



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta  
National Treasury Management Agency**

**MINUTES OF MEETING OF THE  
NATIONAL TREASURY MANAGEMENT AGENCY  
HELD AT 2.00PM ON 19 SEPTEMBER 2017 AT  
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

**PRESENT:** Willie Walsh, Chairperson  
Maeve Carton  
Gerardine Jones  
Derek Moran  
Martin Murphy  
Conor O’Kelly  
Mary Walsh  
Robert Watt  
Susan Webb

**IN ATTENDANCE:** Adrian O’Donovan, Secretary  
Ian Black, Chief Financial and Operating Officer (CFOO)  
Andrew O’Flanagan, Chief Legal Officer (CLO)  
Eugene O’Callaghan, Director, ISIF (Items 4.2 and 10 only)  
Ciara Lehane, Head of Financial Planning and Operations (Item 6 only)  
Frank O’Connor, Director, Funding and Debt Management (Items 7, 8 and 9 only)  
Rossa White, Chief Economist (Items 7 and 8 only)  
Emma Jane Joyce, Senior Manager, ISIF (Item 10 only)  
Sinead Brennan, Director, HR (Item 12 only)  
Jim Deery, Senior Manager, Corporate Strategy and Development (Item 13 only)  
Carol Murphy, Director, EY (Item 13 only)  
Ronan Walsh, Partner, EY (Item 13 only)

**1. NOTICE AND QUORUM**

The Chairperson noted that notice of the meeting and of the nature of the business to be conducted had been given to all members entitled to attend the meeting and a quorum was present. The meeting then proceeded to business.

**2. DISCLOSURES OF INTEREST**

For the purposes of Section 13A of the National Treasury Management Agency Act 1990 (as amended) and Section 17 of the Ethics in Public Office Act 1995, there were no material interests declared by members in the business to be transacted at the meeting.

### 3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meeting of 11 July had been circulated to the members in advance of the meeting. **IT WAS RESOLVED** that the minutes be approved and that they be signed by the Chairperson.

There were no matters arising from the minutes.

### 4. COMMITTEE REPORTS

#### 4.1 Audit and Risk Committee

##### **THIS ITEM HAS BEEN REDACTED IN PART.**

The Audit and Risk Committee Chairperson, Martin Murphy, presented and summarised the report of the Committee meeting held on 12 September. He noted that the Committee had been updated on the status of the Risk Function Review and it was expected that the draft Review would be presented to the Committee at its November meeting. The Committee had also reviewed the effectiveness of the Compliance function. The Committee was satisfied that the Compliance function was operating effectively and had made some suggestions for the 2018 compliance plan.

The Committee Chairperson said that the Committee had reviewed the updated Risk Management Policy and Framework and Risk Appetite Framework and was recommending both to the Agency. The Committee had also approved the updated Key Risk Indicators and Market Risk Policy.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that:

- (i) the updated Risk Management Policy and Framework: and
- (ii) the updated Risk Appetite Framework;

as presented to the Agency be approved.

#### 4.2 Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 24 July, 28 August and 19 September and on the investment proposals reviewed at those meetings. She briefed the Agency on the Committee's quarterly reviews of the Irish Portfolio, the Global Portfolio and the Portfolio Diversification Framework (to end Q2 2017) and on its six monthly review of the implementation of the investment strategy (also to end Q2 2017). She noted that the Committee had reviewed a proposed amendment to the Sustainability and Responsible Investment Strategy to provide for limited exclusion from the ISIF on investment grounds and had recommended same to the Agency, subject to legal approval and to incorporation of Committee comments to the effect that the proposal needed to elaborate more on what were the valid investment reasons for exclusion (this would be discussed under Agenda Item 10).

The Agency discussed the consideration of deadweight in investment proposals. The Director, ISIF said he would prepare a note in this regard with respect to investments approved over the last six months.

### 4.3 SCA Strategy Committee

The SCA Strategy Committee Chairperson, Mary Walsh, presented the report of the Committee meeting held on 8 September. She noted that this had been the Committee's inaugural meeting and had primarily comprised of a series of induction briefings from SCA management.

## 5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He updated the Agency on the current status of the ISIF Investment Strategy review, progress on the procurement competitions being carried at the direction of the Minister for Finance with regard to the Apple escrow arrangements as well as the role the NTMA would play in the management of the Escrow Fund and on the launch of the ISIF Investee Network, which would also involve a partnership with Social Entrepreneurs Ireland.

Arising from the report the Agency discussed the NTMA housing initiative, noting that it was important that there be clarity in any role the NTMA might play so that duplication of function did not arise between it and other bodies operating in the area.

The Agency noted the Report on Delegated Matters Notifiable to the Agency. The Secretary advised the Agency that, subsequent to the circulation of the Report, the contract to procure the Athlone Presentation Secondary School) had been signed.

## 6. EXPENDITURE BUDGETS 2018

The CFOO and the Head of Financial Planning and Operations presented the NTMA expenditure budgets for approval by the Agency.

The Agency reviewed the three budgets presented:

### *(i) NTMA Expenditure Budget 2018*

The Agency noted the increase in the NTMA Expenditure Budget 2018 compared with the 2017 budget and forecasted 2017 out-turn, which was largely driven by headcount. It reviewed the number of staff in corporate functions compared with those in business units and requested that staff in the corporate functions be more clearly linked to the business activities they support. It was agreed that management would reflect the Agency's comments in its financial reporting.

