



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 31 JANUARY 2017 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Maeve Carton
Derek Moran
Martin Murphy
Conor O’Kelly (except Item 14)
Mary Walsh
Robert Watt
Susan Webb

IN ATTENDANCE: Adrian O’Donovan, Secretary (except Item 14)
Ian Black, Chief Financial and Operating Officer (CFOO) (except Item 14)
Andrew O’Flanagan, Chief Legal Officer (CLO) (except Item 14)
Eugene O’Callaghan, Director ISIF, (Item 4.3 only)
Frank O’Connor, Director, Funding and Debt Management (Item 6 only)
Rossa White, Chief Economist (Item 6 only)
Eileen Fitzpatrick, Director, NewERA (Item 7 only)
Sinead Brennan, Head of HR (Item 8 only)
Siobhan Keeling, Senior Manager, HR (Item 8 only)
Breda Macnamara, Head of Compliance (Items 10 and 11 only)
Alison Hodge, Senior Legal Advisor (Item 10 only)
Colm McDonnell, Partner, Deloitte (Item 12 only)
Jacky Fox, Director, Deloitte (Item 12 only)
Colman Morrissey, Managing Director, BSI Espion (Item 12 only)
John Hetherton, Senior Manager, BSI Espion (Item 12 only)
Ken Jordan, Head of ICT (Item 12 only)
John O’Donovan, Head of ICT Operations (Item 12 only)
Carol Ann McGough, Head of ICT Security and Networks (Item 12 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

THIS ITEM HAS BEEN REDACTED IN PART.

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, the members each declared that they had no material interest in the business to be transacted at the meeting.

Martin Murphy noted that, although he had no material interest in the business to be transacted at the meeting, there could be a perception that he had a conflict of interest with regard to one of the matters to be raised under Agenda Item 4.3. In order to avoid any possible perception of a conflict of interest arising, he would recuse himself from the meeting for consideration of this matter.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meeting of 29 November 2016 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.

The CFOO briefed the Agency on the review of the IT function's structure and resources to be carried out in 2017. The tender for the review would be published shortly and it was expected that the review would be completed by the summer.

4. COMMITTEE REPORTS

4.1 Audit Committee

The Audit Committee Chairperson, Martin Murphy, presented the Report of the Committee meetings held on 15 December 2016 and 24 January 2017. He noted that the Committee had approved the updated Internal Audit Charter. He added that the Committee had reviewed the operation of the Internal Audit function and concluded that it was operating effectively.

The Chairperson noted that the Committee had received a briefing on the new General Data Protection Regulation (effective May 2018). It had reviewed the effectiveness of the Compliance Unit and the 2017 Compliance Plan would take account of the Unit's resourcing requirements in the context of the General Data Protection Regulation.

The Audit Committee Chairperson also advised the Agency that the Committee had discussed preparation of the 2016 financial statements in accordance with the provisions of the 2009 Code of Practice for the Governance of State Bodies rather than the provisions of the 2016 Code. He noted that this matter would be discussed further under Agenda Item 10.

4.2 Risk Committee

THIS ITEM HAS BEEN REDACTED IN PART.

The Risk Committee Chairperson presented the Report of the Committee meeting held on 24 January. She noted that the Committee had approved the updated Investment Risk Policy which took account of the ISIF Portfolio Diversification Framework (particularly investment limits) the updated Market Risk Policy and the updated Operational Risk Management Framework.

Martin Murphy left the meeting at this point.

4.3 Investment Committee

THIS ITEM HAS BEEN REDACTED IN PART.

Martin Murphy rejoined the meeting at this point.

The Investment Committee Chairperson then reported on the Committee meetings held on 12 December and that morning, 31 January, and on the other investment proposals reviewed by the Committee at these meetings. She also briefed the Agency on the status of those commitments approved by the Committee but which had not yet closed.

