

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 11 September 2017

Present: Mr Andrew Wiseman (Chair)
Mr Neil Holt
Mr John Newgas
Ms Gillian Arthur
Ms Alexandra Elson

Apologies: Mr Alistair Clark
Ms Anna Soulsby

In attendance: Mr Louis Taylor
Mr Gordon Welsh
Dr Helen Meekings
Ms Gabriela Morato
Ms Ildiko Almasi
Mr Gareth Waterhouse
Mr David Underwood
Mr Lawrence Weiss
Mr Pat Cauthery

Secretary: Ms Nia Bevan

APOLOGIES FOR ABSENCE

Apologies were received from Mr Alistair Clark and Ms Anna Soulsby.

MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

The draft minutes of the June 2017 meeting were approved and would be published on the UK Export Finance (UKEF) website.

CHIEF EXECUTIVE'S UPDATE

Mr Taylor noted that since the last Council Meeting, UKEF published the Annual Report and Accounts for 2016/2017.

Mr Taylor updated the Council on recent figures for issue and effective business and premium. Mr Taylor reviewed the support in 2016/2017, with £3 billion of UKEF support for exports to 63 countries, and 79% of the UK exporters benefiting from this support small and medium-sized enterprises. Mr Taylor also highlighted that UKEF lent a record £305 million directly to infrastructure and energy projects, and that UKEF supported 221 exporters – 148 directly with UKEF products only, 71 supported via Private Market Assists only and 2 with both. In total UKEF issued 483 facilities in 2016/17.

Alongside the Annual Report, Mr Taylor provided an overview of UKEF's Business Plan 2017 – 20. Mr Taylor discussed the ambitious program as well as the range of opportunities for UKEF in the next three years.

In terms of potential new business, Mr Taylor outlined that there remains a significant pipeline of potential new business. On the civil side, \$117m of guarantees have now been issued in connection with the down-payment portion of two contracts for large gas turbine power stations near Basra in Iraq. This follows from Enka's engagement with 194 UK suppliers at an exporter fair leading to \$210-250m of UK contract value.

The Council were informed of the latest position on Airbus's compliance systems and measures. Mr Taylor updates the Council on UKEF applications.

Mr Taylor also updated The Council on UKEF's approach to the ongoing SFO investigations relating to Petrofrac and Rolls Royce. Mr Taylor updated the Council on developments and stressed the importance of promoting transparency and cooperation. The Council noted the actions taken by the companies under investigation and requested further updates at future meetings.

The Council discussed the recent launch of Bank Delegation. Mr Taylor explained that UKEF will partner with five banks to deliver support to exporters more quickly and efficiently. UKEF will also be able to extend its support to supply chain companies of UK exporters, significantly increasing the number of businesses able to access UKEF-backed trade finance. As a result, smaller companies that support big UK exporters will be able to secure government-backed financing to deliver products and services and benefit from their clients' international business.

ORGANISATION

Mr Taylor updated The Council on organisational changes and developments. Following the election, Dr Liam Fox continues as Secretary of State for International Trade, and Greg Hands was also reappointed as Minister for Trade with responsibility for UKEF. DIT celebrated its one year anniversary across the world in July. Three UKEF staff members and the whole UKEF Communications Team were recognised in the DIT “One Year On” awards for their achievements in collaborating and engaging with DIT.

Mr Taylor noted that UKEF remained fully engaged on DIT strategic work, including the Industrial Strategy and a new strategy for supporting exports.

Within UKEF, staff turnover levels are continuing their downward trajectory from the March 2017 peak. My Taylor discussed the appointment of the Head of IT, Jem Eskenazi who joined UKEF from the European Bank for Reconstruction and Development where he was the Information Technology Managing Director.

ENVIRONMENTAL

Mr Taylor updated The Council on UKEF’s appointment to the Equator Principles Steering Committee. UKEF is currently actively involved with others in drafting of the Equator Principles AGM and workshop agenda. They are also co-leading a Strategy Working Group to look at themes and priorities for the Steering Committee from the Equator Principles Financial Institutions membership and external stakeholders.

The Council were also informed of the appointment of Andrew Bloss to UKEF, who joined as a Senior Environmental and Social Advisor to the E&S team.

INTERNATIONAL

Finally, Mr Taylor noted UKEF’s international activity. Mr Taylor updated The Council on developments at recent International Working Group meetings in Beijing, and his G7 heads of ECAs meeting in Tokyo.

Mr Taylor provided a brief overview on ongoing reviews at the OECD of minimum interest rates, anti-bribery and corruption negotiations and official development assistance discussions.

ROLLS ROYCE PRESENTATION

Mr Cauthery provided a presentation to The Council regarding Rolls-Royce following the SFO settlement.

Mr Cauthery noted that the application of the DPA resulted in fines of around £671m being imposed as well as conditions that Rolls Royce would continue to cooperate with future investigations into the conduct of individuals, continue the progress on compliance reform and facilitate the involvement of Lord Gold (or another individual acceptable to the SFO) in supporting this activity.

