

Accountability

UKEF is based in the HM Treasury building on Horse Guards Road, London.



UKEF Board members

1 Noel Harwerth

Non-executive Chair

Noel Harwerth was appointed Chair of the UKEF Board in January 2017. As part of her role she is also a Non-Executive member of the Department for International Trade Board.

Noel comes from a long career in the finance and mining sectors with significant experience in emerging markets. She is a non-executive director at Standard Life plc, the London Metal Exchange, CHAPS Co and Sirius Minerals. Her executive career has included roles with Citigroup International as its Chief Operating Officer, Citicorp and Dun & Bradstreet.

2 Louis Taylor

Chief Executive

Louis joined UKEF in October 2015. His previous roles include Chief Operating Officer, Group Treasury at Standard Chartered Bank; CEO of Standard Chartered in Vietnam, Cambodia and Laos; and Vice Chair of the European Chamber of Commerce in Vietnam. He is also a member of the Department for International Trade Board.

3 Cameron Fox

Chief Financial Officer

Cameron joined UKEF in January 2006 and has held a number of finance positions within the organisation over this period. Prior to joining, Cameron worked at HM Treasury on various finance projects. Cameron has also worked as an accountant in audit and tax services for public and private sector organisations.

4 David Havelock

Chief Risk Officer

David joined UKEF in October 2005. He is Director of the Credit Risk Group and a member of the Executive Committee. David was Director of Credit Management, Corporate Banking Services at NatWest Bank. More recently, he was a director at Close Brothers corporate finance, and worked for Arthur Andersen and Ernst & Young.

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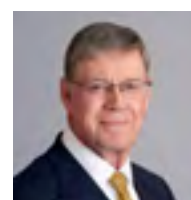
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5 Justin Manson



5 Ex-officio member of UKEF Board as director at UK Government Investments

Justin joined UK Government Investments as a director at its creation on 1 April 2016. Before that, he was a director in the Shareholder Executive, which he joined in June 2015. Previously he was an investment banker at Morgan Stanley for 20 years and before that at CSFB and First Boston for 8 years. He is a trustee of the Chelsea Academy Foundation and has been a trustee of the Royal National Theatre Foundation.



6 Amin was appointed as a non-executive director of the UKEF Board in 2013. Amin was a partner at Ernst & Young. He has served as a member of the CBI Manufacturing Council and was previously chair of the audit committee and member of the board at UKTI. He was also previously a member of the audit & finance committee at the Department for International Development, and the audit & risk committee at the Department for Environment, Food and Rural Affairs.



7 **6 Amin Mawji OBE**

Non-executive director and Chair of Audit & Risk Committee

Amin was appointed as a non-executive director of the UKEF Board in 2013. Amin was a partner at Ernst & Young. He has served as a member of the CBI Manufacturing Council and was previously chair of the audit committee and member of the board at UKTI. He was also previously a member of the audit & finance committee at the Department for International Development, and the audit & risk committee at the Department for Environment, Food and Rural Affairs.



8 Oliver joined the UKEF Board in 2017. He has had a long career in the insurance sector, with significant non-executive experience. He provides specialist guidance and oversight of UKEF's risk management and underwriting activities as a member of the board's Audit & Risk Committee. Oliver brings significant risk management experience to the post, having served as Chief Risk Officer for Bupa and Aspen Insurance and held a number of senior positions with Willis Group and Prudential.

7 Sir Eric Peacock

Non-executive director

Sir Eric was appointed as a non-executive director of the UKEF Board in 2011. Knighted in 2003 for his services to international trade, he previously sat on the boards of UKTI, the Foreign and Commonwealth Office and the Department for Business, Innovation and Skills. He is currently Chairman of a number of SMEs and also leads The Peacock Foundation, Uniqueness and the AB Trust, all of which help disadvantaged children and young adults.

8 Oliver Peterken

Non-executive director

Oliver joined the UKEF Board in 2017. He has had a long career in the insurance sector, with significant non-executive experience. He provides specialist guidance and oversight of UKEF's risk management and underwriting activities as a member of the board's Audit & Risk Committee. Oliver brings significant risk management experience to the post, having served as Chief Risk Officer for Bupa and Aspen Insurance and held a number of senior positions with Willis Group and Prudential.



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9 Dr Catherine Raines FRSA MoID

Ex-officio member of UKEF Board as Director General, International Trade and Investment, Department for International Trade

Dr Catherine Raines is Director General of International Trade and Investment, the trade promotion directorate of the Department for International Trade. It delivers advice, support, advocacy and promotion to facilitate UK trade and investment worldwide. Catherine was previously Director-General, UKTI China, a position she held since April 2013, after a 25 year career in both the public and private sectors.

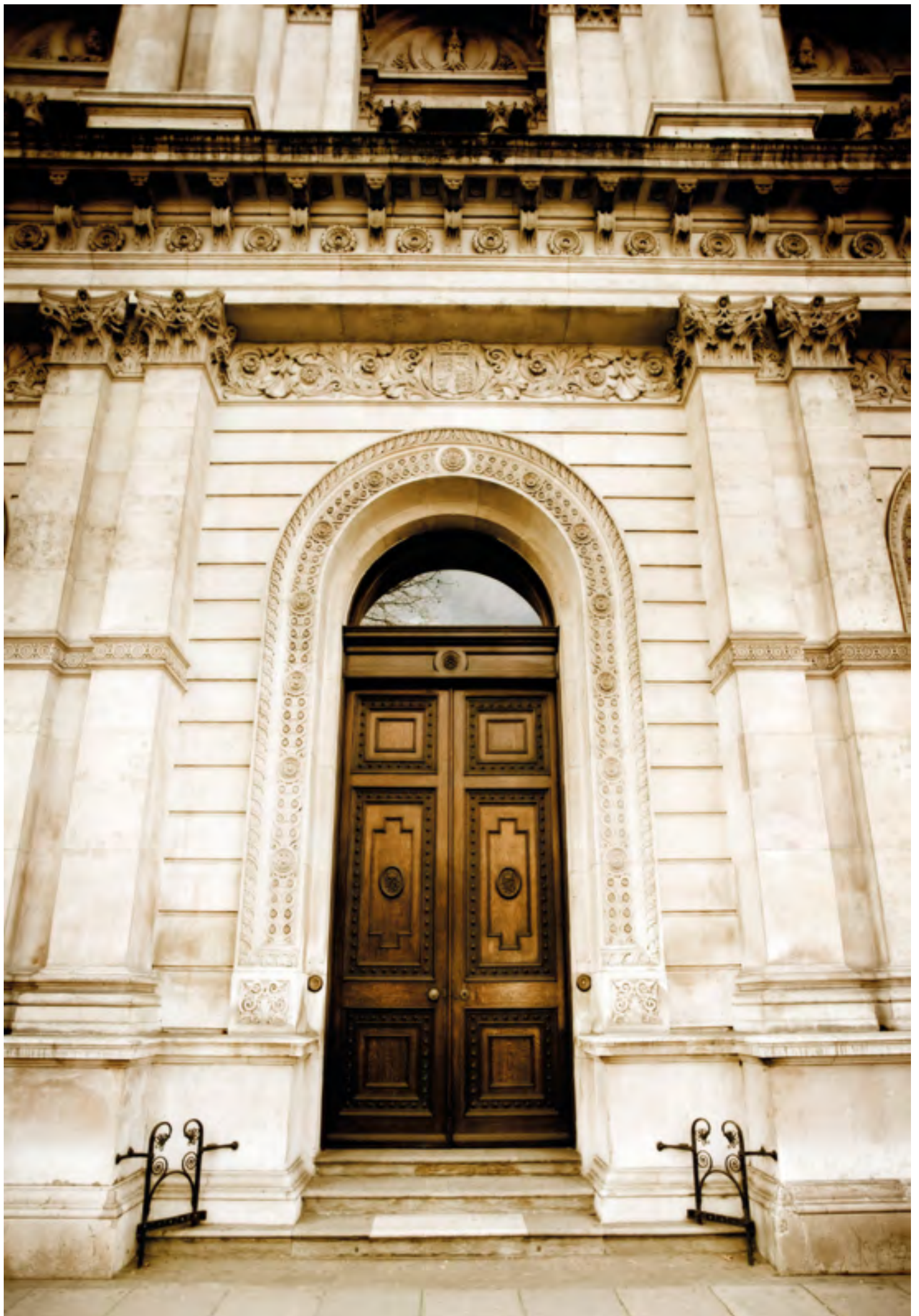


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10 Lawrence M Weiss

Non-executive director

Lawrence joined the UKEF Board in 2016. He was the Chief Executive Officer of Bank Leumi (UK) plc from 2008 to 2014. During that period he served as a member of the World Division Committee of the Association of Foreign Banks. From 1990-2008, he held a number of senior management positions in the oil division of Glencore, including responsibility for large project financing in developing countries and Head of Global Credit Risk Management. He began his career in finance at The Chase Manhattan Bank in New York and moved to London in 1982.