The Investment Committee Chairperson briefed the Agency on the Fossil Fuel Divestment Bill which had passed Second Stage in the Dail the previous week. The effect of the Bill would be to require the ISIF to divest from all fossil fuel investments over a five year period. The Agency discussed the implications of the Bill for the ISIF. It agreed that the quantum of ISIF investments that would be impacted by the Bill should be clarified. However, more significantly, the Bill would also have an impact on the Fund investment strategy. It raised issues for the global portfolio – with regard to use of financial futures to manage volatility and investment in absolute return funds – and for the Irish portfolio – e.g. with regard to potential co-investment with commercial State bodies in the renewable energy sector. It was noted that the definitions used in the Bill were central to these concerns. The Agency noted that the Bill would go to pre-legislative scrutiny before being brought to Committee Stage and this presented an opportunity for further consideration of these points.

4.4 Remuneration Committee

Martin Murphy reported on the Committee meeting held that morning, 31 January. He advised the Agency of the total aggregate amount in performance related payments approved by the Committee for payment in 2017 in respect of performance in 2016 (€1.2m) and the parameters for these payments as set out in the Remuneration Policy. He said that management had briefed the Committee on the proposed approach to appointment of members to the SCA Strategy Committee and the Committee had given feedback, which management would take into account before formally reverting to the Committee and the Agency on the matter. The Committee had also reviewed its terms of reference and would be recommending some minor amendments to the Agency at its March meeting.

The Agency was also briefed on the proposed salary increases for staff earning less than €65,000 per annum and on the phased restoration of pay under the unwinding of the reductions imposed by the FEMPI legislation.

The Agency asked the Secretary to circulate the Remuneration Review paper presented to the Committee to members.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. Regarding the bond market, he noted that Irish spreads relative to Germany had widened compared to certain other sovereign issuers indicating that investor concerns about Ireland in a post-Brexit scenario were manifesting themselves in the market. He updated the Agency on work being done with the Department of Finance regarding investment

and cash management requirements of the Apple case, ISIF initiatives with regard to residential housing and the current position regarding the new premises, where the lease agreement had been completed and contracts exchanged. He also updated the Agency on the largest mass action being managed by the SCA (lack of in-cell sanitation facilities) noting that if the State was successful in this case, it would significantly reduce the overall volume of claims under management.

The Agency noted the Chief Executive's Report.

The Agency also noted the Report on Delegated Matters Notifiable to the Agency.

6. BREXIT AND MARKET UPDATE

The Chief Economist and Director, Funding and Debt Management updated the Agency on recent economic and market developments, the January bond auction and planned issuance in February.

The Agency discussed the implications for Ireland should the UK leave the customs union for goods, noting that the worst case scenario whereby trade with the UK reverted to WTO rules would have negative implications for trade with the UK. While in such a scenario the UK would lose its EU financial services passport, increasing the potential size of the market that may have to move from London, any such gains would be unlikely to offset the negative impact on trade.

The Agency also reviewed the factors behind the recent widening of Irish spreads against Germany. Although other eurozone sovereign issuer spreads had also widened, Ireland had underperformed relative to issuers such as Belgium and Spain. The increasing possibility of a hard Brexit, uncertainty as to US trade and tax policy and the fact that the ECB had not changed its issuer limit were identified as likely factors here.

The Agency was advised Credit Agricole had resigned as a Primary Dealer in Irish bonds and noted the wider challenges to the primary dealer system.

7. NEWERA UPDATE

The Director, NewERA briefed the Agency on recent developments and current issues in NewERA. She said that in 2016 there had been a marked expansion in the range of work requested of NewERA, particularly in the transport sector. She also noted that the NewERA Annual Financial Review had been reviewed by the Cabinet Committee on Infrastructure, Climate Action and Environment, prior to publication. Relevant items from the Review were likely to be included in that Committee's work programme and this would provide a framework for addressing these items. She added that NewERA had recruited a small number of highly qualified people; however, in view of the expansion of NewERA's work during 2016, some limited additional recruitment would be required. The market had tightened considerably over the last six months, making the recruitment of such staff more difficult.

The Agency noted the increasing volume of work carried out by NewERA in relation to non-designated bodies. It also discussed the financial metrics pertaining to the designated bodies, emphasising the importance of a defined dividend policy.

8. HR STRATEGY PRESENTATION

The Head of HR and the Senior Manager, HR updated the Agency on the HR Strategy 2017-2019. They noted that the HR Strategy represented a key support strategy to the NTMA Corporate Strategy, and outlined the main actions planned in 2017 to deliver on the goals set out in the Strategy.

