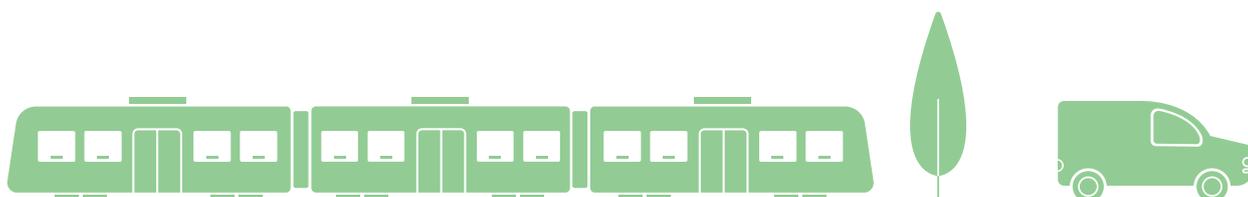


NewERA

Through NewERA, the NTMA provides a dedicated centre of corporate finance expertise to Government, providing financial and commercial advice to Ministers regarding their shareholdings in major commercial State bodies.



Designated Companies

an
post

BORD NA MÓNA

Bus Éireann



COILLTE
GROW · TRANSFORM · SUSTAIN

Dublin Bus

COMHLACHT CHALAFORT
ATHA CLIATH
DUBLIN PORT COMPANY

EIRGRID
GROUP

ervia
including
Gas
Networks
Ireland



Overview

NewERA's core role is to provide financial and commercial advice to Government Ministers and Departments in relation to their shareholdings in 21 State-owned companies⁴ across a range of sectors. Of these, 18 are designated to NewERA under its legislation whilst NewERA provides advice to the relevant Government Ministers and Departments on the other three companies by agreement. These companies are collectively referred to as the Portfolio or the Portfolio Companies.

⁴ Reference to companies includes statutory bodies and shareholdings includes any ownership interest.



Other Companies



Advisory Mandate Activity



€2.7bn
Debt Financing



€2.9bn
Capital Budgets and Commitments



€0.6bn
Capital Investment



€0.6bn
Joint ventures, acquisitions, disposals

NewERA (continued)

NewERA Advisory Functions

Financial performance, return on capital and dividend policy



Effective and efficient use of capital



Corporate Strategy



Capital and investment plans



Acquisitions, disposals, reorganisations, restructurings



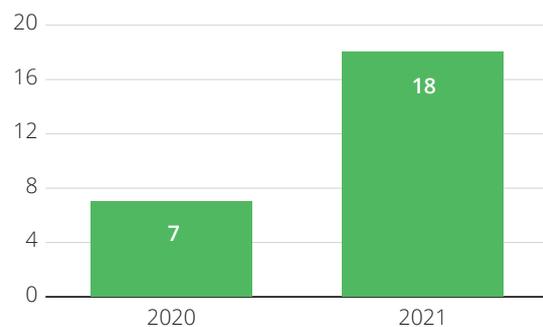
Board appointments and remuneration



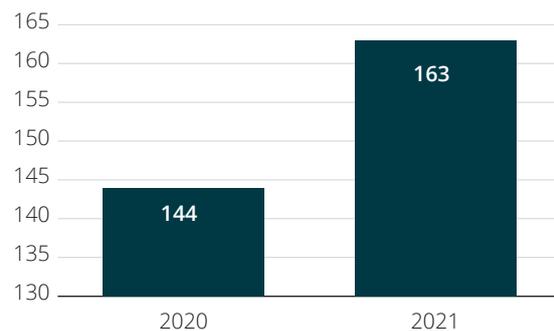
Growth in number of designated bodies and advisory assignments in 2021

2021 was a significant year in terms of additional commercial State bodies designated to NewERA. In February 2021, 11 aviation and transport companies were designated in addition to the seven previously designated. While NewERA was already providing financial and commercial advice to the relevant Ministers on these 11 commercial State bodies in recent years, their formal designation to NewERA's mandate has increased the scale and nature of NewERA's interactions with these bodies. In 2021, NewERA provided financial analysis and, where appropriate, recommendations to Government Ministers/Departments on 163 portfolio company assignments, an increase since 2020, reflecting the growth in its mandate during 2021.

