

MINUTE OF MANAGEMENT BOARD MEETING – 18 SEPTEMBER 2014

Present:	Guy Beringer (Chair)	Olga Crosse	Item 4
	Fiona-Jane MacGregor	Phillip Galliver	Item 3
	Amin Mawji	Adam Harris	Item 2
	Sir Eric Peacock	Rohin Morjaria	Item 2
	Cameron Fox	Kirsten O'Connell	Item 2
	David Havelock	Paul Walsh	Item 2
	Stephen Lawrenson	Gordon Welsh	Item 2
	Lucy Wylde	Eleanor Villamar	Item 2

Apologies: David Godfrey
Steve Dodgson

Secretary: Kate Bittlestone

1. **Draft Minute of 17 July meeting**

1.1. The draft minute was agreed.

2. **Aviation sector review**

2.1. MB received a presentation by members of UKEF's aerospace division and Credit Risk Group on their annual review of the aerospace sector. MB acknowledged the work that had gone into the review, and the value of the report as a record of the department's work.

2.2. MB noted UKEF's business levels in 2013/14, and discussed the reasons behind the decrease from 2012/13. MB noted that there was lower take-up of Export Credit Agency (ECA) support in the aerospace sector more generally due to the recovery of the commercial markets.

2.3. MB noted that business volumes were expected to be lower still in 2014/15, as the capital market share of aircraft financing is likely to increase. However, the Basle III leverage ratios imposed on banks mean that it is likely that ECA take-up will increase over time.

- 2.4. MB noted that an analysis of a variety of scenarios had found that in the event of most market events, UKEF would still have capacity to support new business.
- 2.5. MB noted the range of new products introduced by UKEF, including Renminbi financing options. It also discussed UKEF's product range compared to the offering of other ECAs such as Euler Hermes and Coface.
- 2.6. MB noted that two-thirds of an aircraft's value is derived from its supply chain and that Airbus and Rolls-Royce have major UK supply chains.
- 2.7. MB discussed whether UKEF has the right tools and capabilities to handle and discussed whether additional investment in the post-issue management side was necessary. MB noted that the changes to UKEF's legislation would also assist UKEF to respond to changing market conditions.

Action: Secretariat to schedule update on contingency planning for 'black swan' events and new product development.

- 2.8. MB noted more generally the actions taken to raise awareness of UKEF among SMEs. MB asked for an update on UKEF's stakeholder mapping exercise.

Action: Secretariat to schedule update on stakeholder mapping exercise.

3. Update on risk management

- 3.1. MB received a presentation about operational risk (OR) and the plans to revise the existing OR framework to encourage greater ownership and accountability. MB noted that the new framework should not be burdensome but will provide Executive Committee with the required assurances about UKEF's day-to-day processes and the controls in place.
- 3.2. MB noted the actions already taken, including the nomination of divisional Risk Champions who will support staff, maintain the register and report to the OR Manager in a hub and spoke model. MB noted that a series of 20 to 25

workshops will be scheduled with the Risk Champions and key staff to gain an understanding of all the risks and controls across UKEF, which will enable the risk register to be populated. MB noted that the workshops will be held in October.

- 3.3. Future reporting to Executive Committee will be on an exception-only basis and the Risk Champions and OR Manager would meet monthly and the risk register will be reviewed every six months.
- 3.4. The initial focus of the new register would be on OR but that strategic risk could be incorporated at a later stage. MB noted that a successful pilot of the new framework had been undertaken in the General Counsel's Office.
- 3.5. MB noted that Shareholder Executive (ShEx) operated a 'heat pad' system for early identification of problems, and suggested that this practice be shared with UKEF. MB also asked to receive updates on the risk register.

Action: Fiona-Jane MacGregor to share the ShEx 'head-pad' system with Philip Galliver.

Action: Secretariat to schedule regular updates on the risk-register.

4. HR update

- 4.1. MB noted that UKEF had taken on 66 new staff since April 2014, and was projected to take on 82 staff by the end of the year.
- 4.2. MB received an update on the leadership assessment programme being undertaken by senior staff. MB noted that tailored development plans for each staff member would be produced, and discussed the types of activities that might be required.
- 4.3. MB noted the ongoing efforts to recruit a new head of HR, and received an update on changes to learning and development within UKEF. MB also noted

that work had begun on facilitating inward and outward secondments of staff to banks, which would be of particular benefit to staff in the Business Group.

- 4.4. MB discussed staff pay and other reward systems in place, and noted that the annual staff survey would be launched in October. MB discussed the potential outcomes of the survey.

Kate Bittlestone

Chief Executive's Office