

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 15 DECEMBER 2016

Present: Mr Andrew Wiseman (Chair)
Ms Gillian Arthur
Mr John Newgas

Apologies: Mr Alistair Clark
Ms Alexandra Elson
Mr Neil Holt
Ms Anna Soulsby

In attendance: Mr Louis Taylor
Mr Gordon Welsh
Mr Chris Basiurski (item 4)
Mr Andy Blacksell (item 6)
Dr Helen Meekings
Mr Simon Phillips (item 6)
Ms Rebecca Schade (item 5)
Mr Gareth Waterhouse

Secretary: Mr David Underwood

1. APOLOGIES FOR ABSENCE

1.1. Apologies were received from Mr Alistair Clark, Ms Alexandra Elson, Mr Neil Holt and Ms Anna Soulsby.

2. MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

2.1. The draft minutes of the September 2016 meeting were approved and would be published on the UK Export Finance (UKEF) website.

2.2. The gender equality presentation was rescheduled to the first meeting of 2017.

3. CHIEF EXECUTIVE'S UPDATE

3.1. Mr Taylor provided an update on the recent quarterly results and observed that for the year to date, UKEF had supported 158 exporters, 105 directly with UKEF products and 51 supported via Private Market Assists. The volume of new business supported was £2,436m, generating £106m in premium. This had already surpassed the 2015-16 business supported figure of £1,793 m.

3.2. Mr Taylor updated the Council on new measures introduced in the Chancellor's Autumn Statement which announced major increases to UKEF's capacity to support UK exports, including UKEF's maximum cover limit for individual markets to double up to £5bn; UKEF's Risk Appetite Limit will double from £2.5bn to £5bn; increase in the number of pre-approved local currencies from 10 to 40, and approval for a framework for assessing the inclusion of additional currencies; and the use of Active Portfolio Management to de-risk the UKEF portfolio through private insurance markets. Treasury consent will be required before executing any specific transaction.

3.3. Mr Taylor informed the Council on the successful recruitment of Noel Harwerth as Chair of the UKEF Board and Lawrence Weiss as a non-Executive Director. He noted that this brought the balance of Board members to three executive members and seven non-executive members. He also updated the Council on the recent appointments to the Department of International Trade (DIT) Board.
Action: Andrew Wiseman to meet Noel Harwerth.

3.4. Mr Taylor discussed the Serious Fraud Office criminal investigation into allegations of compliance issues in the passenger jet business of Airbus, relating to third party consultants. He advised that UKEF continues to work closely with Airbus and the French and German export credit agencies to understand the extent of the matter and to seek assurances about current compliance practices in relation to overseas agents.

3.5. Mr Taylor advised the Council that UKEF had considered supporting a coal fired power station in Vietnam (Long Phu) under the transition arrangements

in place before the OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects came into full effect. UKEF did not support the project. **Action: The Council asked for this issue to be covered at the next Council meeting.**

3.6. The Council discussed the recent increased levels of UKEF interest in the media and requested to be kept updated at future meetings.

4. ENVIRONMENTAL AND SOCIAL LOAN CONDITIONS UPDATE

4.1 Dr Meekings (Environmental Advisory Unit) and Mr Basiurski (Legal Department) updated the Council on work UKEF is undertaking reviewing environmental and social (E&S) clauses in loan documentation. The review has resulted in a consistent approach to how E&S conditions are negotiated (which is always undertaken on a case-by-case basis) better reflecting current sector best practice and strengthen reporting, monitoring and site visit requirements..

4.2 UKEF is now training E&S advisers, underwriters and legal advisers in the new approach for all category A and B UKEF Direct Lending and Buyer Credits where UKEF is the sole ECA. The approach is being used for all new cases.

4.3 The Council noted that the approach was aligned with principles taken from the Equator Principles and the results are clearer, shorter and consistent with modern practice.

5. PROJECT UPDATE: LGOK/ METALLOINVEST RUSSIA

5.1. The Council asked for an update on project monitoring for the LGOK/ Metalloinvest Hot Iron Briquetting Plant in Russia. Ms Schade provided an update on the monitoring events that had taken place in the first year of the construction phase of the project.

