

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 26 SEPTEMBER 2016

Present: Mr Andrew Wiseman (Chair)
Ms Gillian Arthur
Mr Alistair Clark
Ms Alexandra Elson

Apologies: Mr Neil Holt
Mr John Newgas
Ms Anna Soulsby

In attendance: Mr Louis Taylor
Mr Gordon Welsh
Dr Helen Meekings (item 1)
Mr Gareth Waterhouse
Mr Max Griffin
Mrs Victoria D'Sylva

Secretary: Ms Arabella Rothwell

1. APOLOGIES FOR ABSENCE

1.1. Apologies were received from Mr Neil Holt, Mr John Newgas and Ms Anna Soulsby.

2. MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

2.1. The draft minutes of the May meeting were approved and would be published on the UK Export Finance (UKEF) website.

3. CHIEF EXECUTIVE'S UPDATE

3.1. Mr Taylor provided an update on the recent quarter results and the final results for FY2015/16. Mr Taylor commented that most notably last year UKEF saw a 23% increase in the number of businesses supported. This year UKEF was

again on track to increase the number of businesses supported. For Q1 2016, UKEF had supported 98 exporters, 63 directly with UKEF products and 35 supported via Private Market Assists. The volume of new business supported was £2,063 m, generating £88 m in premium. This had already surpassed the 2015-16 business supported figure of £1,793 m.

3.2. Mr Taylor noted the 2015-16 Annual Report and Accounts was published in July and had been well received. It was covered in over 40 articles across business, local and sector press, with 95% of coverage positive and 95% carrying at least one key message. The Council noted that the Report's format had greatly improved and conveyed key messages well.

3.3. Mr Taylor informed the Council on the establishment of the new Department for International Trade (DIT). The Department brought together UK Trade and Investment and the Trade Policy area from the former Department of Business, Innovation and Skills. UKEF would remain legally distinct, but would be strategically and operationally linked to DIT. UKEF would maintain its Board and the Export Guarantees Advisory Council (EGAC). New boards have been established in DIT, which Mr Taylor will sit on. UKEF's new Secretary of State is the Rt Hon Liam Fox MP and the Minister of Trade and Investment, the Rt Hon Greg Hands MP has responsibility over UKEF. The Council enquired whether UKEF's branding would change. Mr Taylor reported that UKEF's colours would change and UKEF would adopt the crest of the Board of Trade into its logo.

3.4. Mr Taylor discussed the impact of the European Union (EU) Referendum on UKEF. Mr Taylor stated that UKEF's mandate was good in or outside the EU and UKEF would continue to seek to ensure that no viable UK export fails for want of finance or insurance from the private sector.

3.5. Mr Taylor updated the Council on Airbus. Mr Taylor reported that the Serious Fraud Office had opened a criminal investigation into irregularities concerning third party consultants. The Council enquired about the response of the French and German export credit agencies (ECAs). Mr Taylor commented that the

three ECAs and their respective ministerial authorities continue to work closely with Airbus to understand the extent of the matter and to seek assurances about the company's current compliance practices.

3.6. Mr Taylor reported that good progress had been made on both the bank delegation programme and the Concessional Export Credit Facility (CECF). For the bank delegation programme, more banks had joined as additional testing partners and had delivered positive results. The programme was likely to be launched in Q1 2017. In relation to the CECF, UKEF had submitted an application to the Prosperity Fund to support the scheme and was awaiting an outcome.

4. OECD Recommendations on Bribery

4.1. Mrs D'Sylva presented the results of responses provided by other ECAs to the OECD ad-hoc survey on practices to combat bribery and corruption. Mrs D'Sylva commented that the survey results indicated a variance in different ECAs application of the OECD Council Recommendation on Bribery and Officially Supported Export Credits (Recommendation).

4.2 Given the wide variation in the practices of other ECAs, UKEF is advocating for change to strengthen the Recommendation. Mrs D'Sylva commented that UKEF had an important role to play in HMG's wider efforts to combat and deter corruption and to safeguard taxpayer funds by avoiding loss through becoming involved in export transactions tainted by bribery. UKEF was also seeking to ensure a level playing field among ECAs' anti-bribery and corruption policies and procedures.

4.3 Mrs D'Sylva reported that UKEF had worked with Sweden, Norway and the Netherlands to develop a joint position paper to submit to the OECD. The Council considered UKEF's joint position paper and supported UKEF's work to raise the current standards of other ECAs to ensure that UK exporters were not put at a disadvantage. The Council also commented that UKEF could play an important role in educating other ECAs about best practice.

4.4 Mr Waterhouse commented that initial discussions at the June meeting of the OECD indicated that appetite for change to the Recommendation was limited, although some ECAs had subsequently submitted papers to the OECD which were broadly in line with some areas that UKEF is advocating for change.

4.5 The Council thanked Mrs D'Sylva for her presentation and agreed to the joint position paper being submitted to the OECD following Ministerial sign off.