Governance statement

Introduction

As Accounting Officer for UK Export Finance (UKEF), I am responsible to ministers and Parliament for the management of UKEF's operations, including the stewardship of financial resources and assets. This Governance Statement sets out how I have discharged this responsibility for the period 1 April 2016 to 31 March 2017.

The areas covered below are:

- the organisational arrangements for managing operations, constituting our corporate governance framework
- my statement on the nature of UKEF's business and its vulnerabilities and resilience to challenges, requiring risk management and controls

Background

Our principal role is to provide support for exporters in the form of insurance, loans and guarantees. In doing so, we complement the provision of support from the private market, taking account of wider government export strategy and policies.

Our mission is to ensure that no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer. We exist to complement, not compete with the private sector, and work with a wide range of private credit insurers, lenders and other export credit agencies.

In providing support, we seek to:

- engage with exporters, buyers and delivery partners such as banks, without displacing private providers
- provide a quality of service that is responsive to new business, with a focus on solutions within the bounds of acceptable risk and in accordance with its statute
- maintain the confidence of ministers, Parliament and customers
- communicate what we do to interested parties in an effective way

We are working to ensure we can meet the evolving and increasing needs of UK exporters and of their financing partners. Our new 3-year business plan sets out the scale of our ambition, and how we plan to meet it.

An intended consequence of this change is that we will be better equipped to manage risk while meeting the needs of our customers, ultimately improving our resilience. However, during this period of change, we recognise there will be challenges to our risk environment, before we return to a more 'steady state' control environment.

Corporate governance framework

Department for International Trade

The Prime Minister announced the creation of the Department for International Trade on 14 July 2016 to promote UK exports, maximise opportunities for foreign direct investment and outward direct investment, and develop and deliver trade policy. UKEF is now aligned strategically and operationally with the new department to support our goal of ensuring that no viable UK export fails for lack of finance or insurance. With the creation of the department I was made one of its three Directors General.

In order to facilitate clear and appropriate governance of UKEF's business, UKEF will remain a legally distinct organisation under the Export and Investment Guarantees Act 1991, with its status as a Ministerial Department of State continuing unchanged. I will remain the Chief Executive and Accounting Officer of UKEF.

Along with other UKEF officials, I attend the Department for International Trade Board and its subcommittees with responsibility for all matters related to UKEF's support for British exporters. The Director General of International Trade & Investment, from the Department for International Trade, is an ex-officio member of UKEF's Board.

Statutory powers

Following the creation of the Department for International Trade, UKEF's reporting line was reassigned from the Secretary of State for Business, Innovation and Skills to the Secretary of State for International Trade.

UKEF's statutory powers are derived from the Export and Investment Guarantees Act 1991 (EIGA), as amended. The EIGA provides that the powers may only be exercised with the consent of HM Treasury, which includes a financial framework comprising financial objectives and reporting requirements.

Ministers

Ministers have been provided with regular written and verbal advice and briefings on a range of issues concerning our operations.

HM Treasury

Along with other UKEF officials, I regularly meet with officials from HM Treasury to advise them on matters related to our operations and performance. Throughout the year, and at least monthly, we supply HM Treasury with reports so that it can monitor our financial performance. HM Treasury also attends UKEF Board meetings as an observer.

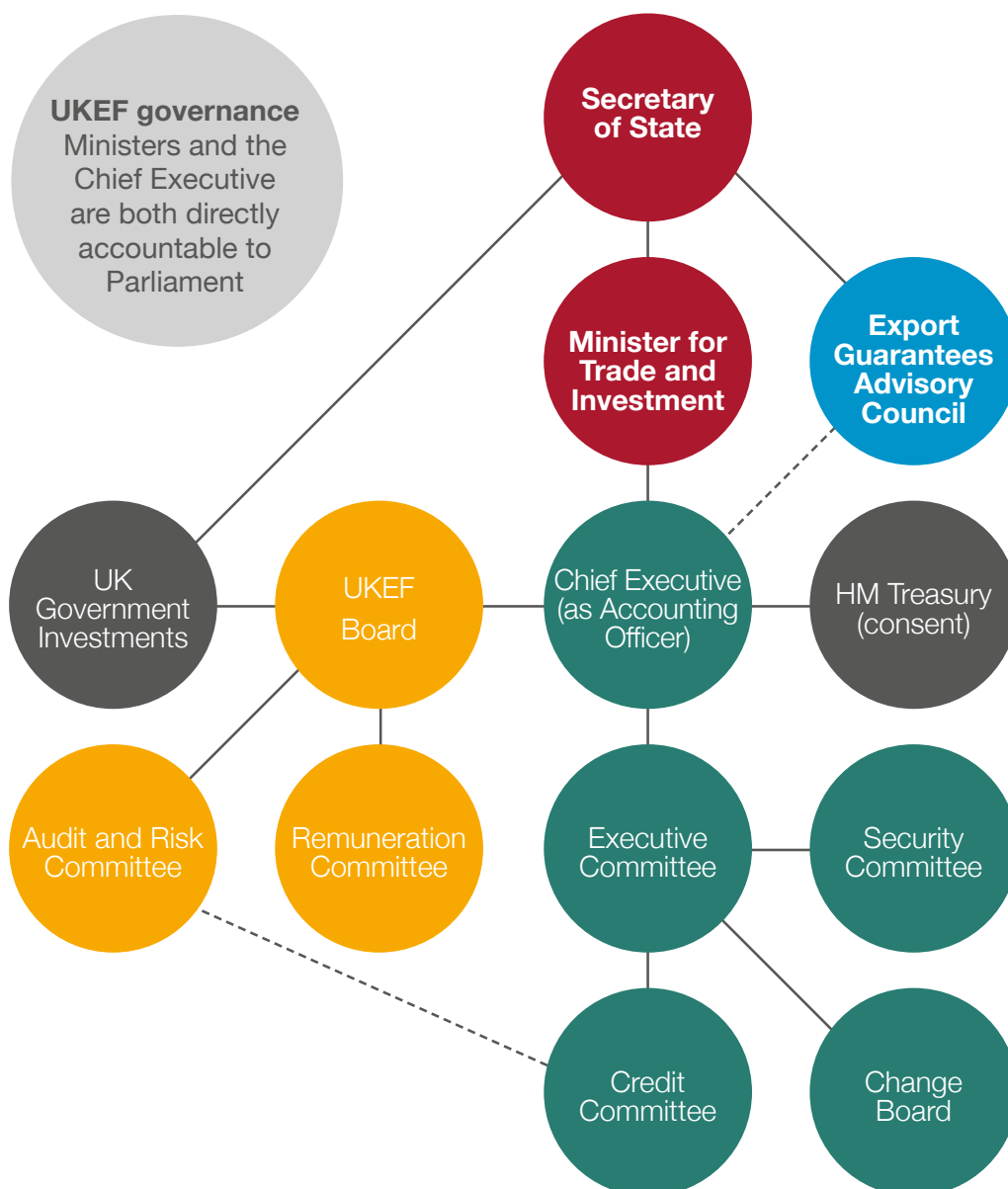
HM Treasury seeks to protect the taxpayer from excessive loss resulting from our lending or our contingent liabilities, and the UK economy from economic disbenefit. It exercises this role primarily by monitoring our performance against ministerially-agreed financial objectives and policy restrictions.

UK Government Investments

UK Government Investments (UKGI) is responsible for providing independent advice to the Secretary of State for International Trade in the exercise of his responsibilities for UKEF. A UKGI representative is an ex-officio member of UKEF's Board, and UKGI monitors UKEF's ongoing performance in relation to HM Treasury requirements. Particular areas of advice are:

- Corporate governance matters such as the appointment and remuneration of UKEF's chair, non-executive directors and Chief Executive Officer
- financial and operating performance and key performance indicators
- risk management functions and processes
- business planning and strategic direction
- alignment of policy objectives with those of other government departments

UKEF's committee structure



Autumn Statement

On 23 November 2016, the Chancellor of the Exchequer announced that UKEF would implement new measures to help boost UK exports, which included doubling its risk appetite.

When HM Treasury agreed this increase, it asked UKGI to augment the oversight of UKEF's risk management framework. As a result, UKEF's Audit & Risk Committee has approved measures of enhanced reporting over credit risk, so that it continues to be managed effectively as we seek to operate at no net cost to the Taxpayer.

Export Guarantees Advisory Council

UKEF has only one arm's length body: the Export Guarantees Advisory Council (EGAC) is an advisory body required by the Export & Investment Guarantees Act 1991. Its role is to advise the Secretary of State for International Trade on the policies that UKEF applies when doing business, particularly those related to:

- environmental, social and human rights
- anti-bribery and corruption
- sustainable lending
- disclosure, in line with information legislation

The Council independently publishes a report of its business in the year, which is available on page 109 and also from the Council's webpages at www.gov.uk/government/organisations/export-guarantees-advisory-council.

The Council was officially re-classified in March 2017 from a Non-Departmental Public Body (NDPB) to an Expert Committee, following the Cabinet Office's review of the administrative classification of public bodies, which aimed to simplify, rationalise and clarify the existing classifications.

