



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-owned companies.

NewERA's core role is to provide financial and commercial advice to Government Ministers and Departments in relation to their shareholdings in 22⁹ State-owned companies¹⁰ across a range of sectors. All 22 companies are listed as "designated bodies" under Part 3 of the *National Treasury Management Agency (Amendment) Act 2014*. These companies are collectively referred to as the Portfolio or the Portfolio Companies. NewERA also provides advice to the relevant Government Ministers and Departments in relation to other State-owned companies, as required.

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; and
- Board appointments and remuneration.

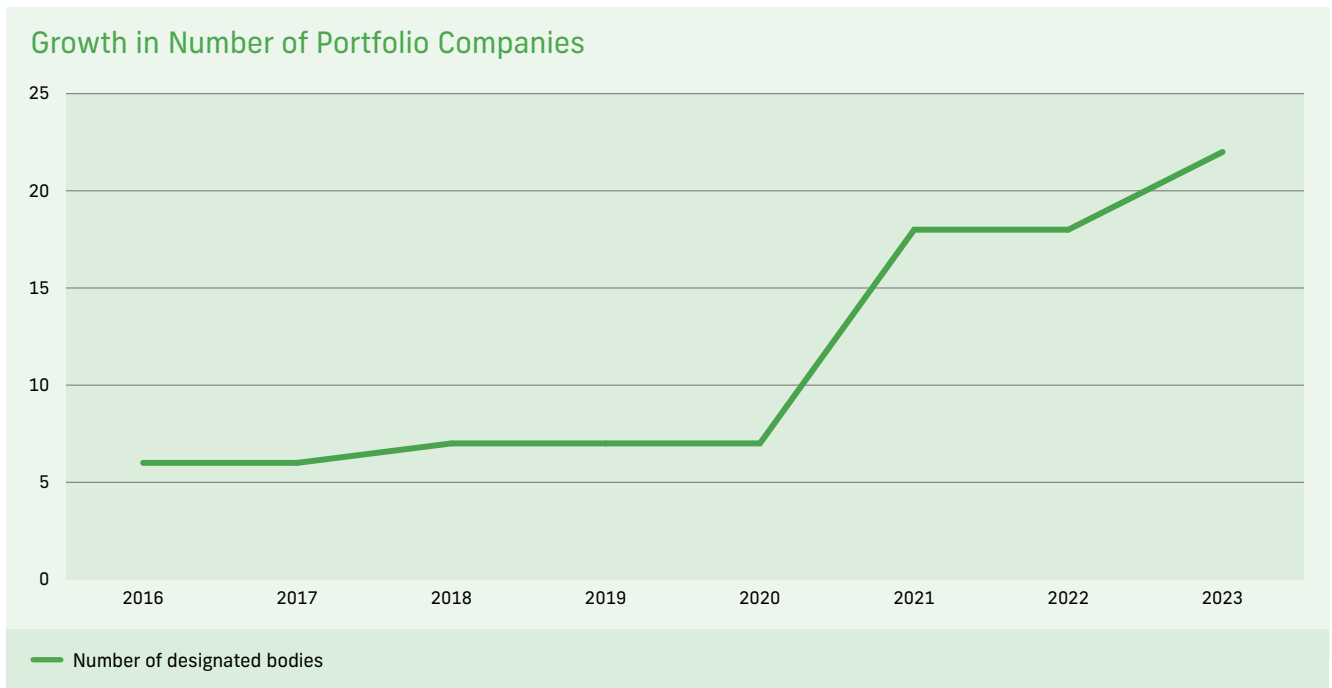
⁹ The 22 designated bodies do not include the Land Development Agency (LDA), which was designated to NewERA in January 2024.

¹⁰ Reference to companies includes statutory bodies and shareholdings includes any ownership interest.

2023 was a significant year in terms of additional commercial State-owned companies designated to NewERA by the Minister for Finance. In July 2023, RTÉ, TG4 and Vhi were designated to NewERA and, while NewERA was already providing certain financial and commercial advice to the relevant Ministers in relation to these three 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 companies.