- 5.2. Ms Schade advised that all of the documentation which was required before financial close is in place. Two rounds of monitoring have been completed with no serious negative observations made. Some small issues had been identified which was not uncommon for a project of this size, most of which were easily remedied. LGOK showed willingness to make changes quickly where required.
- 5.3. The Council observed that in projects of this type and size there could sometimes be a disconnect between health and safety policy and implementation. UKEF advised the Council that in this case there had been a good demonstration of application of the policies, and project complied with Russian law.
- 5.4. **Action: the Council asked that an update be provided at the December 2017 Council meeting.**

6. ANTI-BRIBERY AND CORRUPTION REPORT

- 6.1. Mr Blacksell presented the annual report on the operation of UKEF's anti-bribery policies and practices for the period July 2015 - June 2016. The number of applications was 368 compared to 321 in 2014-15 of which 88% had been made by SMEs.
- 6.2. 50 applications disclosed the existence of an agent and no applicants had failed to supply information required to carry out anti-bribery due diligence and no applications had been refused because of bribery issues.
- 6.3. Two applicants requested the use of Special Handling Arrangements. UKEF confirmed to the Council that on each occasion UKEF checks that the use of these arrangements is necessary before they are applied, and that due diligence that is carried out is the same as situations where the arrangements are not requested.

6.4. The Council noted that UKEF was not an investigatory body.

6.5. The Council noted the report and approved its publication on the UKEF's website when the minutes of this meeting are published.

7. EGAC TERMS OF REFERENCE

7.1. The Council approved the new terms of reference.

7.2. Action: Secretary to publicise the new terms of reference.

8. FOI UPDATE

8.1. The Council discussed information requests made under the information legislation since the last meeting, and noted the number of large and complicated requests which had been made in the period.

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, and in particular, welcomed the increase in Working Capital deals.

10.2. Action: The Council requested a presentation on Vitol/ Ghana.

11. ANY OTHER BUSINESS

11.1. The Council asked that a presentation be made in focused on Health and Safety matters in the Nghi Son Refinery Project. **Action: secretary to arrange.**

11.2. The EGAC Annual Dinner hosted by Greg Hands followed the meeting.

David Underwood

Secretary



EXPERIENCE OF UK EXPORT FINANCE IN OPERATING ITS ANTI-BRIBERY & CORRUPTION PROCEDURES UNDER ITS REVISED APPLICATION FORMS IN PLACE SINCE 1 JULY 2006

ANNUAL BRIEFING FOR EXPORT GUARANTEES ADVISORY COUNCIL

FOR PERIOD: 1 JULY 2015 to 30 JUNE 2016

A. APPLICATIONS RECEIVED AND CASES SUPPORTED

1. APPLICATIONS

A. Total number of Applications received	B. Number of Applications disclosing the existence of an Agent	C. Number of Applications disclosing the existence of Joint Venture/ Consortium Partners	D. Number of Applications involving SMEs ¹	E. Number of Loan Contracts not governed by English law
368	50	4	325	0
	F. Number of occasions where UK Export Finance as reinsurer relied on due diligence by the lead ECA on the head contract under reinsurance arrangements	G. Number of occasions where anti-bribery procedures were not applied by UK Export Finance due to the low value of a sub-contract under reinsurance arrangements		
	3²	1³		

¹ An SME is defined as an enterprise with fewer than 250 staff and turnover of less than €50m and does not have a parent that falls outside of these criteria.

² Atradius - the Dutch ECA (2 cases), SACE - the Italian ECA (1 case)

³ Atradius (40 exporters)

2. USE OF SPECIAL HANDLING ARRANGEMENTS (SHAs) FOR AGENTS

A. Number of Applicants requesting use of SHAs	2
B. Number of Applications on which an Applicant's consent was sought for the making of inquiries by UK Export Finance	2
C. Number of Applications on which an Applicant refused consent for the making of inquiries by UK Export Finance	0
D. Number of Applications where cover was refused by UK Export Finance because (i) the Applicant refused its consent for inquiries by UK Export Finance, or (ii) UK Export Finance was not satisfied, following its enquiries, concerning the Agent	0
E. Number of cases supported by UK Export Finance on which the Applicant refused consent for UK Export Finance to make inquiries concerning its agent	0

3. JOINT VENTURES/CONSORTIUM PARTNERS (JVs)

A. What proportion of Applicants, who were party to a JV, disclosed all the parties to that JV?	100%
B. What proportion of Applicants, who were party to a JV, refused to disclose any of its JV partners?	0%
C. What proportion of Applicants, who were party to a JV, disclosed the names of all agents acting on their JV's behalf?	N/A ⁴