The classification of public bodies review examined the impact of changing an advisory NDPB to an Expert Committee. The review found that the requirements placed on some of the smaller NDPBs were disproportionate to their size and cost, including reporting, reviews, appointments and documentation. Expert Committee classification allows for a more proportionate approach. The change in classification will not have an impact on the status or importance of the Council, or on UKEF's governance.

EGAC members serve on a voluntary basis. The Committee does not hold any independent budget or spending authority.

UKEF Board

In discharging my responsibilities, I am advised by the UKEF Board, of which I am a member. The Board is led by a non-executive chair. Its membership consists of senior executive directors (the Chief Executive, the Chief Risk Officer and the Chief Financial Officer) and non-executive directors including ex-officio representatives from the Department for International Trade and UKGI. There is also an observer from HM Treasury. The terms of reference require there to be a majority of non-executive and ex-officio members.

The Board's role is an advisory one, supporting the Accounting Officer in the management of UKEF through operational oversight and by providing advice, challenge and assurance.

The non-executive directors are appointed by the Secretary of State through open competition on the basis of relevant expertise and merit. They provide me with an independent source of advice, scrutiny and challenge on strategic and operational issues, on UKEF's financial performance, and on the arrangements for risk management and control.

This year the Secretary of State appointed a new chair to the UKEF Board, following the completion of the previous chair's term in December 2016, as well as two new non-executive directors, to increase the Board's private sector expertise in specific areas such as credit risk. The composition of the Board has also changed this year to reduce the number of executive members by two. As a consequence the Head of Business Group and General Counsel (the latter role having been deleted from UKEF's organisational structure in October 2016) are no longer executive Board members.

The Board reviews its effectiveness every year and an external review is undertaken every three years. Executive Committee members take responsibility for the quality of data provided to the Board from their respective areas of responsibility. The next external review is scheduled for 2017–18.

Through the maintenance of a register of interests, potential conflicts of interest involving the non-executive directors are identified and, if necessary, addressed. No conflicts of interest or potential conflicts of interest have been identified this year.

The minutes of UKEF Board meetings are published on UKEF's website.

The Board has two sub-committees, the Audit & Risk Committee and Remuneration Committee, membership of which comprises non-executive directors and other independent representatives agreed by the UKEF Board.

Audit & Risk Committee

This committee examines and reviews the adequacy of the arrangements for accounting, risk management and control. I attend the meetings, as does the Chief Financial Officer, the Chief Risk Officer (from 26 January 2017), the Chief Operating Officer (from 26 January 2017), the Head of Internal Audit and Assurance Division (IAAD) (from 19 October 2016) and officials from the National Audit Office and UK Government Investments. The Chair formally reports the outcome of meetings to the Board. In accordance with its terms of reference, in 2016–17 the committee reviewed, among other matters, the:

- planned activity and outputs of the IAAD and the external auditors
- operational risk management framework
- accounting policies applied by UKEF
- annual report and accounts

Following the 2016 Autumn Statement announcements, and discussion with HM Treasury and UK Government Investments, the Audit & Risk Committee in November 2016 revised its terms of reference to include increased oversight of credit risk. The Audit & Risk Committee will now receive reports on our management of credit risk exposures at the transaction and portfolio level, and on our compliance with credit risk policies.

Further, in 2017–18, the Audit & Risk Committee will be split into two separate bodies, being an Audit Committee and a Risk Committee, to better manage the areas of oversight of each committee, including the increased oversight of credit risk by the Risk Committee.

Remuneration Committee

This committee considers and agrees proposals from the Chief Executive on individual pay decisions as per the criteria outlined in guidance from the Cabinet Office about the remuneration of its Senior Civil Service (SCS) members; and ensures that these recommendations take into account any requirements or guidance from the Cabinet Office, including that the average increase to the SCS pay bill is within any centrally determined budget.

Executive Committee

I am supported in the management of UKEF by the Executive Committee, which I chair. Its membership is composed of senior executive directors who are all members of the SCS:

- David Havelock, Chief Risk Officer
- Gordon Welsh, Head of Business Group
- Bhaskar Dasgupta, Chief Operating Officer (from 3 October 2016)
- Lucy Wylde, General Counsel (until 30 November 2016)
- Cameron Fox, Chief Financial Officer
- Shane Lynch, HR Director
- Davinder Mann, Head of Legal Services (from 1 December 2016)

The minutes of Executive Committee meetings are published on UKEF's website.

There are three sub-committees of the Executive Committee, each of which is chaired by a member of the Executive Committee and whose membership is drawn from senior staff in UKEF:

- Credit Committee, chaired by the Chief Risk Officer, which advises on the effective management of UKEF's credit risk exposures at the transaction and portfolio level, and on compliance with credit risk policies.
- Change Board, chaired by the Chief Operating Officer, which advises on whether UKEF's investment in maintaining and improving its infrastructure, systems and processes is appropriate and effectively targeted and managed, and represents value for money.
- Security Committee, chaired by the Chief Operating Officer, which advises on the security of the assets required for UKEF's business operations, systems and processes, ensuring that they are appropriately secured in accordance with legal, regulatory and government requirements.

This year a register of interests was created to identify any potential conflicts of interest involving the senior executive directors and, if necessary, address them. No conflicts of interest or potential conflicts of interest have been identified this year.

Governance in 2016–17

As Accounting Officer, I state that:

- all instructions given to me by ministers were in accordance with the EIGA, HM Treasury consent requirements and applicable international agreements.
- it was not necessary in the year to seek a written direction from the minister resulting from concerns about financial regularity, propriety or feasibility.
- UKEF met all its financial objectives in the financial year.
- I met UK Government Investments, HM Treasury and Department for International Trade officials as necessary to brief them on issues related to UKEF, so that they could provide informed advice to ministers if and when required.
- measures were taken to recruit additional non-executive directors to allow for a majority of non-executive directors and ex-officio members on the UKEF Board.
- the Executive Committee met at least twice a month throughout the year.
- the UKEF Board met eight times in the year, the Audit & Risk Committee met five times and the Remuneration Committee met two times, consistent with their terms of reference.

Senior executive directors and their roles

The roles of the senior executive directors are as follows:

- Head of Business Group: responsible for our support for exporters and business development.
- Chief Operating Officer (from 3 October 2016): responsible for ongoing business and technology operations, operational oversight, change management, compliance and security.
- General Counsel (until 30 November 2016): responsible for all legal matters, compliance, security and for managing legal risk. This position has now been deleted, and replaced with the new Head of Legal Services role.
- Head of Legal Services (from 01 December 2016): responsible for core legal matters and supporting the Department in managing legal risk.
- Chief Financial Officer: responsible for finance and accounting, and business insight and analytics.
- Chief Risk Officer: responsible for financial risk and related management systems and practices.
- Human Resources Director: responsible for all people-related issues, staff administrative functions and strategic workforce planning.

Members of the UKEF Board and its sub-committees (with attendance figures)

Name of Board member	Role	UKEF Board	Audit & Risk Committee	Remuneration Committee
Guy Beringer (until 31 Dec 2016)	Non-executive Chair	5/5	2/3	2/2
Noel Harwerth (from 1 Jan 2017)	Non-executive Chair	3/3	2/2	0/0*
Amin Mawji	Non-executive director and Chair of Audit & Risk Committee	7/8	5/5	2/2
Sir Eric Peacock	Non-executive director	7/8	5/5	2/2
Justin Manson	Ex-officio Board member, UK Government Investments	8/8	3/5	2/2
Louis Taylor	Executive board director	8/8	5/5	2/2
Cameron Fox	Executive board director	8/8	5/5	-
David Havelock	Executive board director	8/8	2/2	-
Catherine Raines (from 1 Jan 2017)	Ex-officio board member, Department for International Trade	0/3	-	-
Lawrence Weiss (from 1 Nov 2016)	Non-executive board director	4/4	2/2	0/0*
Oliver Peterken (from 1 Feb 2017)	Non-executive board director	2/2	1/1	0/0*
Gordon Welsh (until 20 Oct 2016)	Executive board director	5/5	-	-
Lucy Wylde (until 30 Oct 2016)	Executive board director	4/5	2/3	-
Jane Owen (until 21 July 2016)	Ex-officio board member, UK Trade & Investment	2/3	-	-

*Meetings took place before appointees joined the organisation

Third-party delivery partners

UKEF works with a number of banks who act as delivery partners in the provision of its direct lending product. The terms of these contractual partnerships are governed by a panel memorandum agreement to ensure agreed levels of service are maintained.

Looking forward, UKEF expects to extend its delivery partner relationships, to improve levels of support to its customers.

Risk management and control

Our financial risk management is described in detail in the Chief Risk Officer's review on pages 67 and 93.