In September 2023, AirNav Ireland was designated to NewERA following the separation of the air navigation and regulatory businesses of the Irish Aviation Authority (IAA) at the end of April 2023, with the IAA now the State aviation regulator and AirNav Ireland responsible for air navigation services.

The total number of designated bodies under NewERA's remit at end-2023 was 22¹¹ (2022:18).



11 The Land Development Agency (LDA) was designated to NewERA in January 2024.

Advisory Assignments in 2023

In 2023, NewERA provided financial and commercial advice and, where appropriate, recommendations to relevant Government Ministers and Departments on 153 Portfolio Company assignments totalling €8.85bn.

Advisory Assignments Overview

The assignments by value (€bn) included:



Capital Budgets and Commitments

€4.7bn



Debt Financing

€3.8bn



Capital Investment

€0.3bn



Joint Ventures and Disposals

€0.05bn

Advisory Assignments Samples

NewERA provided analysis and advice to relevant Government Ministers and Departments on a range of assignments throughout 2023 including:

- ESB's request to enter into credit facilities for up to €2.5bn (including €1bn of bonds issued in September 2023, of which €500m were green bonds) to fund the necessary investment to facilitate the transition to a low-carbon energy future;
- Bord na Móna's request to enter into credit facilities (€340m) to fund its "brown to green" strategy;
- Investment in the Timahoe North Solar wind farm (70MW capacity) – a joint venture between Bord na Móna and ESB;
- Uisce Éireann's investment in the development of a regional biosolids storage facility;
- A proposal by Gas Networks Ireland (GNI) to develop a new gas storage facility relating to the security of supply;
- Engagement with the Department of Transport, the Irish Maritime Development Office (IMDO) and the relevant Portfolio Companies regarding the funding strategy to deliver necessary port infrastructure as an enabler of offshore renewable energy development; and
- Pension advisory assignments, with a number of requests received in relation to proposed increases to pensions in light of the inflationary environment.

NewERA also provided advice and assistance on a number of assignments during 2023 for the newly designated bodies, including reviews of:

- RTÉ's request for interim funding and its annual report for 2022;
- AirNav Ireland's corporate plan for the period 2023-2027, as well as a review of a request for AirNav Ireland to enter into a €30m revolving credit facility; and
- Vhi and TG4 annual reports for 2022.

Combined Financial Highlights of the Portfolio Companies

The indicative combined financial information for the 2023¹² period alongside the financial highlights from the 2022 Annual Financial Review¹³ is set out below.

FINANCIAL HIGHLIGHTS 2023 ¹⁴ (indicative)	FINANCIAL HIGHLIGHTS 2022 ¹⁵
<p>€2.1BN OPERATING PROFIT</p> <p>Combined operating profits of the Portfolio Companies continued to increase (25% higher) during 2023 and exceeded pre COVID-19 pandemic 2019 levels. The increase was primarily due to companies operating in the energy, aviation, and transport sectors.</p>	<p>€1.7BN OPERATING PROFIT</p> <p>A significant increase in the combined level of operating profit generated by the Portfolio Companies in 2022 relative to 2021 (35% higher), driven primarily by companies operating in the energy and aviation sectors. Although operating profit returned in 2022 to pre-COVID-19 pandemic 2019 levels, losses continued to be reported in the postal and transport sectors.</p>
<p>€4.2BN GROSS CAPITAL EXPENDITURE</p> <p>Significant levels of capital investment continue to be undertaken by the Portfolio Companies with gross capital expenditure increasing by 23% to €4.2bn relative to 2022. The increase in investment is primarily driven by investment by the energy companies and Uisce Éireann.</p>	<p>€3.4BN GROSS CAPITAL EXPENDITURE</p> <p>Gross capital expenditure continued to increase during 2022 (up 14% to €3.4bn relative to 2021), driven by significant investments by the energy, transport sector companies and Uisce Éireann.</p>
<p>€425M DIVIDENDS</p> <p>€425m of total dividends paid by the Portfolio Companies, €412m of that paid to the Exchequer. The significant increase relative to 2022 is primarily due to an enhanced dividend (€327m) paid by ESB.</p>	<p>€212M DIVIDENDS</p> <p>€212m of total dividends paid by the Portfolio Companies in 2022, €204m of that paid to the Exchequer. This represents a significant increase of 35% relative to 2021, reflecting the increase in profitability of the Portfolio.</p>

12 Collectively, the latest reported annual financial year ends for the Portfolio Companies span 2023 and, in one case, to March 2024. For simplicity, the financial highlights refer to the reporting period covering 2023/24 as 2023.

