

## MINUTE OF MANAGEMENT BOARD MEETING – 24 OCTOBER 2012

Present:            Guy Beringer (Chair)            Tahir Ahmed            Item 5  
                      David Godfrey                    Simon Foister            Item 5  
                      Katherine Letsinger            Cameron Fox            Item 3  
                      Sir Eric Peacock                Paul Radford            Item 2  
                      Patrick Crawford  
                      Nigel Addison Smith  
                      David Havelock  
                      Sue Johnson  
                      Nicholas Ridley

Apologies:        Jon Harding (UKTI)  
                      Steve Dodgson

Secretary:        Iain Phillips

### 1. **Draft Minute of 27 September meeting**

1.1. The draft minute was agreed.

### 2. **Exposure Management Framework**

2.1. MB discussed the proposal for recalibration of UK Export Finance's Exposure Management Framework (EMF), which included a number of changes:

2.1.1. raising the "hard" exposure limit for the lowest risk and largest markets to £2.5bn;

2.1.2. simplifying the EMF matrix to eight Expected Loss bands and five GDP bands; and

2.1.3. increasing the emphasis on stress testing and scenario analysis.

2.2. As advised at previous meetings, this proposal was the third element of the Credit Risk Group's "Autumn Package", which had already seen the adoption in 2011-12 of Standard & Poor's sovereign risk ratings and the redevelopment of Credit Explorer, UK Export Finance's portfolio modelling tool.

2.3. MB discussed the wider context behind the proposals, such as the increased business volumes in recent years, the new short-term products, the growing pipeline of large civil project finance cases, and the UKTI's High Value

Opportunities programme where UK Export Finance support could be crucial for UK exporters in winning business.

- 2.4. Although the proposal represented a significant increase in the exposure limits, MB noted that there was no intention for UK Export Finance to move away from rigorous case level control taking into account the underlying risk profile of each transaction. MB was also re-assured that whenever large, novel or contentious risk decisions are being considered, UK Export Finance must notify HM Treasury before it can commit its support. MB was advised that alongside HMT consent, Ministers would also be advised of the proposals.
- 2.5. Seeking clarity on the roles and responsibilities in decisions on material policy issues such as now proposed, the CEO informed MB that responsibility lay with the Accounting Officer, and ultimately Ministers, but that these decisions are made in the light of advice from the Board. MB's principal role in this respect was to advise and challenge on UK Export Finance's policies and practices.
- 2.6. Given the extreme tail-end risks and possible concentrations, MB considered it would be helpful to have a further discussion at a subsequent meeting on the economic scenario and stress testing work regularly undertaken on the portfolio.

### **3. Q2 Financial Performance**

- 3.1. MB reviewed the Q2 financial performance, noting that all financial objectives were on target.

### **4. Annual Legal Review**

- 4.1. MB considered the General Counsel's annual review of legal risk. Although the department had not experienced any material number of new claims in recent years, MB recommended that consideration should be given to alternative approaches to claims handling especially on insurance contracts and their relative merits.

## **5. International Strategy Review**

- 5.1. MB was provided with a briefing on UK Export Finance's international strategy. It noted that, since its previous briefing, the new Common Approaches and Climate Change Understanding had been agreed and that, although the UK had not been able to secure all of its aims in the negotiations, the latest agreements represented progress on improving the level playing field for UK exporters. MB asked Executive Committee to consider whether there was more that could be done by UK Export Finance to publicise the efforts it had made to improve the international standards through these negotiations.
- 5.2. MB was also provided with an update on current work on the OECD outreach initiative, which was being led by the US with a focus on China.

## **6. Chairman's Strategic Agenda**

- 6.1. MB discussed the proposed strategic agenda for 2013 and agreed that the Board should give particular consideration to the shorter term goals set by Ministers for 2012-13, such as implementation of UK Export Finance's support for UKTI High Value Opportunities programme and the putting in place of the proposed Export Refinancing Facility.
- 6.2. The Board also suggested that it would be beneficial for it to have a review session with UK Export Finance's senior managers alongside relevant UKTI managing directors to consider common strategic issues facing the two organisations and the potential for more collaborative working.

## **7. Any other business**

- 7.1. In September, Patrick Crawford had told UK Export Finance staff and the Board that he would be stepping down as Chief Executive. As this was his last Board meeting, the Chairman thanked Patrick for his long and distinguished service to UK Export Finance over more than eight years, commending him on the leadership he had provided the department. He said Patrick had led the department through a period which had seen a notable increase in efficiency and effectiveness, an improved product range and an increased awareness of the department's product and services among UK exporters and within

Government. The Chairman and the Board wished Patrick all the best in his new role as Chief Executive of The Charity Bank.

**Iain Phillips**

**Chief Executive's Office**