Strategic and operational risk

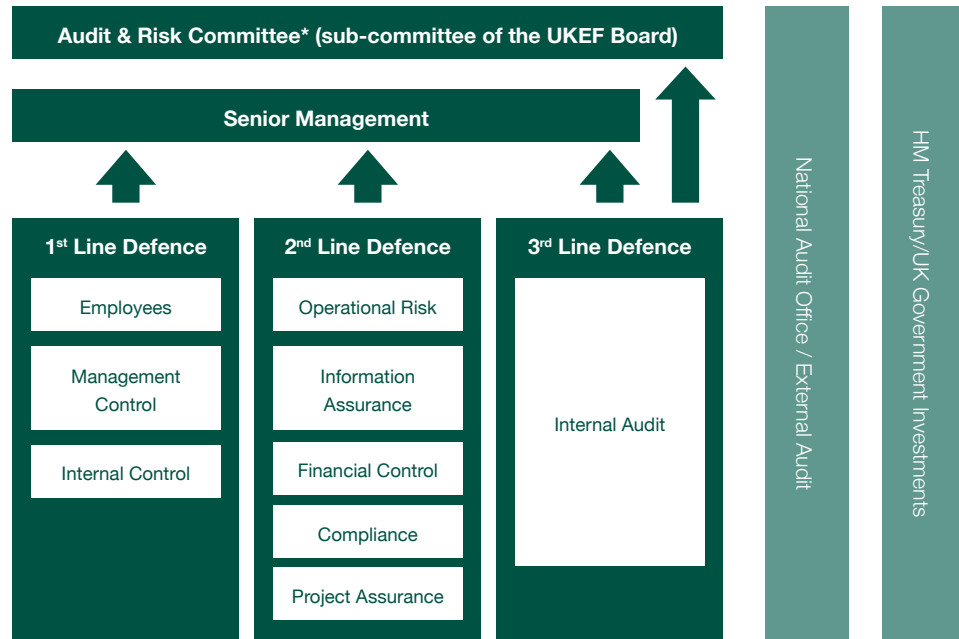
The Department has a strategic risk register in place that identifies named individuals from among UKEF's senior leadership who are responsible for UKEF's response to each recorded strategic risk. Strategic risks are regularly reviewed by the Executive Committee and the Board.

UKEF's operational risks primarily arise from our business-as-usual activities. These risks typically involve the possibility of error or oversight leading to a financial loss (other than as a result of properly managed exposure to credit risk) or a failure to properly discharge our obligations.

UKEF's operational risk management framework is designed to:

- identify risks
- assess the likelihood of risks materialising and the severity of their impacts
- evaluate and provide assurance in respect of controls already in place
- identify and prioritise any further mitigating actions required
- agree whether residual levels of risk are acceptable

Since it is not practical to eliminate all risk, the intention is to manage risks and mitigate them to a tolerable level. The Operational Risk Division (ORD) is part of the 'second line' within UKEF's 'three lines of defence' structure (see diagram below). ORD owns the policy through which the operational risk management framework is implemented, and maintains our operational risk register. It works with the other second line and third line assurance functions and the heads of functional areas across UKEF to reinforce ownership and accountability for risks and controls.



*The Audit & Risk Committee will be split into an Audit Committee and a Risk Committee in the following Financial Year.

ORD’s activities and the operational risk management framework were overseen by the Audit & Risk Committee during 2016–17, and will be overseen by the new Risk Committee during 2017–18.

Governance assurance exercise

In 2016–17 we strengthened our governance assurance process by undertaking the first of what will be an annual governance exercise at the end of each financial year. Divisional heads produce a letter of assurance (LoA), reporting to the Accounting Officer on the effectiveness of governance, risk management, and control within their areas of responsibility. These are reviewed by the assurance functions – internal audit, operational risk, and compliance – who may seek further opinion from other functions (such as finance, human resources, or legal) to validate the answers provided.

To provide further assurance to me as Accounting Officer I have introduced an annual challenge panel which I chair, supported by an independent party such as the UK Government Investments representative on the Board, which questions Directors on LoAs within their remit. I intend to supplement this by meeting with heads of functional areas throughout the year.

Information security risk

Information security risk in UKEF is reviewed on a regular basis. The Senior Information Risk Owner (SIRO) is the Committee-level representative responsible for information risk and chairs the Security Committee (currently our Chief Operating Officer).

Our security policy and procedures are managed by the Departmental Security Officer and his deputy, both of whom report to the SIRO. We measure ourselves against government security and information assurance standards every year.

The last full annual review, in May 2016, found that information security risk was being appropriately managed and no significant weaknesses were apparent. Independent sources of assurance are provided to the Security Committee as part of an annual programme of work, including assessment of UKEF suppliers, the results of incident management and disaster recovery testing, penetration testing and accreditation of core services. The next review is scheduled for early in 2016-17.

The programme of work also includes regular communications and briefings to the Board, Senior Leadership Team and all staff. A security risk register, which includes information security risks, is reviewed as a standing item at each meeting of the Security Committee.

Individual staff members are responsible for the identification of information assets and their location, use and protection, and an information asset register is in place to record these assets.

Access to sensitive information is restricted on a 'need-to-know' basis, and staff are trained in information security so that they understand the risks associated with handling information both within and outside UKEF. Each area is overseen by Information Asset Owners who are responsible to the SIRO for the use of information within their area.

Procedures are in place to administer responses to requests for information from the public under information legislation that gives the public rights of access. Procedures and training are in place to ensure compliance with relevant legislation, such as the Data Protection Act and with central government requirements, such as the security policy framework.

Data management

Management of data has proved to be challenging during a period of major IT change and continued organisational restructuring.

The Department's outsourced IT services contract with CGI terminated on 31 July 2016. The Export Finance IT (EFit) programme to replace CGI's contract with a number of third party providers was discussed in detail in the previous Governance Statement, with successful implementation and completion this financial year.

With the exception of the Email Archive System (EAS), the process of transfer took place without any error. UKEF has experienced a partial data loss of attachments and some text from some archived emails, relating to a discrete period. This loss of emails has left UKEF with an incomplete record of communication which might cause operational difficulties in the future.

Completion of the EFit programme has, overall, strengthened our IT infrastructure. IT measures have been improved to help prevent accidental disclosures of information and further training and communications have also been put in place.

The EFit contracts were awarded through competition across pre-existing government frameworks. Active contract management by commercial experts ensures that we continue to have a service which meets our requirements and delivers value for money throughout the contract lifecycle. These services provided by the third parties support UKEF's digital presence and interfaces with customers.

The Department has experienced a number of unrelated cases where official data was accidentally sent to external parties outside the Department when it should not have been. Staff members involved reported the incidents and have worked collectively to mitigate any impacts. As a result, IT measures are now in place to help prevent further accidental disclosure and further training and communications have also been put in place.

All appropriate regulatory authorities and stakeholders were notified.

Whistleblowing policy

We have a whistleblowing and raising-a-concern policy in place. The policy is based on guidance provided by the Civil Service employee policy, one of the expert services for the Civil Service. This was last updated and approved by UKEF's Executive Committee and Audit & Risk Committee in 2015 following a number of recommendations from the Public Accounts Committee.

No disclosures were made under the policy in 2016–17.

Internal audit and assurance

The internal audit charter is the policy document that defines the purpose, authority, and responsibility of the Internal Audit and Assurance Division (IAAD).

The charter establishes IAAD's position within UKEF; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities during 2016–17. Final approval of the internal audit charter resides with the Audit & Risk Committee acting on behalf of the UKEF Board. This changed in May 2017 following the separation of the Audit & Risk Committee and was passed to the new Audit Committee.

Additionally, during 2016–17 IAAD implemented a programme of embedded assurance reviews to provide more timely assurances over change activity.

On the basis of IAAD's continued engagement throughout 2016–17, the Head of Internal Audit's opinion was 'Limited'. This means that enhancements are recommended in the framework of governance, risk management and control in

significant or important areas. This reflects the increased demands on the control environment of a sustained period of internal change.

Audit information

Our financial statements are prepared in accordance with the Accounts Direction issued under Section 5(2) of the Government Resources and Accounts Act, 2000.

Our accounts are audited by the Comptroller and Auditor General. I confirm that, so far as I am aware, there is no relevant audit information of which UKEF's auditor is unaware and that I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UKEF's auditor is aware of that information.

Compliance

UKEF is committed to following best practice and public sector standards in areas of governance, accountability, transparency and risk management to achieve its objectives. As part of its business operations, UKEF faces risks of financial loss and risk of damage to its integrity and reputation from any failure to comply with all applicable laws and regulations. UKEF has an independent compliance function, which reports directly to the Chief Operating Officer, who is responsible for ensuring that these risks are appropriately managed.

The compliance function monitors and updates the regulatory framework within which UKEF operates and maintains oversight of the controls in place to ensure compliance. It is a key component of UKEF's 'three lines of defence' framework, working closely with operational risk and internal audit functions.

In 2016–17 we reviewed our policy on security of information for the provision of details of agents' identities in applications for support. Following the review I concluded that, in the interests of transparency, we would stop offering applicants the option to request special handling arrangements, which allow an applicant to disclose the identity of an agent in such a way that knowledge of the identity of the agent is restricted to only three members of UKEF staff. We communicated this decision to stakeholders on 24 April 2017.

