

MINUTE OF MANAGEMENT BOARD MEETING – 19 JUNE 2014

Present:	Guy Beringer (Chair)	Len Brown	Item 3
	Jon Harding	Jimmy Croall	Item 2
	Fiona-Jane MacGregor	John Cross	Item 2
	Amin Mawji	Paul Radford	Item 2
	Sir Eric Peacock		
	David Godfrey		
	Cameron Fox		
	David Havelock		
	Stephen Lawrenson		
	Lucy Wylde		

Apologies: Steve Dodgson

Secretary: Iain Phillips

1. **Draft Minute of 1 May meeting**

1.1. The draft minute was agreed.

2. **Credit Risk Review**

2.1. MB began by recording its thanks to Jimmy Croall who was retiring at the end of June. Mr Croall, most recently as head of Pricing and Reporting Division, had provided the board with extensive advice over many years and was recognised as an expert in his field both at UK Export Finance and in the EU and OECD fora.

2.2. MB was provided with a review of UK Export Finance's business portfolio. In 2013-14 support of £2.3 billion had been provided for UK exports, which was comparable to 2012-13 when the single large defence contract supported in 2012 was excluded. Even with no defence business supported in 2013-14, premium income was comparable to the previous year, principally due to the increased rates charged in the aerospace sector owing to implementation of the new rates introduced in the OECD Aircraft Sector Understanding.

2.3. It was noted that given almost 70% of the portfolio was denominated in US Dollars, movements in the GBP/USD foreign exchange rate had a significant impact on exposure. A breakdown of the portfolio by obligor rating showed that the largest proportion of the portfolio remained at investment grade. The poorer

grades were typically in relation to smaller companies. The business pipeline was also broadly of good credit quality and well diversified for an export credit agency. The recent introduction of OECD corporate benchmarking had helped level the international playing field by stipulating minimum pricing for corporate risk, mirroring the regime which already existed for sovereign risk.

- 2.4. MB discussed UK Export Finance's performance through the year against its financial objectives, against which the department had performed strongly. The premium risk ratio for each individual business area was noted and the reserve index remained strong.

3. Management Information Project

- 3.1. MB received a presentation on the Management Information (MI) project, which had been started to look at reporting of management information across the organisation. The project was currently in the scoping phase which would identify that information needed and that not readily available but required and utilise the technology and IT infrastructure already in place. The project would also lead to introduction of a new management information strategy and framework which would then feed into development of new key risk and performance indicators.
- 3.2. MB recommended that advice be sought from other departments, such as UKTI and BIS, as to how they use MI. Views should also be sought from stakeholders, such as HMT, to determine their needs.
- 3.3. MB also discussed the National Audit Office maturity matrix for performance measurement and how the department scored against its three measures.

4. Audit Committee report

- 4.1. MB received a report on matters discussed at the Audit Committee meeting in June. MB commended those involved in the production of the 2013-14 Annual Report and Accounts for the timeliness and quality of the document, which had been laid in Parliament on 17 June. MB also discussed the recommendations of the year-end audit, which would be taken forward in 2014-15. The recommendations included:

- 4.1.1. giving consideration to the number of trained users for REVAL;
- 4.1.2. gaining better assurances over processes used by third party contractors working for UK Export Finance; and
- 4.1.3. the most appropriate accounting policies to be used for the Export Refinancing Facility in the 2014-15 accounts.

5. Export Guarantees Advisory Council Review

- 5.1. MB discussed the recent review of the Export Guarantees Advisory Council, which had, among other things, recommended increased engagement with MB. The role and scope of the Advisory Council was discussed and the interactions that it had with stakeholders, including NGOs such as the British Exporters' Association and Amnesty International.

Iain Phillips

Chief Executive's Office