

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 5 June 2017

Present: Mr Andrew Wiseman (Chair)
Mr Neil Holt
Mr John Newgas
Ms Anna Soulsby

Apologies: Ms Gillian Arthur
Ms Alexandra Elson
Mr Alistair Clark

In attendance: Mr Louis Taylor
Mr Gordon Welsh
Dr Helen Meekings
Mr Max Griffin
Ms Ildiko Almasi
Ms Nia Bevan
Mr Elliott Brookes
Mr Gareth Waterhouse

Secretary: Mr David Underwood

APOLOGIES FOR ABSENCE

Apologies were received from Ms Gillian Arthur, Mr Alistair Clark and Ms Alexander Elson.

MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

The draft minutes of the February 2017 meeting were approved and would be published on the UK Export Finance (UKEF) website.

CHIEF EXECUTIVE'S UPDATE

Mr Taylor updated the Council on current the year to date figures for issued and effective business and premium (£2,482m and £147m respectively). Final figures for 2016-17 are to be published in the UKEF Annual Report and Accounts expected in June. With very little aero business in 2016-17 the final figures represent a positive picture. The forecast for business in the next financial year remains strong, with a notable representation for construction projects

in UKEF's pipeline business. In 2016-17, UKEF has supported 222 exporters – 149 directly with UKEF products only, 71 supported via Private Market Assists (PMAs) only and 2 with both. In total the number of facilities issued by UKEF had reached 483.

Mr Taylor noted that since the last Council Meeting, a General Election had been called, and UKEF along with the rest of government had entered a period of Purdah, which had restricted the announcements UKEF could make. The restrictions did not cover operational activity to support UK exporters.

Mr Taylor updated the council in respect of significant transactions which had been completed recently or were expected to be finalised in the coming months, including the first support for a Boeing case for some time.

The Council also discussed matters in respect of ongoing SFO investigations on companies which had utilised UKEF support. Mr Taylor updated the Council on developments. The Council noted the actions taken by the companies under investigation and requested that further updates at future meetings.

Mr Taylor advised the Council on UKEF's decision in April to discontinue special handling arrangements.

Mr Taylor advised the Council that in May, UKEF submitted an application for nomination for election to the Equator Principles' Steering Committee. Following member-wide elections, UKEF was successful and will join the Steering Committee.

The Council considered the outcomes of OECD Working Group on Bribery Phase 4 evaluation on the UK's implementation of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and related instruments. The review noted that UKEF showcases higher standards in terms of its anti-bribery policies than many members of the OECD Export Credit Group and is considered as following good-practice in several key areas. The Working Group also made a number of recommendations for UKEF to strengthen its standards and UKEF is intending to set up a dedicated team to undertake transactional anti-bribery and corruption due diligence (independent of the underwriting process), as per the 2017-18 UKEF Operational Plan.

RELIANCE PROJECT: POST ISSUE MONITORING UPDATE

Mr Griffin provided the third update to the Council in respect of the post issue monitoring carried out on the Reliance Project supported by UKEF in India. The project was supported through a UKEF line of credit in 2013 and was now reaching the stage of 80-95% constructed.

UKEF has continued to encourage other ECAs involved in the financing to monitor the performance of the project against international standards under the Common Approaches. UKEF's third monitoring visit to the Jamnagar site included Euler Hermes and BPI France in late January 2017.

UKEF carried out a number of monitoring activities and noted that some issues identified on previous visits had been rectified. UKEF carried out worker interviews, and requested information on the root cause analysis of incidents. The ECAs also worked to demonstrate to the project sponsor the positive benefits of providing as much information to the ECAs as possible.

The Council advised that lessons learned from this project should be recorded and implemented in future projects, given that India is a priority market for the UK government. Mr Taylor advised that he had subsequently met with senior staff at Reliance. They had expressed a desire to utilise UKEF support in future, and he had emphasised the high standards UKEF applies and which project sponsors are required to follow for all future projects requiring UK government support.

The Council commented that UKEF had carried out some strong work on the post-issue monitoring of this project. The Council was particularly pleased to see that UKEF had made significant efforts with other ECAs to build consensus on the need for, and scope of, regular site visits. The Council was pleased to note the increased cooperation and information sharing between ECAs at the OECD in respect of projects. The Council also welcomed the improved depth in the ability of UKEF to carry out these kinds of activities in recent years.

HEALTH AND SAFETY PRESENTATION

The EAU team described the types of activities undertaken to monitor Health and Safety issues associated with the projects UKEF supports. This includes due diligence in the early stages of UKEF support which covers health and safety planning and sub-contractor management. Further into the process UKEF routinely looks at health and safety culture,

experience and training, accommodation and incident monitoring, reporting, investigation and responsiveness.

The team described practical examples of H&S monitoring across a number of different projects supported by UKEF and demonstrated cultural differences in attitudes to health and safety observed during site monitoring visits.

The Council noted the project and country specific issues for example in some cases there was good legislation in place but could be challenges around implementation, whilst in other regions there could be a poor health and safety culture.

The Council noted the work that UKEF and other ECAs had undertaken to encourage the adoption of good health and safety policies, and noted that consistent messaging and ECA pressure had led to positive changes being made on some projects. For example, on one case a notable change had been observed during site visits where previously non-existent safety briefings had been observed taking place.

The Council advised that positive reinforcement of health and safety issues from UKEF would lead to wider cultural change. It was recognised that the benefits of good health and safety would spread to future projects and wider local society as sponsors and workers became more accustomed to their application. The Council welcomed UKEF's wide considerations of health and safety issues, particularly the deeper consideration of general worker welfare outside of work.

The Council advised that UKEF could be effective in spreading the message of why a strong health and safety culture is important and should highlight the positive benefits that could be achieved by the sponsors in respect of productivity and that UKEF could influence project sponsors in this regard.

UKEF ANNUAL REPORT: ENVIRONMENTAL INPUTS

Mr Brookes outlined the approach undertaken to produce the section of the UKEF Annual report which covers environmental, socials and human rights activities. The ESHR coverage was significantly expanded in the 2015-16 Annual Report, and the 2016-17 section would follow the same format.

EGAC (2017) 2nd MEETING

The Council agreed that there had been an improvement in the quality and depth of information provided in this regard, and advised that to increase transparency, UKEF should continue to use the Annual Report to demonstrate the very good work which had been carried out over the year.

UKEF ANNUAL REPORT: EGAC ANNUAL REPORT

The Council reviewed the EGAC Annual Report, prior to its inclusion in the UKEF Annual Report and Accounts.

Action: Council members to provide any further comments by close of Wednesday 7 June.

FREEDOM OF INFORMATION ANNUAL REVIEW

The Council addressed the annual review of information requests made under the information legislation in the year 2016-17. Mr Underwood outlined the nature and number of FOI requests received, and described some of the notable requests seen during the year.

The Council noted that the number of FOI requests which were being answered within the statutory deadline remained high and well in excess of the ICO threshold of 90%, especially considering the amount of consultation that was sometimes required with external parties. The Council examined performance in respect of completing internal reviews, which were being resolved in a much shorter timeframe than had been previously observed by the Council, since the introduction of a new system in 2016.

EGAC SCORECARD

The Council reviewed the advice it had provided and decisions it had taken, and noted that all actions arising from these were either complete or in hand.

BUSINESS SUPPORTED

The Council noted the business supported since February 2017.

ANY OTHER BUSINESS

The Council briefly discussed recent developments in respect of US ExIm and noted the potential impacts of possibly curtailed US provision of export credits as a result of the ongoing uncertainty.

David Underwood

Secretary