Significant risks and mitigating measures

Support for Airbus

In April 2016, UKEF received information from Airbus relating to its historic use of overseas agents. UKEF referred this information to the Serious Fraud Office (SFO). The SFO then took the decision to open an investigation.

UKEF is working with Airbus and the French and German export credit agencies to understand the extent of the matter and to seek assurances about current compliance practices.

No applications for support were received from Airbus during the period of this Annual Report. UKEF remains open to applications from any UK exporter, including Airbus, subject to conducting appropriate due diligence.

Rolls-Royce Deferred Prosecution Agreement

In January 2017 the SFO and the United States Department of Justice authorities entered into deferred prosecution agreements (DPA) with Rolls-Royce following an investigation into bribery and corruption. The DPAs cover a range of jurisdictions and cover civil and defence aerospace transactions as well as energy projects.

Following extensive enquiry, UKEF is satisfied that significant and meaningful reform has taken place in the company since the events referred to in the DPAs. Consequently, for future transactions involving Rolls-Royce, UKEF can consider support subject to an enhanced due diligence process in respect of the specific circumstances of each transaction.

Resources

A significant proportion of roles performed in UKEF are not found widely in the Civil Service, being specialised and requiring financial services experience.

UKEF salary levels lag behind financial services and related public sector comparators. This inability to offer competitive salary packages has impacted on recruitment and retention in key business areas.

Several divisions have experienced low staff resourcing for part of the year, while other areas are reliant on contract workers to deliver their work programmes.

UKEF has increased the capability and capacity of the recruitment team which has resulted in a surge of hires during the last quarter of 2016–17 to address a number of vacancies.

As a tactical solution, we have also brought in a number of staff on secondments or fixed term contracts from private sector organisations to address skills shortages.

Strategically, the Executive Committee has identified a number of key skills required across the Department and the HR team have put a learning and development plan in place to support this. A new approach to talent management and succession planning was embedded during the year and development work is also taking place at divisional and individual levels

UKEF remains committed to developing existing staff to grow their own skills and ultimately develop them in to the next wave of senior managers. A number of internal recruitment campaigns were run during 2016–17 which led to significant numbers of staff progressing to more senior roles.

Digital programme

UKEF's commitment to 'digital first' is reinforced in its 2017–20 business plan. In line with the Government's Transformation Strategy, UKEF is taking an integrated approach to digital-enabled transformation, bringing a digital programme forward together with an overall change plan.

Significant investment is being made to implement improvements to UKEF systems, processes and web-presence, to cope with growth in demand for UKEF services, such as our direct lending facility.

The risk appetite of the private sector can change materially and within a relatively short timeframe. If it does so, and at the same time demand for new or novel cases exceeds expectations in the short term, then operational processes, infrastructure and staff resources could come under significant pressure, potentially resulting in performance or internal control issues. The new governance, organisation, processes, data, technology and digital-first strategy will provide us with greater resilience, flexibility and scalability to address these issues.

Compliance with the principles of the Corporate Governance in Central Government Departments Code of Good Practice, 2011

In preparing this statement, I have taken into account the Corporate Governance in Central Government Department Code of Practice, 2011. I am satisfied that UKEF is able to demonstrate compliance with this code where it applies to UKEF for the relevant period.

A handwritten signature in black ink, appearing to read 'Louis Taylor', with a horizontal line underneath.

Louis Taylor

Chief Executive and Accounting Officer
UK Export Finance
3 July 2017

“As I have learnt more about the Department and our mission to help UK exporters I have become increasingly proud of what we do. I even welcome that question from family and friends: what exactly do you do and what is UK Export Finance?”

Ben Robey, UKEF Information Officer. Ben joined UKEF in September 2016.



Our people

One of our strategic objectives is to make sure UK Export Finance is a great place to work.

It helps that we are unique. Our people can gain experience of working on award-winning transactions, recognised within the financial service sector for their innovation. At the same time, they gain experience of working in a central government department, perhaps shaping international policy, or briefing ministers on export finance. This mix of a government and commercial focus offers the opportunity to develop a wide range of skills, and we are committed to doing more to help our staff reach their full potential.

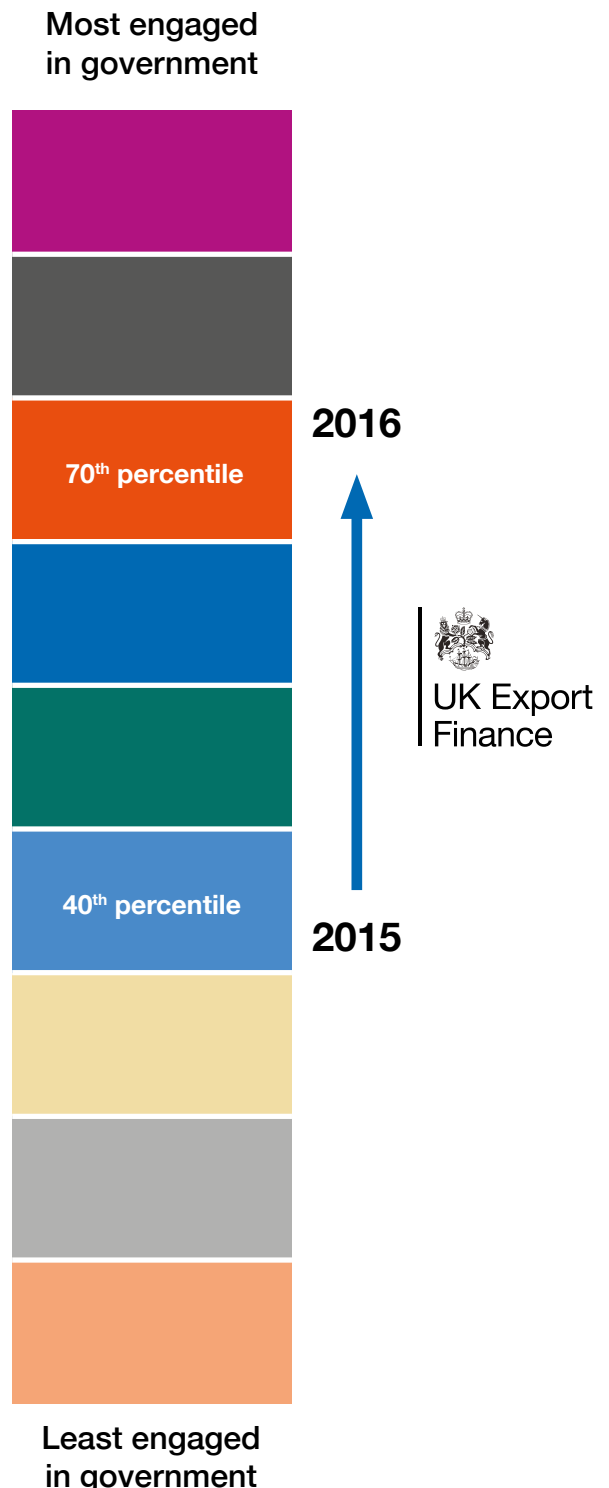
Staff engagement

The 2016 People Survey results showed that staff engagement was 62%, the highest since the surveys began in 2009 and up 4 percentage points on 2015. The results tell us the improvement was driven by greater confidence in leadership, a clearer purpose, more development opportunities and the rewards of working here.

Our improvement relative to the rest of government is more striking. In a year when the government's trade agenda has received historically high levels of attention, UKEF rose up the rankings from the 40th to the 70th percentile in terms of engagement levels. Our ambition is to have the most engaged workforce in the Civil Service.

“Firstly I believe UKEF is a great place to work! I genuinely enjoy coming to work and supporting our customers. However there are certainly areas where we can improve.”

“[We should do more to] listen to employees who face customers and their needs and use this knowledge to develop new products or make changes



The survey also confirmed the areas where we will continue to seek improvements, to further climb in the rankings:

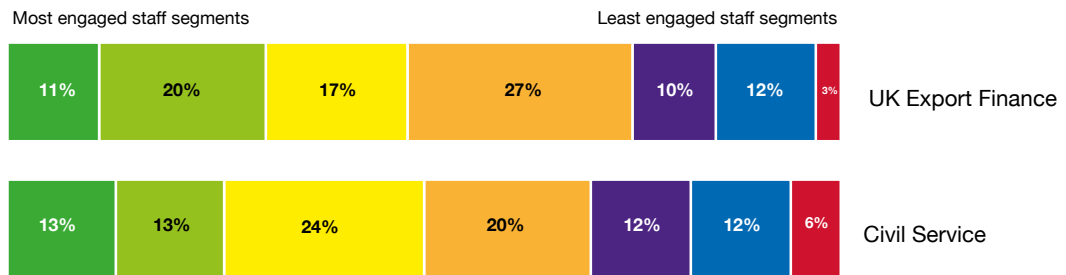
- Greater career development
- Improving management of people and change
- Developing leadership skills
- Rewards
- Eliminating bullying and harassment

We are also using profiles of our employees' experiences to ensure that actions taken are meaningful for the widest possible range of staff working in UKEF.

Engagement segments

This employee experience segmentation identifies groups of employees who have responded in similar ways, not just to the engagement questions, but also those within the core themes.

