

## EXPORT GUARANTEES ADVISORY COUNCIL

### MINUTES OF MEETING HELD ON 25 February 2019

**Present:** Mr Andrew Wiseman (Chair)  
Mr Alistair Clark  
Mr John Newgas  
Mr John Morrison  
Mr Stephen Prior

**Apologies:** Ms Alexandra Elson  
Mr Neil Holt  
Ms Anna Soulsby  
Dr Roseline Wanjiru

**In attendance:** Mr Mark Batts (item 3)  
Mr Phillip Churchill (item  
4,5)  
Mr Patrick Crowley (item  
5,6)  
Mr Max Griffin  
Ms Davinder Mann (item 3)  
Dr Helen Meekings  
Ms Gabi Morato (item 5,6)  
Mr Louis Taylor (UKEF CEO)

**Secretary:** Mr David Underwood

#### 1. MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

1.1. The minutes of the December 2018 meeting were approved by the Council.

1.2. The minutes of the February 2018 were reviewed by the Council and the chair asked that any comments arising from further review should be directed to the EGAC secretary.

1.3. John Morrison updated the Council on his meeting with UKEF on the application of the Modern Slavery Act 2015. The issue is of particular interest to the Council, and the Council requested that UKEF provide a further update on the issue at the June 2019 meeting (**Action: Secretary to arrange**).

**2. CHIEF EXECUTIVE'S UPDATE**

2.1. Mr Taylor provided a business update to the Council. The end of October figures for issued and effective business and premium were at £1,275m and £85m respectively. New business recorded for 2018/19 totals 555 issued and effective facilities, consisting of 523 Short-Term facilities and 32 MLT facilities. This provided cover for 124 exporters, of which 93 are SMEs. Mr Taylor advised the Council that the pipeline of cases with Conditions Precedent that are nearly completed was significant, and numbers in excess of those in the business forecast were likely to be realised by year-end.

2.2. Mr Taylor updated the Council on his recent meetings with other Export Credit Agencies (ECAs) in respect of aerospace business. He reported helpful cooperation and alignment between the UK, German and French ECAs in identifying ways to strengthen the due diligence procedures.

2.3. Mr Taylor updated the Council of recent activities in respect of Petrofac business.

**3. FINANCIAL CRIME COMPLIANCE UPDATE**

3.1. Davinder Mann and Mark Batts updated the Council on the work UKEF was carrying out to design a financial compliance operating model. The Council noted that UKEF's approach was to adopt market best practice where appropriate, mindful that it is not a regulated institution. To help identify, measure and control financial crime risks, UKEF has developed a Risk Appetite Statement, which the Council examined and which will be made public.

3.2. The Council considered the actions completed by UKEF over 2018, including the people and structural changes which had been implemented. The Council

agreed the appropriateness of a risk based approach which would see UKEF carrying out more due diligence on cases where there was perceived increase risk.

3.3. The Council recognised that UKEF was implementing an “everyday compliance” culture by providing full training and offering support for underwriters to carry out the more straightforward due diligence, and developing a centre of excellence in the compliance team to carry out due diligence on more challenging cases.

3.4. The Council agreed that close cooperation between the compliance and underwriting divisions was vital to embedding good practice. UKEF advised that in coming months, IT and digital improvements were expected which would allow scaling up of actions in the event of the expected increase in business levels.

3.1. The Council asked to be kept updated on developments. The Council also asked how UKEF approaches sanction situations where US and European sanctions did not align. UKEF considers both sets of sanctions, but gives priority (currently) to EU sanctions.

#### **4. ENVIRONMENTAL AND SOCIAL RISK TEAM ANNUAL REPORT**

4.1. Max Griffin and Phillip Churchill provided the Council with a review of activity undertaken by the E&S team in 2018. The Council welcomed the detailed and very useful information contained within the report, and advised that UKEF could make more use of the information to publicise the good work carried out by the UKEF team.

4.2. The Council noted that the Equator Principles were becoming increasingly central to the work UKEF was doing. The Council was also pleased to see that when OECD ECAs were involved, they were often raising the E&S standards which the projects, buyers and sponsors were being held to.

**4.3. Action: The E&S team will consider how to make more use of the report.**

**5. EQUATOR PRINCIPLES FOUR**

5.1. Gabi Morato updated the Council on proposed changes to Equator Principles. In November 2017, the EP Association committed to undertaking a targeted review and update of the EPs to reflect emerging good practice across the financial sector and considering three key issues: scope of applicability; human rights (inclusive of the rights of Indigenous Peoples); and climate change. As a member of the EP Steering Committee, UKEF has been actively involved in the EP update process.

5.2. The Council noted that although some new assessments may be required of customers and projects, the proposed changes would not take UKEF beyond commitments made in the OECD Common Approaches.

**6. ENVIRONMENTAL AUDIT COMMITTEE: REVIEW OF SUBMISSIONS**

6.1. Patrick Crowley presented the Council with an update on the Environmental Audit Committee (EAC) inquiry into UKEF's financing of fossil fuels in developing countries. He highlighted the evidence so far submitted to the inquiry by stakeholders which will inform EAC's eventual report and to which Government will expect to provide a response.

6.2. The Council was updated on the themes emerging from the evidence submitted so far. Civil society, academics and think tanks have been critical of UKEF in their submissions and have recommended that UKEF: Plan to urgently phase out fossil fuel support; Increase support for renewable energy; Increase transparency; and Provide international leadership to end fossil fuel support. The Council noted the themes and considered them against UKEF's

mandate to look at the business that is presented to it, largely in a reactive role based on the exporter base available in the UK.

6.3. The Council considered the very low level of support for coal projects which is provided by UKEF and the EGAC chair asked that Council members scrutinise the business issued list and request UKEF to provide background and presentations on the cases that they identify.

6.4. The Council requested future updates as the EAC calls further witnesses (including the chair of the Council) and publishes further evidence. Once the EAC issues its report, this will be brought before the Council for it to provide advice to UKEF and Ministers on the Government's response. In the meantime, Council members would further review the evidence submitted and provide comments to UKEF. **Action: EGAC members to provide comments to UKEF.**

## **7. FREEDOM OF INFORMATION UPDATE**

7.1. The Council considered information requests which had been answered since the last Council meeting. The Council noted the continuing good performance against statutory deadlines for processing requests under the Freedom of Information Act and the Environmental Information Regulations.

## **8. ENVIRONMENTAL AND SOCIAL TEAM QUARTERLY MONITORING REPORTS – JANUARY and BUSINESS SUPPORTED LIST**

8.1. The Council reviewed the latest Environmental and Social Team (E&S) monitoring reports. Mr Griffin gave some short updates on significant cases where UKEF had provided support. The Council also noted the recent business supported list. The Council asked for more information on the cases listed involving Carillion. UKEF advised that UKEF had no direct exposure to

Carillion. Exposure to Carillion customers was performing well, with joint ventures carrying out the work under the contract.

**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. ANY OTHER BUSINESS**

10.1. None

**David Underwood**

**CXO Secretariat**