Ervia in respect of the Ervia Group.
23. Carrying on any other business under Clause 2 in respect of which, if Ervia were to carry on that business, Ervia would be required to seek the consent of the Minister pursuant to the Gas Acts or any other enactment from time to time to carry out.
24. Any acquisition or disposal of shares or other interests in a body corporate or other body.
25. Any purchase, acquisition or winding-up of the business of or other interests of any entity.
26. Any issue or allotment of securities of the Company.
27. Any subscription, acquisition or other action in respect of any shares or other interests of any company or other body (excluding any action in respect of the co-ordination, financing and managing the business and operation of any company in which the Company holds any interest).

28. Any borrowing or fundraising and any security given for the same other than any borrowing or fundraising from or security given to or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water).
29. The provision of any loan, credit or financial accommodation or support to any person other than to or in favour of its parent company or any other subsidiary of its parent company (but excluding Irish Water) and other than any credit or financial accommodation given in the ordinary course of business.