5. Sustainable Lending Principles

5.1. As reported at the May EGAC meeting, the International Monetary Fund (IMF) and World Bank implemented new guidelines on the use of public debt limits in Fund-supported programmes and the World Bank Non-Concessional Borrowing Policies. As a result the OECD *Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries* (the Principles) were no longer in line with IMF and World Bank policies, and as such the OECD was reviewing the Principles.

5.2. Mr Waterhouse updated the Council on the status of the negotiations and provided an overview of the OECD Secretariat's proposed text. The proposed Principles would ensure that ECA supported activities would continue to support sustainable development and be in line with the borrowing limits set by the IMF and World Bank. Mr Waterhouse discussed the issues that still needed to be resolved amongst OECD members including the definition used to determine the scope of the Principles, reporting requirements and whether thresholds should apply.

5.3. The Council enquired about the impact the changes to the Principles would have on UKEF policies. Mr Waterhouse responded that the changes would not impact UKEF decision making. Before lending to sustainable lending countries, UKEF would continue to require HM Treasury consent and would consult with the Department for International Development and in-country posts. UKEF also undertakes its own sustainable lending assessment to ensure that the project

would result in a significant and sustainable economic or social benefit for the country without creating an undue strain on the public finances.

5.4. The Council supported UKEF's negotiating position for the OECD discussions on the Principles.

6. Liwa Plastics Project

6.1. Mr Griffin provided a presentation on the Environmental, Social and Human Rights (ESHR) Review of the Liwa Plastic Industries Complex project in Oman. The project involves a natural gas/liquids extraction (NGLE) facility, 300 km pipeline and petrochemical plant in central and northeast Oman. Given the nature of the project, which comprises the development of new and large scale assets from both the oil and gas and petrochemical industries, the potential for diverse risks associated with both environmental and social impacts, the project was classified as a Category A project.

6.2. The project was being financed by a number of ECAs including K-EXIM, KSURE, SACE, Atradius and Euler Hermes. UKEF took a leading role in coordinating the joint ECA environmental and social team. Mr Griffin reported that in December 2015, members of all financing ECAs undertook a site visit of the proposed NGLE facility, pipeline route and petrochemical plant, as well as meeting with relevant permitting and environmental and social authorities in Oman.

6.3. The Council enquired about the gender composition of the stakeholder engagement undertaken for the Project and what steps UKEF takes to ensure that there is a cross section of the community represented in the stakeholder engagement processes. The Council commented that the UN Sustainable Development Goals had an emphasis on gender equality and this was an area in which government should be leading. The Council asked for UKEF to report back on international standards relating to gender equality and how UKEF deals with gender equality issues relating to projects it supports.

6.4. The Council noted that there had been an FOI request related to the project.

Mr Griffin responded that the requestor had asked for a copy of the review and decision made by UKEF's Environmental Advisory Unit on the ESHR factors related to the project. UKEF had provided the requestor a copy of the EAU report on the ESHR Review and Alignment with International Standards.

- **Action: The Council asked to receive an update on the project following the next site visit.**
- **Action: The Council asked for UKEF to report back on the international standards relating to gender equality and how it deals with gender equality issues relating to projects it supports.**

7. Triennial Review and classification of EGAC

7.1. Mr Waterhouse reported that the Cabinet Office had developed a new Administrative Classification of Public Bodies, which aimed to simplify, rationalise and clarify the existing classifications. The revised classification system introduced 'expert committees' as a new category of public body. The Cabinet Office had asked government departments to consider whether existing advisory Non-Departmental Public Bodies (NDPB) should be reclassified as expert committees.

7.2. Mr Waterhouse noted that while there are many similarities between an expert committee and advisory NDPB, some features of EGAC including its size, frequency of meeting and staffing requirements indicated that EGAC may be more suitably classified as an expert committee.

7.3. Mr Waterhouse presented revised Terms of Reference for the Council to consider. The Terms of Reference were updated to reflect the proposed change in classification and to clarify EGAC's role. The Chair asked that Council members consider the revised Terms of Reference and provide comments to the Secretary by 14 October 2016.

7.4. The Council noted that the reclassification of EGAC could assist the Council to operate more effectively without impacting the value of its advice or its purpose. The proposed reclassification of EGAC would next be considered by the UKEF Board and the Minister.

- **Action: Council members were asked to provide any comments on the revised terms of reference to the Secretary by 14 October.**

8. FOI UPDATE

8.1. The Council noted the information requests made under the information legislation since the last meeting.

9. EGAC SCORECARD

9.1. The Council reviewed the advice it had provided and decisions it had taken, and noted that all actions arising from these were either complete or in hand.

10. BUSINESS SUPPORTED

10.1. The Council noted the business supported since its last meeting.

11. ANY OTHER BUSINESS

11.1. The Secretary reported that the EGAC dinner would occur on 15 December 2016.

Arabella Rothwell

Secretary