13 A detailed view on the aggregated financial performance of the Portfolio Companies in respect of the reporting periods spanning 2022 was presented in NewERA's Annual Financial Review 2022/23, published in December 2023.

14 The aggregate financial information is indicative as it includes financial information based on draft financial statements of the Portfolio Companies as at the date of publication of this document.

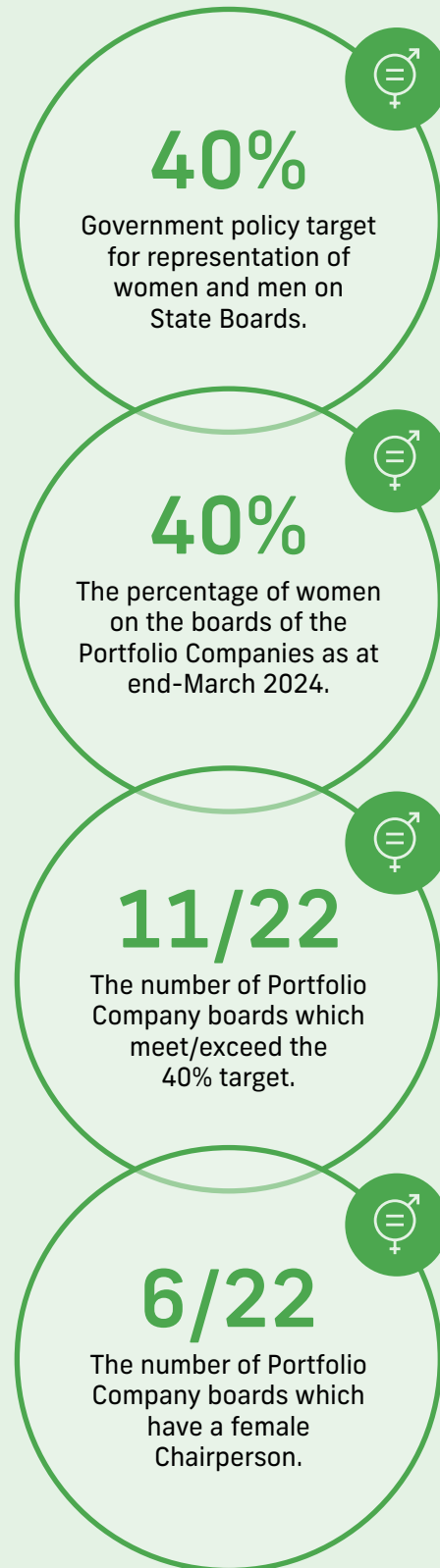
15 Collectively, the latest reported annual financial year ends for the Portfolio Companies span 2022 and, in one case, to March 2023. For simplicity, the financial highlights refer to the reporting period covering 2022/23 as 2022.

Board Appointments and 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-owned companies designated to it, with the process for appointments to these boards governed by the Guidelines on Appointments to State Boards. During 2023, NewERA completed a number of assignments relating to board appointments including: the appointment of a Chairperson to the boards of Iarnród Éireann, Shannon Foynes Port Company and the Port of Waterford; the appointment of independent Non-Executive Directors to the boards of ESB, Eirgrid, Dublin Port, Port of Waterford, Shannon Group and Dublin Bus.

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 end-March 2024, the percentage of women on the boards of these Portfolio Companies¹⁶ was 40%, meeting the overall 40% target, with 11 of the boards having female representation of 40% or more.

As at 31 March 2024



¹⁶ Portfolio Companies are the 22 bodies designated to NewERA as at 31 December 2023.

