

## Export Guarantees Advisory Council Annual Report 2010-11



The remit of the Council is defined by the Export and Investment Guarantees Act (EIGA) 1991. Its Terms of Reference, the minutes of each meeting and a register of members' interests are available on ECGD's website.

The Council's broad remit is to provide advice to Ministers on the policies that ECGD applies when doing business, including:

- environmental, social and human rights impacts;
- anti-bribery and corruption;
- sustainable lending; and
- its obligations under information legislation.

Ministers have a statutory duty to consult the Council on matters related to the provision of reinsurance by ECGD to the private credit insurance market.

The Council does not provide advice on decisions made by ECGD to support individual export transactions and projects, though it does carry out retrospective reviews to understand how ECGD's principles and policies are applied in practice and, as appropriate, gives advice on how these might be further developed.

During the period covered by this report, the membership of the Council was as follows:

### Chair

**Andrew Wiseman** (Partner, Stephenson Harwood)

### Members

**Gillian Arthur** (Head of Philanthropy Services, Sanne Group)

**Alistair Clark** (Corporate Director, Environment and Sustainability Department, European Bank for Reconstruction and Development (EBRD))

**John Newgas** (Consultant, Sagwen Computer Consultancy)

**Martin Roberts** – *to May 2011* (Former Consultant, Beachcroft Regulatory Consulting)

**Anthony Shepherd** – *to December 2010* (Chairman, The Alderley Group)

**Anna Soulsby** (Associate Professor of Organisation Behaviour, Nottingham University Business School)

**Paul Talbot** – *to May 2011* (Assistant General Secretary, Unite)

Peter Haslehurst, an ECGD non-Executive director, attends Council meetings as an observer in order to provide a link between the Council and ECGD's Management Board.

The Council met on four occasions in 2010-11. The Council also met exporters and exporter representative groups and, separately, NGOs and special interest groups.

At its meeting in May 2010, the Council considered the work of ECGD's Environmental Advisory Unit (EAU). In view of the level of transactions being undertaken and policy initiatives being carried out, the Council particularly focussed its attention on the sufficiency of staff resources. The numbers of staff in the EAU had been increased and, for the first time, included the appointment of a human rights specialist. The creation of a new post to lead the analysts in their due diligence work to assess individual projects had created capacity for the head of the EAU to concentrate on policy work. The augmentation of staff resources enabled the EAU to undertake due diligence on environmental, social and human rights impacts on new projects that ECGD was asked to support, in order to satisfy itself that these met international standards, where this was necessary, and also to carry out post-issue monitoring of projects, in their construction and operational phases, where ECGD support had been previously agreed. ECGD was in the process of establishing a new panel of external environmental advisors so that the EAU could deploy their services, on a call-off basis as required, to supplement staff resources and obtain specialist advice, where this was not available internally.

The Council considered its terms of reference. Although the role of the Council is defined in ECGD's Act, the advice that the Secretary of State seeks from the Council is not fully defined in that act. Hence the Council has suggested to the Secretary of State terms of reference to guide the way it works and the issues it considers. The original terms of reference were drawn up before the introduction of ECGD's Management Board led by a non-Executive Chairman. It was decided to revise the Council's terms of reference to reflect the focus of the Council's work on the application of ECGD's ethical policies, in order to distinguish its role more clearly from that of ECGD's Management Board. The revised terms of reference were published on ECGD's website at the time ECGD introduced its new Statement of Mission

and Principles, following a public consultation about revision to its former Business Principles.

The Council reviewed ECGD's Sustainable Development Action Plan that had been revised following consultation with, and advice from, the Sustainable Development Commission.

In May the Council met exporters and exporter representative organisations. In September the Council met NGO representatives. At each of these meetings a range of topics was discussed. These meetings gave the Council useful insights into the matters which are of concern to ECGD's customers and to interested parties. The issues helped to shape the Council's agenda and its engagement with ECGD. I should like to take this opportunity to thank all those who participated. At its second quarterly meeting in September the Council discussed with ECGD issues raised with it by exporters, exporter representatives and NGO representatives, and subjects were identified for more detailed examination at future meetings.

In December, the Council reviewed the outcome of ECGD's procurement to establish a panel of external environmental advisors to support the work of the EAU. Three companies had been appointed for a three-year period.