⁴ Of the four applicants who were party to a JV, none used an agent

4. DUE DILIGENCE (conducted on all processed Applications)

A. What was the proportion of Applications on which all relevant names were checked by UK Export Finance against the publicly available debarment lists of the International Financial Institutions specified in the OECD Recommendation?	100%
B. What proportion of UK Export Finance checks against the above lists identified any potential problems/issues?	0%
C. What proportion of Applicants disclosed the existence of a corporate Code of Ethical Conduct or the equivalent?	63%
D. What proportion of those Applicants with a Code of Conduct provided a copy of that Code of Conduct to UK Export Finance (where not previously provided)?	100%
E. What proportion of Applicants refused to provide to UK Export Finance any additional information, when requested, relating to a bribery and corruption issue?	0%
F. The number of Applicants that disclosed to UK Export Finance that they, or anyone acting on their behalf, were under charge or, within the last five years, had been convicted of bribery or corruption in a UK court	0
G. What proportion of Applicants disclosed that they, or anyone acting on their behalf, had been subject within the last five years to any administrative sanction or measure in the UK for bribery or corruption?	0%
H. What was the proportion of Applicants that were the subject of allegations made to UK Export Finance relating to bribery or corruption in respect of the contract for which UK Export Finance support was requested?	0%
I. The number of Applications rejected by UK Export Finance because of bribery or corruption-related issues?	0
J. What proportion of Applications, in which the existence of an agent was disclosed, were subject to inquiry by UK Export Finance with the relevant UK overseas diplomatic mission on the standing of that agent?	100%

5. CASES SUPPORTED BY UK EXPORT FINANCE

A. Number of cases supported by UK Export Finance ⁵	B. Number of supported cases on which the existence of an Agent was disclosed to UK Export Finance	C. Number of supported cases on which the existence of a JV was disclosed to UK Export Finance	D. Number of supported cases on which the Loan Contract was not governed by English law
518	20	2	0

B. INTERNATIONAL AND OTHER DEVELOPMENTS

1. OECD/INTERNATIONAL

Brief outline of significant international developments concerning UK Export Finance's anti-bribery and corruption procedures that took place within the OECD or elsewhere

A. Number of OECD anti-bribery and corruption meetings attended by UK Export Finance.

3

B. Number of bilateral meetings with non-OECD official export credit agencies (ECAs) at which UK Export Finance raised the general topic of anti-bribery and corruption

0

September 2015 – OECD Secretariat (Export Credits) published the 2014 annual review of Member's responses to the implementation of the 2006 Recommendation.

November 2015 – the OECD Secretariat (Export Credits) introduced a discussion paper concerning a possible review of the 2006 Bribery Recommendation.

March 2016 – the OECD held the first workshop on Export Credits and Anti-Bribery Measures including presentations from Canada, Norway, Russia and US on their anti-bribery and corruption practices. Adherents discussed areas of potential reform to the Recommendation and agreed to the development of a survey on ECAs' anti-bribery and corruption practices.

June 2016 – the OECD held the second workshop in Export Credits and Anti-Bribery Measures including presentations from Transparency International, Avocat Associé, Soulez Lariviere & Associates and Thales. Adherents discussed the results of the survey of ECAs' anti-bribery and corruption practices and areas in which the Recommendation could be revised. Adherents were requested to submit proposals for consideration at the next OECD meeting in November.

⁵ Not all applications result in a supported case and those that are supported are not necessarily in respect of applications received during the period of this report.

2. ALLEGATIONS

UK Export Finance refers all specific allegations of bribery and corruption and money laundering of which it becomes aware to the appropriate authorities

A. Number of specific allegations of corruption received by UK Export Finance

0

B. Number of specific allegations of corruption referred by UK Export Finance to the appropriate UK authorities

1

3. RECOURSE

UK Export Finance has a right under its Premium and Recourse Agreement with an exporter on a transaction which benefits from financing provided under an UK Export Finance guarantee to a funding bank to take financial recourse to that exporter in the event of loss caused by a corrupt act

A. Number of cases in which UK Export Finance sought to enforce its right of recourse against an exporter because of corrupt activity

Nil

4. OTHER DEVELOPMENTS

Brief timeline of other significant developments during the period of this briefing concerning UK Export Finance and the issue of anti-bribery and corruption

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**UK Export Finance
December 2016**