

## 2009 Ballot - Frequently Asked Questions

**Q. What is the ballot about?**

- A. The Trustee appointed professional advisers to value the 5% ESOP stockholding (shares) in ESB and agree that valuation with the Revenue Commissioners to then allow us to begin appropriating (or passing out) shares to you and then run the 1st internal (or grey) market in those shares. The valuation process is at an advanced stage, however, the Minister has now begun a review process that may result in the transfer of ESB's transmission assets to EirGrid - which would have significant implications for the value of ESB and our shares - and this has required us to reconsider the appropriateness of a valuation and appropriation process at this time.

The ballot seeks your approval to seek a change in the Trust Deed that will allow us to delay appropriating shares at this time of great uncertainty.

**Q. What does this mean for my shares?**

- A. Given the potential impact of the transmission review on the value of ESB and the ESOP shareholding, the Trustee Board sought legal and financial advice and unanimously believes that moving forward with appropriating shares and arranging an internal market in the shares is not in the best interests of participants at this time.

**Q. What happens if the ballot is passed?**

- A. If the ballot is passed, the Trustee will propose an amendment to the Trust Deed to allow it to postpone appropriating shares. Such a change requires the approval of participants, ESB, the Group of Unions, the Revenue Commissioners and the Departments of Finance and Communications, Energy and Natural Resources.

Your shares will not be lost to you; they will continue to be held in your allocation account.

If the transmission asset issue is resolved, the Trustee will finalise the valuation process and move forward on the other steps required to begin appropriating the shares.

**Q. How long will appropriation be delayed for?**

- A. If the transmission asset issue is resolved, the Trustee will finalise the valuation process and move forward on the other steps required to begin appropriating the shares.

If appropriations have not begun within 12 months of the date of this ballot, we will re-ballot participants.

**Q. What happens if the ballot is rejected?**

- A. If the ballot is rejected, the Trustee will look to finalise the valuation and move on to appropriating shares. Finalising the valuation will not be straightforward given the uncertainties now surrounding the value of ESB.

**Q. Why should I vote for the ballot?**

- A. Based on professional legal and financial advice, the Trustee believes that moving forward with appropriating shares and attempting to run a market in those shares is not in the best interests of participants at this time. The Minister's transmission review has significant implications for ESB and creates great uncertainty on the future value of ESB, and this would not seem to be an appropriate climate to establish a market in our shares.

The Trustee urges you to vote for the proposal.

**Q. What about ESB and the Group of Unions?**

- A. Whilst the ESOP is in contact with ESB and the Group of Unions, it is completely independent and acts only in accordance with its obligations to protect both the interests of participants and the value of the ESOP shareholding.

The Group of Unions supports the ballot.

# ESOP

Employee Share Ownership Plan for ESB

## **Q. Will I receive a dividend this year?**

A. In previous years, a cash distribution has been made to participants in September. The Trustee will be considering what dividend may be paid this year at its Board Meeting in early September.

## **Q. When will I be able to sell my shares?**

A. You may only sell shares that have been appropriated to you. As soon as shares have been appropriated, the Trustee will begin holding annual internal markets and you will be able to put appropriated shares forward for sale at each market.

## **Q. How could the transmission issue impact on the value of my shares?**

A. There are two areas of concern. Firstly, during the period of the transmission review there will be considerable uncertainty as to the value of ESB and this would make it extremely difficult for either a seller or buyer of shares to estimate their true value.

Secondly, if the transmission assets are moved to EirGrid, the value of ESB and the ESOP's 5% shareholding could be significantly reduced. There is no way of knowing either the full impact of this or the compensation, if any, to alleviate the impact on the share value at this time.

## **Q. Why not go ahead with appropriating shares to participants but delay the 1st market?**

A. Before shares can be appropriated or passed out to participants, the Trustee is required by law to agree a valuation of those shares with the Revenue Commissioners. This is required for two reasons – (1) to make sure that participants are kept within the threshold of receiving shares up to a maximum of €12,700 per year and (2) the value at appropriation becomes the base cost for any capital gains tax liabilities that may arise when you sell your shares.

Although the valuation process is at an advanced stage, the uncertainties caused by the transmission asset issue mean that it is extremely difficult for the Trustee to finalise this process in a manner that meets the best interests of the participants.

## **Chronology of Events**

**2006** Green Paper published. Stated that Government did not in any circumstances favour the fragmentation of ESB.

**2007** White Paper published. Stated that it was Government policy to transfer ownership of transmission assets from ESB to EirGrid

ESOP Trustee sought meeting with Minister on this.

**February 2008** ESOP Trustee met with Minister and expressed concerns over transfer of transmission assets.

**March 2008** Minister announced that independent analysis of transmission issue would be carried out with all stakeholders (including ESOP) to be consulted.

**29 June 2009** Minister appointed Mr Fergus Cahill as Chairman, Transfer of Transmission Assets Process. There was no consultation with ESOP as shareholder on Mr Cahill's appointment, and there appears to be a pre-determined outcome to the process (i.e. a transfer of the assets from ESB to EirGrid).

**17 July 2009** Mr Cahill held a meeting at which the Trustee sought clarifications and assurances which have not been forthcoming.

**20 July 2009** ESOP Trustee Board unanimously agrees to ballot participants on deferring appropriation.