Number of Designated Entities

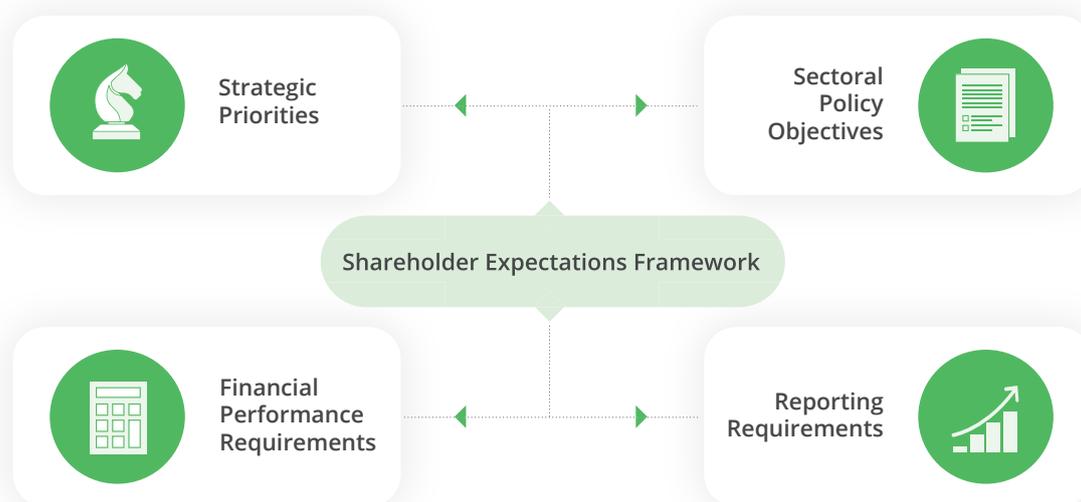


Number of Advisory Assignments



Active Ownership

Together with the relevant Government Ministers and Departments, NewERA's approach is to facilitate an enhanced level of active ownership by the State as shareholder in the Portfolio Companies. This approach has regard to the OECD Guidelines on the Corporate Governance of State-Owned Enterprises, which include recommendations to ensure that such entities are operated efficiently, transparently and in an accountable manner. One way in which this active ownership approach is achieved is via the Shareholder Expectations Framework, which communicates the Government's expectations, as shareholder, to the chairperson and board of each of the Designated Companies by way of letter from the relevant Government Ministers. The Shareholder Expectations Framework is in use across the commercial State sector and generally encompasses four key elements.



The Impact of COVID-19

A number of the Portfolio Companies have been materially impacted by the COVID-19 pandemic given the sectors in which they operate. For those operating in the aviation and transport sector (primarily CIÉ, daa, Irish Aviation Authority and Shannon Group), it was extremely challenging from the outset of the pandemic in 2020 and into 2021 due to the significant reduction in passenger and air traffic levels. An Post has also been materially impacted by COVID-19, with a reduction in retail transactions at post office counters due to reduced footfall.

A detailed view on the aggregated financial performance of the Portfolio was presented in NewERA's Annual Financial Review, published earlier this year. The financial highlights of the 2020 Annual Financial Review are set out below, alongside indicative aggregate financial information for the 2021 period.