The Agency reviewed the strategy, stressing the importance of promoting Learning and Development but also of ensuring that training undertaken was of benefit to the organisation. It discussed the targets associated with the KPIs in respect of “engagement scores” and “goal management online” and suggested that these could be refined further. With regard to the “learning per FTE” it was noted that it was important to ensure that all training was captured, including online training.

9. AUDIT AND RISK COMMITTEE – DATE OF ESTABLISHMENT AND APPOINTMENTS

The Secretary noted that, at its November 2016 meeting, the Agency resolved (a) that an Audit and Risk Committee be established (the formal date of establishment to be considered at a future meeting following the appointment of Committee members) and (b) approved the terms of reference for the Committee. It was proposed to appoint the Committee members at this Agency meeting and for the Committee to be established with effect from 1 February 2017.

The Agency noted that, under the terms of reference, four members would serve on the Committee. It agreed that three members would be appointed at this stage and it would return to the matter of the fourth appointment at its March meeting.

IT WAS RESOLVED that:

- (i) the current Audit Committee and Risk Committee both be dissolved with effect from 31 January 2017;
- (ii) the formal date of establishment of the Audit and Risk Committee (established in accordance with section 5B of the NTMA Act 1990 (as amended) at the Agency’s meeting of 29 November 2016) be 1 February 2017; and
- (iii) Martin Murphy be appointed Chairperson of the Committee and Mary Walsh and Susan Webb be appointed members of the Committee, each appointment to be for a three year term with effect from 1 February 2017 (or until the member concerned is no longer an Agency member, whichever is the earlier).

10. STATUTORY OBLIGATIONS UPDATE

The Head of Compliance and Senior Legal Advisor made a presentation to the Agency on the material statutory obligations relevant to the NTMA. The Head of Compliance advised members that further detail on the obligations contained in the various pieces of legislation covered in the presentation could be found on BoardPad.

The Head of Compliance noted that, further to a general communication from the Department of Public Expenditure and Reform in December 2016 clarifying the effective date of the revised Code of Practice for the Governance of State Bodies published in August 2016 with regard to the preparation of financial statements, it was proposed to prepare the 2016 Annual Report and Financial Statements in accordance with the provisions of the 2009 Code and apply the 2016 Code for the financial year beginning 1 January 2017. The NTMA had clarified that a number of other State bodies also proposed to adopt this approach.

11. OTHER APPOINTMENTS PROCEDURE UPDATE

The Secretary noted that under the current *Other Appointments Procedure*, third party roles were considered by the NTMA Conflicts Management Committee in all cases, including where it was clear that no conflict of interest arose. It was proposed to streamline the procedure so that third party roles were considered by the Head of Compliance in conjunction with the Chief Legal Officer in the first instance and that only in cases where they were not satisfied that a conflict of interest was unlikely to arise would they refer the matter to the Conflicts Management Committee. The updated *Other Appointments Procedure* as presented to the Agency gave effect to this change

IT WAS RESOLVED that the updated *Other Appointments Procedure* as presented to the Agency be approved.

12. CYBERSECURITY PRESENTATION

The Agency received a presentation from Deloitte focusing on the cybersecurity threat landscape for financial services, the regulatory landscape and Directors'/Board responsibilities and current challenges. Deloitte noted that cybersecurity was becoming an increasingly important oversight responsibility for Board members and set out how a Board might assess and challenge cyber risk.

This was followed by an NTMA specific update from BSI Espion who carried out the NTMA Cyber Threat Posture Reviews over the past three years. BSI Espion detailed the threats against which they had reviewed the NTMA and their assessment of the NTMA controls in each of these areas. They also outlined assessments they had carried out in respect of two of the NTMA's critical third party service providers. They noted that the NTMA was well positioned to deal with cyber threats and demonstrated a continued focus in enhancing security posture. However, vigilance was a continuous challenge in a dynamic landscape.

The Chairperson noted that the presentations were very interesting and that the matter merited further discussion. He asked that the item be revisited at the Agency's March strategy session or meeting.

13. AOB

The Chief Executive outlined the arrangements for the Agency's March strategy session.

14. PRIVATE SESSION

The Agency met in private session. This item was minuted separately.

Willie Walsh
Chairperson

29 March 2017