Climate Action Framework

A Climate Action Framework developed by NewERA, in conjunction with the Department of the Environment, Climate and Communications and the Department of Public Expenditure, National Development Plan (NDP) Delivery and Reform for the commercial State sector, reflecting the critical role it is to play in decarbonisation and supporting the objectives of the Climate Action Plan, has now been adopted by the boards of all 26 companies currently within the scope of the Framework.

The 26 commercial State-owned companies that currently fall within the scope of the Climate Action Framework include the Portfolio Companies, as well as Greyhound Racing Ireland, Horse Racing Ireland and the Irish National Stud. These companies are diverse in terms of their size, sectors, activities, and resources. Reflecting this diversity, these companies are undertaking a wide range of climate actions in almost every sector of the economy. NewERA is monitoring the implementation of the Commitments set out in the Climate Action Framework and is reporting to the Department of the Environment, Climate and Communications on a biannual basis, with reports issued on their implementation of the Framework in Q1 2023 and Q3 2023.

Framework Implementation Update

Based on information received by NewERA from the relevant commercial State-owned companies, and as set out in its Q3 2023 report issued to the Department of the Environment, Climate and Communications, many are well advanced in their implementation of the five climate action Commitments in the Framework:

- **Commitment 1** - Governance of Climate Action
Objectives: All 26 companies have adopted the Climate Action Framework with 18 already implementing each of the elements that are set out under Commitment 1.
- **Commitment 2** - Emissions measurement and reduction target: Emissions reporting via the Sustainable Energy Authority of Ireland's (SEAI) Monitoring and Reporting (M&R) system is well established amongst the 26 companies. Data provided by SEAI indicates that by end-2022, across the companies, energy performance had improved by 30% since the 2009 baseline; non-electricity greenhouse gas emissions had decreased by 7% relative to the 2016-2018 baseline, and total emissions had decreased by 17%. Twenty companies have now modelled an emission pathway towards 2030 targets.
- **Commitment 3** - Measuring and valuing emissions in investment appraisals: It is not currently common practice amongst many of the relevant companies to incorporate emissions valuation in their investment appraisals and further work will be required in this area. As set out in the Q3 2023 report, 11 companies plan to monetise greenhouse gas emission impacts in their investment appraisals using the shadow price of carbon from the Public Spending Code, while two other companies plan to use the EU-ETS market price of carbon in investment appraisals.

- **Commitment 4** - Circular economy and green procurement: Companies are upskilling to develop green procurement and circular economy initiatives, with a focus on waste prevention and recycling and extending asset lifecycles. Fifteen companies have developed a circular economy strategy and initiatives, and 23 companies now intend to provide information on their green procurement practices in one of their publications.
- **Commitment 5** - Disclosures in financial reporting: A number of the companies are already reporting under existing climate-related disclosure frameworks:
 - Carbon Disclosure Project (CDP) - 7 companies
 - Taskforce on Climate-related Financial Disclosures (TCFD) - 5 companies
 - Global Reporting Initiative (GRI) - 3 companies.

Thirteen commercial State-owned companies have either completed or started to prepare a double materiality or similar assessment, which is an important step in preparation for Corporate Sustainability Reporting Directive (CSRD).

NewERA Climate Forums

In the context of the Climate Action Framework commitments, and to facilitate discussion around developments of interest in relation to climate action and sustainability topics more generally, two forums were facilitated in 2023 by NewERA for the commercial State-owned companies. These related to the following areas:

- **Green Procurement and Sustainable Finance:** In collaboration with SEAI, NewERA facilitated this session, which provided an overview of key recent developments in green procurement practices and sustainable finance. The forum included an opening address by Ossian Smyth, the Minister of State at the Department of Public Expenditure, NDP Delivery and Reform with special responsibility for Public Procurement and eGovernment; and the Department of the Environment, Climate and Communications with special responsibility for Communications and Circular Economy, and presentations by NewERA, SEAI and several of the commercial State-owned companies.
- **Sustainability Reporting:** An online event presenting supplementary guidance to the commercial State-owned companies on valuing greenhouse gas emissions in investment appraisals, climate risk and sustainability reporting under the Climate Action Framework Commitments 3 and 5.