Mr Cauthery also reminded the Council of the steps UKEF had put in place in the aftermath of this DPA case. UKEF had initially written to Rolls Royce to establish whether the cases cited in the DPA involved contracts that UKEF had supported. UKEF had also taken advice from First Treasury Counsel and met with Lord Gold and with the Rolls Royce team charged with reform of the company's compliance system and compliance oversight.

Although UKEF was satisfied that the company had taken appropriate steps to reform itself and to establish effective compliance systems to minimise the risk of a reoccurrence of these historical problems (as had been evidenced by the comments of Lord Justice Leveson in the DPA), it considered that it was appropriate and reasonable to extend the due diligence procedures for future and ongoing cases involving Rolls Royce, including where Rolls-Royce were not the applicant for support but were being indirectly supported. Mr Cauthery provided an overview of the changes compared with the normal procedures – transactions involving Rolls-Royce were now being processed under this process.

The Council noted the presentation and considered that DPAs may become a more common outcome in complex bribery and corruption cases.

PROJECT UPDATE; VITOL / GHANA PRESENTATION

Ms Morato provided an update on the Offshore Cape Three Points Project in Ghana. Ms Morato gave a background overview of the construction details and dates of completion for phase one and two of the project. Oil production began three months ahead of schedule, in May 2017. Monitoring has been on-going throughout the commissioning of Phase 2 and Phase 1 operations.

Ms Morato discussed the Environmental and Social considerations of the project. This included reviewing the impact assessments and specific management plans that related to the impact to fishing activities, sensitive habitats, and economic displacement, amongst others. This also included the measures in place to mitigate these where impacts were acknowledged to be significant.

Ms Morato highlighted that some of these activities were undertaken to achieve alignment with project lenders' environmental and social standards. UKEF seek to ensure that projects meet the requirements of the OECD Common Approaches and Equator Principles.

Ms Morato also discussed the practical challenges faced during this project, including a complex transaction structure.

The Council discussed the lessons learnt from this project.

The Council observed that in projects of this type, the time required to complete tasks such as due diligence, term sheet negotiations, monitoring and notification requirements should not be underestimated.

Moreover, the importance of maintaining positive relationships with the project developers/operators was also discussed as being integral for the success of this project. The Council discussed the benefits of adequate stakeholder engagement with the local community to further promote environmental and social awareness.

GENDER UPDATE

Ms Almasi provided an update to The Council regarding recent gender related activities within UKEF.

Ms Almasi emphasised UKEF's commitment to gender as well as highlighted the importance of consistency in considering gender issues in undertaking Environmental and Social due diligence.

Ms Almasi spoke about the Environment and Social team's enhancements to its screening process to better identify gender and climate change risks.

Ms Almasi provided an overview of events that have occurred since EGAC last discussed gender topics. Ms Almasi discussed recent external speakers who have been invited to present on the topic. For example, one recent event invited a speaker to talk about gender within the IT sector. This was well attended by a range of UKEF individuals.

OECD ANTI-BRIBERY UPDATE

Mr Waterhouse updated The Council on the progress made in the review of the OECD Recommendation on Anti-Bribery and Corruption.

Mr Waterhouse reviewed proposals put forward by UKEF and like-minded delegations to OECD Export Credit Group in support of a revised Recommendation. Discussions at the OECD seeks to bring the Recommendation up to date and implement even standards across ECAs.

The Council discussed the strength of the legal environment in the UK in terms of anti-bribery and corruption. Mr Waterhouse stressed that the UK was taking a leading role in ensuring that the international community strives to match the quality of anti-bribery and corruption regulations in the UK.

Mr Waterhouse set out the main elements in the compromise proposal that been prepared by the Chairman to seek agreement on a new Recommendation. The Council expressed their disappointment at the lack of ambition shown by other ECAs.

The Council discussed ways in which a strategy for supporting a more comprehensive anti-bribery and corruption recommendation could be interlinked with the Trade Policy team within the Department of International Trade. Mr Waterhouse noted these comments and agreed to update The Council with updates at future meetings.

The Council agreed that, given the emerging outcome, they would write to the Minister for Trade to express their disappointment and encourage further efforts to strengthen the proposals.

FREEDOM OF INFORMATION UPDATE

The Council considered information requests which had been answered since the last Council meeting. The Council noted the continued high performance against statutory deadlines for

processing requests under the Freedom of Information Act and the Environmental Information Regulations.

EGAC SCORECARD

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.

BUSINESS SUPPORTED

The Council noted the business supported since June 2017.

ANY OTHER BUSINESS

The Council briefly discussed possible agenda topics for future discussion. Council members reviewed dates for future meetings.

Nia Bevan

Secretary

Action: Council members to provide any further comments by 4th of December 2017.