The employee experience segmentation approach provides a more holistic picture for understanding different groups within our organisation.



Workforce size and composition

Full Time Equivalents	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Permanent	256.4	233.0	241.5	217.9
Fixed-term contracts ¹⁹	9	6	0	2

Headcount	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Payroll Staff	272	243	246	225
Off-payroll Staff ²⁰	27	24	33	36

Average full time equivalent over 2016-17	2016/17	2015/16	2014/15	2013/14
Payroll Staff	246	242	238	202
Off-payroll Staff	21.2	24.2	35	24

Workforce shape: headcount (%)



¹⁹ Fixed-term appointment of less than 12 months.

²⁰ Off-payroll staff encompasses consultants and contingent labour, for example, interim managers, specialist contractors and agency staff.

Recruitment

All UKEF recruitment is carried out in accordance with the relevant employment legislation and the recruitment principles issued by the Civil Service commission. The recruitment market remained quite challenging during 2016-17 due to the lack of competitiveness in our pay offering compared to financial services comparators, and the relative buoyancy of the private sector market. In 2016–17 UK Export Finance appointed the following:

	Permanent appointments ²¹	Fixed-term appointments	Loans from other government departments	Secondments	Total
Administrative Assistants and Officers	8	3	0	0	11
Executive Officers	10	1	0	0	11
Higher and Senior Executive Officers	29	3	0	0	32
Grade 6/7	15	2	1	0	18
Senior Civil Servants ²¹	2	0	0	0	2

Learning and development

We want to ensure that we continue to develop our staff to equip them with the specialist technical skills required to deliver our mandate, supported by the core skills needed to be better managers and leaders.

During 2016–17 the average number of days spent on learning and development per FTE was 3.5 days, with an average spend of £840 per FTE, including formal training courses as well as other forms of development such as coaching and on-the-job training. We continue to grow our technical expertise by delivering a project finance and credit risk training programme which we will further develop during 2017–18.

Our overall engagement score for learning and development continues to grow, which is an indication of our commitment to developing our people.

For 2017–18 our Executive Committee has outlined the key capabilities and skills we need to deliver against the ambitions set out in our 2017–20 business plan. The top five priorities are:

- management and leadership skills
- building relationships
- project and programme management
- customer focus
- commercial awareness

Our 2017–18 learning and development plans are currently being developed to address these priorities.

²¹ 15 Senior Civil Servants as at 31 December 2017: SCS3: 1; SCS2: 4; SCS1: 10

Diversity

The Civil Service talent action plan sets out an ambitious programme for removing barriers to success for every talented, committed and hard-working civil servant. A refreshed plan was published in 2016 that indicates the priorities as: recruitment and selection; talent and progression; creating a more inclusive culture; and social mobility.

We share these ambitions and want ensure that we are building on the talents of all our employees. We want to create an environment that is inclusive while valuing and embracing diversity, building a great place to work where everyone is able to realise their potential. Our diversity and inclusion strategy, published in June 2016, sets out how we will work towards achieving this.

A key part of the plan is engaging UKEF staff to make diversity and inclusion everyone's responsibility. Working closely with colleagues from across the Department for International Trade, we have supported the creation of staff networks across all the protected characteristics. We have also set up two sub-groups within UKEF; the gender network and LGB&T+ network. We are using diversity data to highlight any areas of under-representation within UKEF and will continue to do this on an annual basis in order to inform our plans.

A range of HR policies support our diversity and inclusion agenda and we have an ambitious work programme to ensure that our policy framework reflects best practice in this area.

The recruitment process is a key facilitator of having a more diverse workforce. The application process is anonymous to protect against bias. We use the government's Guaranteed Interview Scheme whereby any disabled candidate, whose application meets the minimum criteria, will be guaranteed an interview. We require all staff to complete an e-learning course on equality, diversity and unconscious bias.

Diversity as of 31 March 2017

	Women (%)	Black and Minority Ethnic (%)	Disabled (%)
Administrative Assistants and Officers	18 (78.3)	12 (52.2)	1 (4.3)
Executive Officers	17 (54.8)	18 (58.1)	4(12.9)
Higher and Senior Executive Officers	38 (29.0)	30 (22.9)	4 (3.0)
Grade 6/7	23 (31.9)	10 (13.9)	1 (1.4)
Senior Civil Servants	3 (20.0)	2 (13.3)	0 (0.0)
Total	99 (36.4)	72 (26.5)	10 (3.7)

Health, safety and well-being

We published our first health and wellbeing strategy in 2016, with the ambition to create an environment which allows our employees to achieve their full potential for the benefit of themselves and their organisation.

UKEF has an employee assistance programme in place support employees addressing challenges across their work, family and personal lives. We also have an occupational health service to ensure that we put in place any reasonable adjustments that would facilitate a return to work or support employees at work. UKEF also provides staff with a cycle to work scheme, flu jabs and annual health screenings.

We have seen a significant reduction in our sickness levels from 7.2 days in 2015-16 to 4.7 days in 2016-17. This is below the average for the Civil Service (7.2 days) and private sector (5.8 days). The cost of sickness absence in UKEF for 2016–17 was £195,000. More than 58% of staff have had no sickness absence in 2016–17.

Sickness absence data

	31 March 2017	31 March 2016	31 March 2015
Average Working Days lost	4.7	7.2	6.3
% Staff with no sickness absence.	58.5%	49.6%	50%

Reward and recognition

HM Treasury has overall responsibility for the government’s public sector pay policy. This includes defining the overall parameters for civil service pay uplifts each year to ensure that civil service pay awards are consistent with the government’s overall objectives.

Cabinet Office has responsibility for civil service management. It works with departments and agencies on workforce and reward strategies to encourage greater consideration of workforce needs and properly tailored reward policies.

Departments have responsibility for implementing civil service pay policy for their workforce in a way that is consistent with the civil service pay guidance and reflects the needs of their business and their labour market position.

All pay remits must be approved by a secretary of state or responsible minister, and each department, through its accounting officer, is responsible for the propriety of the pay award to staff. UKEF operated its 2016-17 pay award and performance awards within the guidance set by HM Treasury.

UKEF also operates an in-year reward scheme to recognise exceptional pieces of work, effort or activity, which support UKEF in achieving its overall objectives. We made 121 awards to employees through this scheme in 2016-17. We also rolled out a range of staff benefits including a revised childcare vouchers scheme, a cycle to work scheme and a staff discount scheme.

Remuneration policy

The remuneration arrangements for senior civil servants are set by the Prime Minister following independent advice from the senior salaries review body. The review body also advises the Prime Minister from time to time on the pay and pensions of MPs and their allowances; on peers’ allowances; and on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the review body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target

The review body takes account of the evidence it receives concerning wider economic considerations and the affordability of its recommendations. Further information about the work of the review body can be found at www.ome.uk.com.

Remuneration Committee

The Remuneration Committee is responsible for overseeing the performance management and pay of executive directors of the management board. The role of the committee is to ensure that Cabinet Office rules and guidance are properly applied in the operation of the senior civil service (SCS) performance management and pay system. The committee's terms of reference are to oversee the operation of the SCS pay system in UK Export Finance. Specifically, the committee:

- establishes and publishes an annual pay strategy
- assesses the achievement of the department's aims and objectives to inform the justification for non-consolidated awards
- endorses and authorises decisions on base pay increases
- communicates and monitors pay outcomes, including the publication of an annual report on the operation of the pay system
- ensures succession management for executive positions on the UKEF board

As at 31 March 2017, the membership was:

- Noel Harwerth – non-executive chair
- Sir Eric Peacock – non-executive director
- Amin Mawji OBE – non-executive director
- Lawrence Weiss – non-executive director
- Oliver Peterken – non-executive director

The Chief Executive attends meetings, other than during discussion of his own performance. A representative from the Chief Executive's Office acts as secretary.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the limited circumstances when appointments can be made on any other basis.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service compensation scheme. No such compensation payments were made to executive directors during the year.

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk.

Independent non-executive members of the UKEF board are recruited through fair and open competition and are appointed for an initial period of three years with the option to extend for a further agreed period. These appointments can be terminated with a 1 month notice period. There is no provision for compensation for early termination.

Salary and pension entitlements for senior management

The salary and pension entitlements of the most senior management (that is, Executive Committee members) of UKEF are set out below. As well as all members of the Executive Committee at 31 March 2017, this table also includes the former members who left the department or ceased to be members during the year. These disclosures have been subject to external audit.

Single total figure of remuneration

Officials	Salary £'000		Bonus payments £'000		Pension Benefits ²² £'000		Total £'000	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Louis Taylor <i>Chief Executive</i>	250-255	110-115 (250-255 FTE)	0	0	96	44	345-350	155-160
Bhaskar Dasgupta <i>Chief Operating Officer started Oct 2016</i>	65-70 (135-140 FTE)	NA	0	NA	26	NA	90-95	NA
Gordon Welsh <i>Head of Business Group</i>	140-145	NA	0	NA	221	NA	360-365	NA
Cameron Fox <i>Chief Financial Officer</i>	90-95	85-90	10-15	10-15	36	34	140-145	130-135
David Havelock <i>Chief Risk Officer</i>	135-140	130-135	0-5	10-15	28	37	165-170	185-190
Lucy Wylde <i>General Counsel</i>	160-165	160-165	0	10-15	0	0	160-165	175-180

Notes:

'Salary' includes gross salary; overtime; reserved rights to London weighting or allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the department and thus recorded in these accounts.