In the context of the review by members of the OECD of the *OECD Revised Recommendation on Common Approaches on the Environment and Officially Supported Export Credits* (OECD Common Approaches), the Council considered the work that ECGD had been undertaking with the International Finance Corporation (IFC), a member of the World Bank Group, on its review of its Performance Standards as these are applied to certain projects in line with the requirements of the OECD Common Approaches. The Council encouraged ECGD in its aim to bring greater clarity to aspects of the IFC Performance Standards; these should include supply chain due diligence, in order to help to fulfil a remit for ECGD to consider supply chain issues which had arisen from the public consultation on its foreign content policy carried out in 2007.

The Council also reviewed the application of ECGD's anti-bribery and corruption policies during July 2009-June 2010. This was the fourth such annual review since new policies were introduced in 2006. The Council noted that the policies appeared to have settled down well. This included the use of ECGD's Special Handling Arrangements which were designed to allow ECGD to undertake due diligence on Agents but in a way that protects commercial confidentiality in regard to an Agent's identity upon request by an exporter. ECGD reported that exporters had complied with ECGD's requirements and no particular issue had been raised in relation to the operation of its policies and practices. The Council was informed that the introduction of the new Bribery Act was not expected to require any changes to be made to ECGD's

anti-bribery policies. The Council noted that the new Act would require companies to put in place measures to deter corrupt activity and that the Government had produced guidance to assist this. ECGD will be able to take into account the measures put in place by exporters when it carries out its due diligence on particular transactions it has agreed to support.

Given the levels of support that ECGD provides in respect of civil aerospace exports, the Council requested a briefing on ECGD's civil aircraft portfolio and the support it provided to aircraft and engine manufacturers. ECGD briefed the Council on the environmental standards that apply to civil aircraft and the improvements being made in noise levels and emissions of new aircraft being developed. The Council noted that, following the economic downturn, demand for ECGD's support had risen substantially so that in 2009-10 89 per cent of new business was in the aerospace sector. ECGD explained that this had come about largely because of a lack of commercial bank financing caused by the economic downturn. Airbus had contracted with airlines and operating lessors in earlier years to deliver aircraft and the ECAs had helped to fill the financing gap, so that Airbus could continue to meet its objectives to fulfil these orders. ECGD explained that the proportion of aerospace business in 2009-10 had been unusually high, because the economic downturn had depressed demand for support on civil project exports. The Council was informed that ECGD expected a recovery in the level of civil business in 2010-11; this would result in there being a more even balance between the different types of new business supported.

At its meeting in February the Council examined arrangements that other Export Credit Agencies had in place to provide them with advice on corporate social responsibility and ethical matters. It was found that none had a body that compared directly to the Council but that Export Development Canada (EDC), the export credit agency of Canada, did have an advisory body which addresses ethical policies. I plan to engage with it to share mutual experience and to ascertain if it operates practices that might be relevant to the work of the Council.

The Council reviewed projects which had been supported by ECGD in order to understand the due diligence process followed by the EAU to determine whether applications for support meet international standards on environmental, human rights and social impacts. This gave the Council an insight into the practicalities of addressing such impacts and benchmarking them against the relevant standards. The Council was particularly interested to understand situations where there is a mismatch between local and international standards and the work carried out to assist project sponsors to bridge gaps. ECGD explained that it cannot support projects which do not meet international standards except in situations where local standards were higher than the relevant international standards. The Council was impressed by the diligence and professionalism of ECGD's staff and the rigour applied

to their work to satisfy the requirement that projects should comply with the international OECD agreements on ethical issues.

The Council was briefed on ECGD's meeting with the United Nations Special Representative on Human Rights and Business, Professor John Ruggie, and the work he is undertaking to develop, on behalf of the United Nations, guiding principles for business and human rights. It is expected that the principles would include reference to export credit agencies as they are sources of support for projects. The Council encouraged ECGD in its engagement with Professor Ruggie and the UN on human rights matters. These developments are expected to be considered by the export credit agencies in the context of the review of the OECD Common Approaches that is under way.

I take this opportunity to thank ECGD for its openness in responding to requests for briefings to assist the Council in fulfilling its remit.

I would also take this opportunity to record my thanks to Anthony Shepherd for his services to the Council over a period of 10 years, especially in expressing views from the exporting community.

During the remainder of 2011 the Council plans to consider, among other things, ECGD's relationship with UKTI; the discussions taking place within the OECD on the review of the OECD Common Approaches; projects that have been supported and categorised as potentially having high environmental, social and human rights impacts; ECGD's policy on debt sustainability; and ECGD's performance in responding to requests for information made under the Freedom of Information Act and the Environmental Information Regulations.



**Andrew Wiseman**  
**Chair**