### *(ii) ISIF Expenditure Budget 2018*

The Agency noted that the budget represented a significant increase on the forecasted 2017 out-turn but was to a large extent driven by the volume and complexity of projected transactions. If this volume was less than projected, the 2018 out-turn was also likely to be less than budgeted. It was agreed that the contingency line in the budget was not required.

### *(iii) New Premises Fit-Out and Related ICT Capital Expenditure Budget*

It was noted that the fit-out and ICT budgets represented significant once-off spending and would take place in 2018 and 2019. Fit-out costs would depreciate over 15 years and ICT costs over 3-5 years. Fit-out costs had been benchmarked and would be subject to competitive tendering. The Agency stressed that it was essential during the fit-out process that appropriate governance and on-

going project and cost management arrangements were put in place to ensure that costs were managed and project over-runs did not take place. Management would report periodically to the Agency on costs incurred.

**IT WAS RESOLVED** that:

- (i) the NTMA expenditure budget 2018;
- (ii) the ISIF expenditure budget 2018 (subject to removal of the contingency); and
- (iii) the New Premises Fit-Out and Related ICT Capital Expenditure Budget;

be approved.

## **7. BREXIT AND MARKET UPDATE**

The Chief Economist briefed the Agency on recent euro/Sterling exchange rate movements, the projected impact of exchange rate movements on GDP based on the Department of Finance macroeconomic model, recent trade figures for goods and tourism figures. The Director, Funding and Debt Management briefed the Agency on the September bond auction results, the recent credit rating upgrade from Moody's, feedback from investor meetings in London and wider eurozone bond market developments – in particular the recent Austrian 100-year bond issuance.

## **8. FUNDING PLAN UPDATE**

The Director, Funding and Debt Management noted that on 7 September Ireland had announced its intention to repay early, and in full, the outstanding programme-related IMF debt and the bilateral loans from both Sweden and Denmark, a total of c.€5.5 billion. The purpose of the meeting paper was to seek an increase in the maximum funding limit set out in the 2017 Funding Plan to provide greater flexibility to prepare for the repayment of these loans.

The Agency reviewed the proposed amendment to the Funding Plan, noting the impact on the Exchequer cash position under a range of scenarios, and the desirability of maintaining a prefunding bias particularly in the current low rate environment.

**IT WAS RESOLVED** that the permitted upper funding limit set out in the 2017 Funding Plan be increased by €3 billion– management is required to revert to the Agency in the event of any further deviation from the Plan.

## **9. APPLE RECOVERY UPDATE**

It was noted that this item had been covered under the Chief Executive's Report.

## **10. EXTENDED EXCLUSIONARY STRATEGY**

The Director and Senior Manager, ISIF presented a proposal for the adoption of an extended exclusionary element to the ISIF's investment strategy ("Extended Exclusionary Strategy") and for consequential amendments to the ISIF's existing Sustainability and Responsible Investment Strategy ("SRIS"). The Senior Manager noted that the ISIF Unit had committed to a review of the current policy on the exclusion of specific entities and categories of investment from consideration for investment by the ISIF in parallel with the wider Investment Strategy Review.

The Agency reviewed the proposed Extended Exclusionary Strategy. It noted that there were two Bills before the Oireachtas which would, if enacted, provide for exclusion of certain categories of investment from the Fund. However, the Extended Exclusionary Strategy had been drawn up based on best practice among other sovereign investors. The Agency recognised that the implementation of any exclusionary strategy presented challenges and that it was important that the strategy was operated in a specific and focused manner.

**IT WAS RESOLVED** that:

- (i) the Extended Exclusionary Strategy and the amendment of the SRIS, as presented to the Agency, subject to the views (if any) expressed by the Minister for Finance and Public Expenditure and Reform thereon; be approved; and
- (ii) decisions regarding the exclusion of individual companies from the ISIF be delegated to management.

#### **11. NDFA INTERNAL REVIEW UPDATE**

The Chief Executive briefed the Agency on the internal review of the NDFA and the options considered regarding the optimal management and organisational structure of the NDFA. He noted that arising from the review it was proposed to retain the NDFA as a separate business unit and to appoint a new Director in light of the retirement of the previous Director.

#### **12. ICT REVIEW – FINAL REPORT**

EY made a presentation to the Agency setting out the key findings of the review of the ICT function's structure and resources carried out to ensure that the ICT function is fit for purpose to meet the NTMA's ICT requirements and demands against the background of the pace of change in the external ICT environment to end 2020.

The Agency noted that the key challenge now was to implement the review's key recommendations and to ensure that the necessary governance structures and project management arrangements were in place to achieve this. It was important that there be clarity on the magnitude of change envisaged, the desired state to be reached and the next steps to be taken in this regard. Management should report back to the Agency on the implementation of the recommendations in due course.

#### **13. PRESENTATION ON EMPLOYEE ENGAGEMENT SURVEY 2017**

The Director, HR made a presentation to the Agency on the results of the Employee Engagement Survey 2017, focusing in particular on areas where the results differed from national norms or the results of the previous engagement survey (2015).

The Agency discussed the survey results noting that there were business unit specific plans being put in place to action key findings. It noted that performance management would be a particular focus. Management should report back to the Agency on progress in addressing the key findings of the survey in due course.

#### **14. AOB**

The Chairperson informed the members that he had met with the Minister for Finance and Public Expenditure and Reform the previous day, 18 September, to update him on matters in respect of the Agency.

There being no further items, the Chairperson brought the meeting to a close.

Willie Walsh  
Chairperson

21 November 2017