²² The value of pension benefits accrued during the year is calculated as the real increase in pension, multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation, or any increase or decrease due to a transfer of pension rights.

Bonuses are based on attained performance levels and are made as part of the appraisal process. Due to the nature of the performance appraisal system, bonuses are paid in the year following that for which the performance has been assessed. Therefore, the bonuses reported in 2016–17 relate to performance in 2015–16 and the comparative bonuses reported for 2015–16 relate to the performance in 2014–15.

None of the most senior managers received any benefits-in-kind during the year.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the most highly paid director in their organisation and the median remuneration of the organisation's workforce.

	2016-17	2015-16
Band of Highest Paid Director's Remuneration ²³ (£000)	250-255	250-255
Median Total ²⁴ (£)	40,785	38,923
Remuneration Ratio ²⁵	6.1	6.5

The banded remuneration of the highest-paid director in UK Export Finance in the financial year 2016–17 was £250,000-£255,000 (the same in 2015–16). In 2016–17 this was 6.1 times (2015–16, 6.5) the median remuneration of the workforce, which was £40,785 (2015–16, £38,923).

The *Hutton Review of Fair Pay*, recommended a maximum remuneration ratio of 20 for public bodies. The average ratio across the FTSE 100 has been calculated to be 150²⁶.

In both 2016–17 and the previous year, 0 employees received remuneration in excess of the highest-paid director. Remuneration ranged from £20,220 to £250,000 (2015–16, £20,020-£250,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The ratio is calculated by taking the mid-point of the total remuneration of the highest paid executive director divided by the midpoint of the remuneration (median) of the organisation's workforce. This is based on the remuneration of the highest paid executive director and remuneration of the full-time equivalent staff of other staff at the reporting period end date on an annualised basis. The purpose of this calculation is to allow some comparability over time and across the public

23 The banded, full-time equivalent, annualised of the highest paid director as at 31 March 2017.

24 The median, full-time equivalent total remuneration of the staff, excluding the highest paid director as at 31 March 2017.

25 The pay multiple (ratio) between the highest paid director and all other staff.

26 David Oakley, *Financial Times*, 12 Jun 2015.

and private sector, where similar disclosures are made. However, the comparison should be treated with caution given the different services provided, workforce skills, geographical locations and organisational structures.

The ratio this year reversed the increase of last year. Unlike last year where several staff were taken on at salaries towards the bottom of grade/salary ranges, this year more new staff were recruited at salaries higher up the salary ranges.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. Civil servants may be in one of five defined benefit schemes; either a final salary scheme (**classic, premium or classic plus**); or a whole career scheme (**nuvos**, or **alpha** which was introduced on 1 April 2015). The normal pension age for staff in **alpha** is equal to the member's state pension age. Since 1 April 2015, newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic, premium or classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium, classic plus, nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** and **alpha** a member builds up a pension based on his pensionable earnings during their period

of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% (nuvos) or 2.32% (alpha) of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**; for **alpha**, the higher of 65 or state pension age.

Further details about the Civil Service pension arrangements can be found at: www.civilservicepensionscheme.org.uk

Pension benefits	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17	CETV at 31/3/16	Real increase in CETV	Employer contribution to partnership pension account
Officials	£'000	£'000	£'000	£'000	£'000	Nearest £100
Louis Taylor <i>Chief Executive</i>	45-50	45-47.5	530	29	54	0
Bhaskar Dasgupta <i>Chief Operating Officer</i>	45-50	47.5-50	523	0	-1	0
Gordon Welsh <i>Head of Business Group</i>	40-45 plus 20-25 lump sum	10-12.5 plus 2.5-5 lump sum	841	601	208	0
Cameron Fox <i>Chief Financial Officer</i>	5-10	5-10	37 (alpha); 20 (PCSPS)	18 (alpha); 19 (PCSPS)	12 (alpha); 0 (PCSPS)	0
David Havelock <i>Chief Risk Officer</i>	20-25	0-2.5	367	367	31	0
Lucy Wylde <i>General Counsel</i>	0	0	0	0	0	0

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in the senior capacity to which the disclosure requirement applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff pension costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and the UK Export Finance is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. The details in the resource accounts of the Cabinet Office are available at the Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2016–17, employers' contributions of £2,317,532 were payable to the PCSPS (2015–16 £2,238,114) at 1 of 4 rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £66,360 (2015–16: £61,993) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay (adjusted to between 8% and 14.75% from October 2015). The employer also matches employees' contributions of up to 3% of pensionable pay. In addition, employer contributions of £1,968 (2015–16: £2,318),

0.5% of pensionable pay (adjusted from 0.8% last year), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Fees paid to non-executive directors

Non-executive directors are paid a fee for their attendance at UKEF Board, Audit & Risk committee, Remuneration Committee and other ad hoc meetings, and the performance of other duties as required. They are also paid travel and subsistence expenses.

The total payments to non-executive directors for the year were in the following ranges:

Non-executive member	Fees for 2016-17 £000	Fees for 2015-16 £000
Guy Beringer CBE <i>Chair of Management Board</i> <i>Left 31 Dec 2016</i>	35-40 (45-50 FTE)	45-50
Noel Harwerth <i>Chair of Management Board</i> <i>Started 1 Jan 2017</i>	10-15 (45-50 FTE)	0
Lawrence Weiss <i>Member of Management Board</i> <i>Started 1 Nov 2016</i>	5-10 (10-15 FTE)	0
Amin Mawji OBE <i>Member of Management Board</i> <i>Chair of Audit & Risk Committee</i>	15-20	15-20
Sir Eric Peacock <i>Member of Management Board</i> <i>Member of Audit & Risk Committee</i>	10-15	10-15
Oliver Peterken <i>Member of Management Board</i> <i>Started 1 Feb 2017</i>	0-5 (10-15 FTE)	0

Civil servants employed by other departments do not receive fees for their attendance at UKEF Board meetings.

Off-payroll engagements

Following the review of tax arrangements of public sector appointees published by the Chief Secretary to the Treasury in 2012, departments now publish annual information on their highly paid and/or senior off-payroll engagements. The tables below provide information on those off-payroll engagements paid more than £220 per day during 2016–17.

Off payroll engagements that had lasted longer than 6 months as at 31 March 2017

Number of existing engagements at 31 March 2017	8
of which, had existed for	
less than 1 year	2
between 1 and 2 years	5
between 2 and 3 years	0
between 3 and 4 years	1
4 years or more at the time of reporting	0
Total	8

Tax assurance for new off-payroll engagements

Number of new engagements, plus those that reached six months duration, between 1 April 2016 and 31 March 2017	28
Number of these engagements that include, or included, contractual clauses giving the department the right to request assurance in relation to income tax and national insurance obligations	28
Number for whom assurance has been requested	28
of which	
assurance has been received	27
assurance has not been received	1
have been terminated as a result of assurance not being received	1

Off-payroll engagements of board members and/or senior officials with significant financial responsibility

No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the year	0
No. of individuals that have been “deemed” board members and or senior officials with significant financial responsibility during the year.	13

Cost of off-payroll engagements

The total cost for 2016–17 including engagements of individuals whose daily cost was less than £220 per day was £2,392,686 (2015–16: £2,540,820).

Expenditure on consultancy

Total expenditure on consultancy in 2016–17 amounted to £24,885 (2015–16: £164,574).

Compensation for loss of office

Four members of staff left under voluntary exit terms during 2016–17. They received a compensation payment of between £11,700 and £31,000.

One member of staff left under compulsory redundancy terms.

Exit package cost band	2016-17			2015-16		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	2	2	-	2	2
£25,000 - £50,000	-	2	2	-	4	4
£50,000 - £100,000	1	-	1	-	2	2
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total no. of exit packages	1	4	5	-	8	8
Total cost/£k	53	92	145	-	348	348

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS) unless specified as otherwise below. The CSCS is a statutory scheme under the Superannuation Act 1972 and exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme.

Ill health retirement costs are met by the pension scheme and are not included in the table above.

During 2016–17 no individuals retired early on ill-health grounds (2015–16: nil); the total additional accrued pension liabilities in the year amounted to £0 for 2016–17 (2015–16: £0).



Louis Taylor

Chief Executive and Accounting Officer
UK Export Finance
6 July 2017



Parliamentary accountability and Audit

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed UKEF to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by UKEF during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UKEF and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

HM Treasury has appointed the Chief Executive as the Accounting Officer of UKEF.

The responsibilities of an Accounting Officer include the propriety and regularity of the public finances for which they are answerable, keeping proper records and safeguarding UKEF's assets. The responsibilities are set out in Managing Public Money, published by HM Treasury.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the judgments required for determining it is fair, balanced and understandable.