FINANCIAL HIGHLIGHTS 2021 ⁵ (indicative)	FINANCIAL HIGHLIGHTS 2020 ⁶
<p>€1.2bn Increase in combined operating profit levels in 2021 with impact from COVID-19 lower relative to 2020.</p>	<p>€0.7bn Operating Profit A material reduction (-53%) in operating profit generated by the Portfolio Companies in 2020 relative to the prior period (€1.7bn) primarily as a result of reduced revenues due to the impact of COVID-19, particularly for those companies operating in aviation and public transport sectors.</p>
<p>€2.9bn An overall increase of 9% in capital spend in 2021, reflecting higher spend in the energy and public transport sectors.</p>	<p>€2.7bn Gross Capital Expenditure Capital spend in 2020 was broadly in line with the prior period (€2.68bn). Over 70% of 2020 investment levels relates to the energy sector companies and Irish Water, reflecting the scale of their respective regulated asset investment programmes.</p>
<p>€155m €155m of total dividends paid by the Portfolio Companies in 2021, €151m of that to the Exchequer. This is an increase of 14% on 2020, reflecting an increased level of normal dividends, with no special dividend payments in 2021.</p>	<p>€136m Dividends €136m of total dividends paid by the Portfolio Companies in 2020, €133m of that to the Exchequer. This represents a decrease of c.49% versus the prior period (€267m), which reflects the impact of COVID-19 but also a reduction in the level of special dividends. Special dividends are once off or exceptional items arising, for example, from proceeds relating to a disposal of assets.</p>

⁵ Collectively, the latest reported annual financial year ends for the Portfolio Companies (excluding LDA, RTÉ and VHI) span 2021 and, in one case, to March 2022. For simplicity, the financial highlights refer to the reporting period covering 2021/22 as 2021. The aggregate financial information is indicative as it includes financial information based on draft financial statements of the Portfolio Companies (excluding LDA, RTÉ and VHI) as at the date of publication of this document.

⁶ Collectively, the latest reported annual financial year ends for the Portfolio Companies (excluding LDA, RTÉ and VHI) span 2020 and, in one case, to March 2021. For simplicity, the financial highlights refer to the reporting period covering 2020/21 as 2020.

NewERA (continued)

Advisory Mandate Activity

During 2021, NewERA provided detailed financial analysis and, where appropriate, recommendations to Government Ministers/Departments on a total of 163 submissions for Ministerial consideration and consent made by the Portfolio Companies including:



€2.7bn
Debt Financing



€2.9bn
Capital Budgets and Commitments



€0.6bn
Capital Investment



€0.6bn
Joint ventures, acquisitions,
disposals

NewERA provided analysis and advice to relevant Government Ministers/Departments on a number of debt financing transactions undertaken by some of the Portfolio Companies, including:

- A bond tap issue by daa of €150m;
- IAA's €60m revolving credit facilities;
- Gas Networks Ireland's €300m revolving credit facility;
- ESB's 2021 funding requirements;
- A new €350m revolving credit facility between Irish Water and the NTMA, which facilitated the completion of the replacement of Irish Water's commercial borrowings with State funding.

NewERA reviewed capital investment projects by Portfolio Companies and provided financial and commercial advice and analysis to Government Ministers and Departments on significant projects throughout the year including:

- A range of capital projects by Irish Water as it continued its significant ongoing investment programme, including a new wastewater treatment plant in Arklow and further phases of Irish Water's ongoing upgrade of the Ringsend wastewater treatment plant.
- Bord na Móna's investment of c.€100m in the development of a 75MW wind farm at Cloncreen, Co. Offaly.

NewERA also provided advice to Government Ministers and Departments in relation to a number of joint ventures, acquisitions and disposals throughout 2021, these included:

- The establishment of FuturEnergy Ireland, a 50:50 joint venture between Coillte and ESB. The aim of FuturEnergy Ireland is to materially help the country deliver on its green energy targets, achieving net zero emissions by 2050, as set out in the Government's Climate Action Plan and legislated for under the Climate Action and Low Carbon Development Acts 2015 to 2021. The Coillte-ESB joint venture is looking to actively drive Ireland's transition to a low carbon economy by developing 1GW of wind energy projects by 2030, enough to power more than 500,000 homes.
- The sale of ESB's shareholding in Tilbury Green Power, a 41.6MW biomass project located in the Port of Tilbury in the United Kingdom. ESB's divestment of its stake came as a result of a strategic review in relation to its existing investment portfolio.
- The financing of Phase 2 of the 83MW Oweninny Windfarm, a joint venture between ESB and Bord na Móna. This project represents an overall investment of €150m and it was financed with long term term debt from a consortium of banks including the European Investment Bank (EIB).
- Phase 2 of the SIRO fibre to the building joint venture project, including a €620m debt financing facility from external lenders including the EIB to fund its continued expansion.

