

Export Guarantees Advisory Council Annual Report 2011-12



The Export Guarantees Advisory Council is a Non-Departmental Public Body. The remit of the Council is defined by the Export and Investment Guarantees Act 1991. Its Terms of Reference, the minutes of meetings 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, particularly its ethical policies related to:

- environmental, social and human rights impacts;
- anti-bribery and corruption;
- sustainable lending; and
- 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 ECGD makes to support individual export transactions and projects, although it does carry out retrospective reviews of business it has supported to understand how ECGD's principles and policies are applied in practice and, as appropriate, gives advice on how these might be further developed.

Chair

Andrew Wiseman (Partner, Head of Environmental Law, Stephenson Harwood LLP)

Members

Gillian Arthur (Head of Philanthropy Services, Sanne Group)

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

Alexandra Elson (Policy Manager, Shell Plc), from July 2011

Chris Fitzpatrick (Director, Elements of Sherwood Ltd; Non-Executive Director, UKTI), from July 2011

Neil Holt (Director, Ethics and Business Conduct, CH2M HILL Group), from July 2011

John Newgas (Consultant, Sagwen Computer Consultancy)

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

In May 2011, Martin Roberts and Paul Talbot stepped down from the Council having served for periods of nine and seven years respectively. I would like to record my thanks to them for their contribution to the work of the Council. In July 2011, I was pleased to welcome three new members: Alexandra Elson, Chris Fitzpatrick and Neil Holt.

The Council met four times during 2011-12. It also met the Minister for Trade and Investment. At each of its meetings ECGD's Chief Executive reported issues, new initiatives and business supported that was relevant to the work of the Council. This included policy matters, for example, the review of the international agreement, the *OECD Recommendation on Common Approaches on the Environment and Officially Support Export Credits* (the OECD Common Approaches), which regulates the way in which official export credit agencies take account of environmental, social and human rights (ESHR) impacts of projects they support.

It is the practice of the Council to meet with interested parties privately to help shape its agenda and inform its work. During the year the Council met the World Wildlife Fund UK (WWF-UK) and the British Exporters' Association (BEXA). Its meeting with WWF-UK focused on a report produced by WWF-UK titled 'Green Exports: Is the UK Getting Left Behind' which led the Council to examine ECGD's engagement with exporters of green technology. In this regard, the Council also received a briefing from UK Trade and Investment, the Government's trade promotion body, to understand how ECGD and UKTI were working more closely, particularly in reaching out to exporters in the green technology sector. The Council found that ECGD had undertaken a significant amount of activity to make its products and services known to exporters and trade bodies in this sector.

The Council examined a project (the supply by Rolls-Royce of power compressors to Gazprom in Russia in connection with the Nordstream gas supply project) that ECGD had supported in 2010-11. It was classified 'Category A' by ECGD, i.e. as a project having potentially high ESHR impacts as defined by the OECD Common Approaches. The Council reviewed the process by which the project had been screened, classified and assessed by ECGD's Environmental Advisory Unit (EAU) to determine that it met international ESHR standards and the arrangements put in place at ECGD's instigation to monitor performance during the project's construction and operational phases. The Council was satisfied that ECGD had properly categorised the project and benchmarked it against the Performance Standards of the International Finance Corporation of the World Bank Group. The Council will follow up its review of the monitoring arrangements on the project in due course in order to understand how they have been operated in practice during the construction phase.

The Council considered matters related to the review of the OECD Common Approaches being undertaken by member export credit agencies, including the scope of the agreement, the arrangements to classify any new projects and the applicable international standards. The Council was briefed on the concurrent review of the

Performance Standards of the International Finance Corporation, which are cited as relevant international standards in the OECD Common Approaches.

The Council had a remit from the Government to consider the outcome of the change to ECGD's policy, adopted in April 2010 following a Public Consultation, to follow international agreements related to ethical policies which apply to the operation of export credit agencies and not additionally create, and separately operate, its own policies which go beyond those agreements. The change of policy meant that certain export transactions, normally supported under ECGD's Export Insurance Policy, and projects under £10 million, for which ECGD support was sought, were no longer normally reviewed by ECGD for their ESHR impacts. The Council considered a paper produced by ECGD which documented the outturn of the change of policy to help inform its advice, which was published on ECGD's website. In the light of experience following the policy change, the Council advised that it did not consider a review of the change of policy was warranted. However, it requested to be consulted again in 2012-13 so that it could assess the impact further in view of the potential increase in export transactions that might be supported by ECGD under the new short-term products that it introduced in 2011.

The Council also reviewed the activities of the EAU during 2011. The Council noted that the workload of the EAU had increased as a result of higher demand for ECGD support and the increase in the number of projects that are subject to monitoring after the provision of support. The Council noted that ECGD had increased the staff resources of EAU and that arrangements had been made by it to obtain advice where specialist knowledge was required or to assist managing peaks in workload. The Council was impressed by the quality of the analysis and investigation carried out by EAU staff to benchmark projects against international standards and in their co-operation with other export credit agencies in undertaking that work.

The Council carried out an annual review of the application of ECGD's anti-bribery and corruption policies taking account of its obligations under the *OECD Recommendation on Bribery and Officially Supported Export Credits*. As part of that review, the Council received a briefing from Neill Stansbury of the Global Infrastructure Anti-Corruption Centre on recent changes to UK anti-bribery legislation and the development by the British Standards Institute of a new British Standard (BS10500) for anti-bribery management systems. The Council was briefed on how ECGD would take account of these developments in its anti-bribery practices, including through staff awareness training.

The Council reviewed ECGD's handling of information requests made under the Freedom of Information Act and the Environmental Information Regulations. The Council noted that ECGD had received a significant number of information requests during the year about sovereign debts owed to the UK by overseas countries, largely related to the recovery of claims paid on exports it supported in the 1970s and 1980s. The Council noted that some requests had required ECGD to seek the views of related parties to help inform the decisions it took on whether the requested information

could be released. This could have an adverse impact upon its ability to respond within statutory and recommended time periods.

In the light of the concerns raised by the Jubilee Debt Campaign into past debts owed by governments to ECGD, the Council reviewed ECGD's stance on the recovery of old debts and its approach to supporting new business with indebted poor countries. The Council noted that the recovery of sovereign debts was dealt with on a multilateral basis and examined the arrangements to deal with these through the auspices of the Paris Club of official creditors. The Council reviewed the implementation by ECGD of the *OECD Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries* to applications for support that it received for exports to countries subject to sustainable lending guidelines. The Council noted that ECGD does not have delegated authority to support new business to countries that fall within the remit of the sustainable lending principles, as these are subject to approval by HM Treasury with advice from the Department for International Development.

I thank ECGD for the support it provides to the work of the Council and its willingness to supply the Council with all the information it requires to assist its deliberations. The Council is also grateful for the information provided to it from time to time by interested parties.



Andrew Wiseman
Chair