Statement of Parliamentary Supply

For the year ended 31 March 2017

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRM) requires UK Export Finance to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPs and related notes are subject to audit.

Summary of Resource and Capital Outturn 2016-17									
		Estimate				Outturn		2016-17 Voted outturn compared with Estimate: savings/ (excess)	2015-16 Outturn
	Note	Voted £'000	Non- Voted £'000	Total £'000	Voted £'000	Non- Voted £'000	Total £'000	£'000	Total £'000
Departmental Expenditure Limit									
- Resource	SoPS1(a)	1	-	1	-	-	-	1	-
- Capital	SoPS1(b)	300	-	300	64	-	64	236	-
Annually Managed Expenditure									
- Resource	SoPS1(a)	120,320	-	120,320	(149,382)	-	(149,382)	269,702	(106,341)
- Capital	SoPS1(b)	935,376	-	935,376	250,724	-	250,724	684,652	33,874
Total Budget		1,055,997	-	1,055,997	101,406	-	101,406	954,591	(72,467)
Total Resource		120,321	-	120,321	(149,382)	-	149,382	269,703	(106,341)
Total Capital		935,676	-	935,676	250,788	-	250,788	684,888	33,874
Total		1,055,997	-	1,055,997	101,406	-	101,406	954,591	(72,467)

Net cash requirement 2016-17				
		2016-17		2015-16
	Note	Estimate £'000	Outturn £'000	Outturn £'000
Total	SoPS2	908,812	(21,277)	(164,840)

Administration Costs 2016-17			
	2016-17 Estimate £'000	2016-17 Outturn £'000	2015-16 Outturn £'000
Total	1	-	-

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between the Estimate and the Outturn are given in the management commentary within the Chief Financial Officer's Report and within SoPS Note 1 below.

The notes on pages 155 to 157 form part of the Statement of Parliamentary Supply.

SoPS1 Analysis of net outturn by section

SoPS1(a) Resource											
Note							2016-17		2015-16		
	Administration			Programme			Outturn	Estimate	Outturn compared with Estimate: savings/ (excess)	Outturn compared with Estimate, adjusted for virements	Outturn Total
	Gross	Income	Net	Gross	Income	Net	Net	Net			Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted spending in Departmental Expenditure Limit (DEL)											
A Export Credit Guarantees and Investments	30,417	(30,417)	-	-	-	-	-	1	1	1	-
Total	30,417	(30,417)	-	-	-	-	-	1	1	1	-
Voted spending in Annually Managed Expenditure (AME)											
B Export Credits	-	-	-	35,396	(165,427)	(130,031)	(130,031)	15,316	145,347	145,347	(96,324)
C Fixed Rate Export Finance Assistance	-	-	-	3,049	(4,484)	(1,435)	(1,435)	4,232	5,667	5,667	(1,923)
D Refinanced Loans and interest equalisation	-	-	-	-	(2,819)	(2,819)	(2,819)	(2,810)	9	9	(4,318)
E Direct Lending	-	-	-	-	(15,097)	(15,097)	(15,097)	103,582	118,679	118,679	(3,776)
Total	-	-	-	38,445	(187,827)	(149,382)	(149,382)	120,320	269,702	269,702	(106,341)
Total Resource	30,417	(30,417)	-	38,445	(187,827)	(149,382)	(149,382)	120,321	269,703	269,703	(106,341)

Explanation of variances between Estimate and outturn:

A Voted spending in RDEL – For 2016-17 UKEF operated (with HM Treasury approval) a zero net RDEL regime for administration costs whereby a proportion of UKEF's trading income is treated as negative RDEL to fund administration costs. As part of the Spending Review 2015 SR(15) UKEF has a maximum amount of income (agreed per year over the 4 years) which can be used to fully offset expenditure. Also annually (as part of the Supply Estimates process) HM Treasury then approve the maximum amount of UKEF's trading income that can be treated as negative RDEL based on its expected level of activity and affordability. This arrangement is in

place as it reflects the fact that UKEF prices premium written to cover risk and administration costs. A net RDEL outturn of zero shows UKEF is covering its administration costs from the premium that was written.

B Export Credits £145 million – the variance largely relates to a change in economic outlook with regard to the recoverability of insurance assets as well as foreign exchange movements that were significant in 2016-17 due to a 13% weakening of the Sterling against the US Dollar.

C Fixed Rate Export Finance Assistance £6 million – this relates to changes in fair value of financial instruments.

E Direct Lending - £119 million – this variance relates to foreign exchange movements on expected lending activity which cannot be forecast with certainty and which is unhedged. A more detailed explanation of UKEF's foreign exchange risk can be found in the Chief Risk Officer's report in the Performance section of the Annual Report and Note 21 of the Financial Statements.

SoPS1(b) Capital						
				2016-17	2015-16	
	Outturn			Estimate	Outturn	
	Gross £'000	Income £'000	Net £'000	Net £'000	Net total compared with Estimate £'000	Net £'000
Voted spending in Departmental Expenditure Limit (DEL)						
A Export Credit Guarantees and Investments	64	-	64	300	236	-
Total	64	-	64	300	236	-
Voted spending in Annually Managed Expenditure (AME)						
D Refinanced loans and interest equalisation	-	(18,522)	(18,522)	(11,917)	6,605	(24,322)
E Direct Lending	271,103	(1,857)	269,246	947,293	678,047	58,196
Total	271,103	(20,379)	250,724	935,376	684,652	33,874
Total Capital	271,167	(20,379)	250,788	935,676	684,888	33,874

Explanation of variances between Estimate and outturn:

D Loans and interest equalisation £7 million – this reflects timing differences with regards settlement.

E Direct Lending £678 million – due to the fact the Direct Lending facility had a lower take up than the headroom provided (to meet possible demand) in the Estimate. More details of UKEF's risks including foreign currency and liquidity risk can be found in the Chief Risk Officer's report in the Performance section of the Annual Report and Note 21 of the Financial Statements.

SoPS2 Reconciliation of Net Resource Outturn to Net Cash Requirement

SoPS2				
		2016-17	2016-17	2016-17
	SoPS	Estimate	Outturn	Variance
	Note	£'000	£'000	£'000
Resource Outturn	SoPS1(a)	120,321	(149,382)	269,703
Capital Outturn	SoPS1(b)	935,676	250,788	684,888
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation & amortisation of Equipment and Intangible Assets		(250)	(180)	(70)
Net foreign exchange differences & other non cash items		(108,405)	50,484	(158,889)
New provisions and adjustments to previous provisions		(97,361)	(23,100)	(74,261)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(Decrease) in receivables		91	(118,517)	118,608
(Increase)/Decrease in payables		58,740	(31,800)	90,540
Use of provisions		-	242	(242)
Net cash requirement		908,812	(21,465)	930,277

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Export Credits Guarantee Department (trading as UK Export Finance) for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise Statement of Comprehensive Net Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2017 and of the Department's net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter – Significant Uncertainty

Without qualifying my opinion, I draw your attention to the disclosures made in Note 1b to the financial statements concerning the significant uncertainty attached to the final outcome of the underwriting activities. The long-term nature of the risk underwritten means that the ultimate outcome will vary as a result of subsequent information and events and may result in significant adjustments to the amounts included in the accounts in future years. Details of the impact of this on the financial statements are provided in Note 1b to the financial statements.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

12 July 2017

National Audit Office
157-197 Buckingham Palace Road
London, SW1W 9SP

Statutory limits

The Export and Investment Guarantees Act 1991 sets limits on our commitments and requires us to report our commitments against these limits annually. The table shows the statutory limits at 31 March 2017 and 31 March 2016 and the outstanding commitments against them.

	At 31 Mar 2017				At 31 Mar 2016			
	Sterling £m	Foreign currency SDRm	Sterling equivalent SDRm	Total SDRm	Sterling £m	Foreign currency SDRm	Sterling equivalent £m	Sterling total £m

Section 6(1) amounts

Statutory limit	-	67,700	-	67,700	-	67,700	-	67,700
Assets (see note below)		-		-	-	-	-	-
Total commitments	453	19,276	416	19,691	738	19,756	755	20,511

Section 6(3) amounts

Statutory limit	-	26,200	-	26,200	-	26,200	-	26,200
Assets (see note below)	-	-		-	-	-	-	-
Total commitments	1	2	1	3	1	4	1	5

Note Interest equalisation arrangements, cross currency swaps and hedge swaps which are 'in the money' constitute assets and as such are not scored against the statutory limits. The value of these assets at the dates of the return is detailed in the following table.

	At 31 Mar 2017				At 31 Mar 2016			
	Sterling £m	Foreign currency SDRm	Sterling equivalent SDRm	Total SDRm	Sterling £m	Foreign currency SDRm	Sterling equivalent £m	Sterling total £m

Section 6(1) amounts

Assets	1	3	1	4	1	6	1	7
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Section 6(3) amounts

Assets	32	-	31	31	51	-	50	50
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