

## MINUTE OF MANAGEMENT BOARD MEETING – 2 MAY 2013

Present:	Guy Beringer (Chair)	Jimmy Croall	Items 3 and 4
	Sir Eric Peacock	Michelle Ford	Items 3 and 4
	David Havelock	Cameron Fox	Item 5
	Nigel Addison Smith	Ali Sherwani	Item 2
	Steve Dodgson	John Snowdon	Item 2
		Paul Radford	Items 3 and 4
Apologies:	David Godfrey		
	Jon Harding (UKTI)		
	Sue Johnson		
	Nicholas Ridley		
Secretary:	Iain Phillips		

### 1. **Draft Minute of 21 March meeting**

1.1. The draft minute was agreed.

### 2. **Civil Project Business**

2.1. MB was provided with a review of the Civil Project Business over the preceding twelve months. It had been a busy year and the team had completed 25 overseas market visits. There was a strong pipeline of large project business.

2.2. Of note during the year was the increased coordination and collaboration with UK Trade & Investment (UKTI), particularly on the High Value Opportunities (HVO) programme and the close liaison with overseas Posts in markets where opportunities for UKEF support would be key in assisting UK exporters. The team was also working closely with the big Engineering, Procurement and Construction partners and large contractors in the key UK sectors.

2.3. UKEF was now progressing on the 2013-14 timetable for market and key contractor visits. It was noted that a useful deliverable from UKTI for overseas visits would be a list of key UK exporters by industrial sector that could be provided to overseas project sponsors to highlight the breadth and potential on UK companies that are available to use if, for example, it was decided to procure goods and services from the UK.

2.4. MB noted that this area of the business faced significant competition from other export credit agencies, particularly those that could provide direct lending

support to overseas project sponsors. Therefore, it was key that UKEF engaged with project sponsors as early as possible.

- 2.5. In relation to the HVO programme specifically, UKEF was working very closely with UKTI, attending programme board meetings, training UKTI and FCO business specialists so that they understand finance issues on major projects and engaging closely with project sponsors. UKTI was routinely directing customers to UKEF on financing matters. UKEF and UKTI had identified 14 HVO projects where a package of support from UKEF could assist UK exporters. UKEF had also identified a further 24 projects not captured by the UKTI HVO programme. MB noted that it was important that UKTI and UKEF identify UK companies that could bid for contracts that could benefit from the UKEF support provided through the HVO programme.
- 2.6. MB discussed the potential resourcing needs that the increased activity and growing pipeline of projects was presenting and noted that UKEF was forming a dedicated team to work on the HVO projects. The civil and defence business underwriting and case management would remain the responsibility of Business Division 2.

### **3. Credit Risk Review**

- 3.1. MB noted the annual Credit Risk Review, which included an update on business history, sector breakdown and risk profile of UKEF's current portfolio. MB noted that during the year UKEF had completed the transition from in-house sovereign credit ratings to Standard and Poor's (S&P) country ratings. However, UKEF had still reviewed 105 countries that were not rated by S&P. UKEF had also completed its Exposure Risk Management framework recalibration and implemented the new OECD regime for corporate risk ratings.
- 3.2. MB discussed the impact of the Short-Term Products, in terms of processing times and volumes of current and pipeline business, and noted that work was underway to further streamline processes for this category of business. It also noted that there had been no claims to date as a result of business supported under the Short-Term Products. MB noted that UKEF had limits in place to Aero and non-Aero to underwrite business deemed to be outside its usual

medium/long-term risk standards. In the light of experience and increased demand MB endorsed the proposal to increase both limits which had been unchanged for a number of years.

#### **4. Provisions**

4.1. MB noted the proposed year end provisions which will be submitted for endorsement at the next Audit Committee.

#### **5. Q4 Financial Performance and full-year results**

5.1. MB discussed UKEF's fourth quarter provisional results, noting that all financial objectives were being met. Of note, UKEF had had a record year in terms of premium income earned which stood at £133 million. This was the highest since 1991, and up from £85 million in the previous year. MB noted that HM Treasury was currently considering UKEF's submission for the 2015-16 Spending Round.

**Iain Phillips**

**Chief Executive's Office**