Gender Representation

NewERA works closely with the Public Appointments Service and government departments in carrying out its advisory role with regard to appointments to the boards of the commercial State bodies designated to it, with the process for appointments to these boards governed by the Guidelines on Appointments to State Boards. As at the end of March 2022, the percentage of women on the boards of these State bodies was 29%, below the overall 40% target, with 9 of the boards having female representation of 30% or more. Increasing female representation remains a key focus in the context of meeting the Government policy target of 40% representation of women and of men on all State Boards and NewERA will continue to work closely with relevant stakeholders to seek to deliver on this.



as at 31 March 2022

40%

Government target for representation of women and men on State boards.

29%

The percentage of women on the boards of the Portfolio Companies as at the end of March 2022.

5/17

The number of Portfolio Company boards which meet/exceed the 40% target.

9/17

The number of Portfolio Company boards which have female representation of 30% or more.

Sustainability And Climate

NewERA has a key role to play in ensuring that the Portfolio Companies continue to prioritise the development and implementation of their sustainability strategies, and that sustainability continues to be an integral part of how the Portfolio Companies operate individually and collectively. The Portfolio Companies represent a diverse group in terms of size, sectors and activities and different companies are at different stages on the climate action and broader sustainability journeys. However, all of the companies either have a sustainability strategy in place, or have commenced the development of such a strategy. Many place the United Nations Sustainable Development Goals framework at the centre of their approach. Even as the Portfolio Companies deal with the challenges of the COVID-19 crisis, continuing to progress the development of and progress towards sustainability goals has remained a priority.

NewERA, through the financial advisory services it provides to Government Ministers and Departments including in relation to the Portfolio Companies, has a role to play in assisting the State in meeting its climate objectives. It is recognised that the transition to a low carbon energy future affects some of the companies more than others, with the impact being considerable for those operating in the energy sector given the relative nature and scale of the climate-related risks and opportunities they face. One of the key roles for NewERA as part of the Government's Climate Action Plan 2019 was to develop, in conjunction with Department of Environment, Climate and Communications and Department of Public Expenditure and Reform, "a framework for the commercial semi-state Sector to address climate action objectives"⁷ (the *Climate Action Framework*).

Climate Action Framework

The Government's Climate Action Plan 2021 included an overview of the Climate Action Framework, which comprises a series of five commitments as follows:

COMMITMENT 1:

Governance of Climate Action Objectives

Climate action objectives will be integrated into strategic business planning and there will be oversight at board level, including reporting to the relevant Government Minister.

COMMITMENT 2:

Reduction Target and Emissions Measurement

Formal adoption, on an ongoing basis, of Government emission reduction targets for the public sector and the SEAI measurement methodology.

COMMITMENT 3:

Measuring and Valuing Emissions in Investment Appraisals

The value of emissions will be considered as part of the investment decision making process.

COMMITMENT 4:

Circular Economy and Green Procurement

The promotion of circular economy measures and green procurement.

COMMITMENT 5:

Climate-Related Disclosures in Financial Reporting

The identification of a climate-related financial disclosures framework that is relevant and appropriate to the company/s activities and sector(s).

It is expected that ongoing monitoring of compliance by the commercial State bodies with the Climate Action Framework, which is expected to be operational during 2022, subject to Government approval, will be undertaken by various means, outlined below:

- The Shareholder Expectation Framework Letters;
- Reference to climate action objectives alongside overall company performance reports in annual reports;
- Publication of progress towards emission reduction targets;
- Evidence of carbon pricing used in appraisal of investments for which Ministerial consents are sought under statutory or Code requirements;
- Climate-related disclosures in financial reporting; and
- For the commercial State bodies within NewERA's remit, the Climate Action Framework will feature as a standing agenda item in quarterly meetings with their shareholding government departments and NewERA. In addition, it will also continue to be considered by NewERA as part of the Annual Financial Review and in the context of relevant advices to Ministers (e.g. corporate plans, capital investment proposals and annual reports).

⁷ The commercial State sector consists of 22 commercial State bodies including the entities within NewERA's advisory remit.