

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 4 December 2017

Present: Mr Andrew Wiseman (Chair)
Ms Gillian Arthur
Ms Alexandra Elson
Ms Anna Soulsby

Apologies: Mr Alistair Clark
Mr Neil Holt
Mr John Newgas

In attendance: Mr Louis Taylor
Dr Helen Meekings
Mr Gareth Waterhouse
Mr David Underwood
Mr Elliot Brookes
Mr Michael McHugh
Mr Simon Philipps

Secretary: Ms Nia Bevan

APOLOGIES FOR ABSENCE

Apologies were received from Mr Alistair Clark, Mr Neil Holt and Mr John Newgas.

MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

The draft minutes of the September 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 recent figures for issue and effective business and premium. Mr Taylor stated that new business recorded for 2017/18 totals 260 issued and effective facilities, consisting of 241 Short-Term facilities and 19 MLT facilities. This provided cover for 92 exporters, of which 71 are SMEs.

AIRBUS

Mr Taylor also updated The Council on UKEF's approach to the ongoing investigations into Airbus.

EXPORTER FAIRS

The Council were informed on UKEF's activities relating to Export Fairs. Mr Taylor noted their success, which is highlighted in the fact that the first four exporter fairs hosted by UKEF resulted in \$1.5 BN worth of UK content being secured.

DEPARTMENT OF INTERNATIONAL TRADE

Mr Taylor updated the Council on the appointment of Baroness Rona Fairhead. Her role as Minister for Trade and Export Promotion started on the 9 October.

With regards to other Department of International Trade updates, Mr Taylor provided an overview of outcomes from the 'OurDIT' event. The event introduced staff to the Vision and Mission for DIT, as well as the proposed high-level goals.

GENDER UPDATE

Mr Taylor reminded the council that UKEF signed the Women in Finance Charter on 10th November, which commits UKEF to work with HM Treasury to build a more balanced and fair finance industry. The charter commits UKEF to supporting the progression of women into senior roles in the sector, setting its own targets and strategy in progressing gender balance at all levels and publicly reporting its progress.

UKEF has also developed an Export Finance and Gender strategy which feeds into a broader Trade and Gender strategy being developed by the DIT. Mr Taylor noted UKEF's commitment to this strategy.

ENVIRONMENTAL

Mr Taylor also updated the Council on developments to the Environmental Advisory Unit. Since the last meeting, EAU has changed its name to the Environmental and Social Risk Management Team (E&S team) to better reflect the nature of the work that it undertakes.

Mr Taylor informed the Council on the outcomes of recent international meetings, in which E&S UKEF representatives attended.

The E&S team sent a representative to an OECD E&S practitioners' meeting in Norway in September. Mr Taylor noted that the key issues discussed at the practitioners' meeting included E&S loan conditions which UKEF presented and has been leading a working group on the development of a Guidance Note. This Guidance Note is now in its final format for comment from across the OECD ECAs. Other issues discussed included artic issues, monitoring and experience sharing.

Mr Taylor also discussed UKEF's participation in a UN Commission on Human Rights (UNCHR) working group meeting at the end of September, which commenced a review of the state-business nexus of the UN Guiding Principles on Business and Human Rights. UKEF attended along with the OECD EGC secretariat and Business Conduct Unit, and representatives from the E&S teams at GIEK (Norwegian ECA) and ATRADIUS (Dutch ECA). Key issues discussed included the role of the National Contact Point (NCP), and the role of the three ECAs present in implementing the requirements of the OCED Common Approaches.

UKEF participated and presented at a Health and Safety workshop organised and held at the EBRD at the end of October. This is one of now biannual meetings held to share experiences and good practice in occupational health and safety across the ECAs, multilateral development banks and Equator Principles banks.

UKEF was represented at the Equator Principles Annual General Meeting (AGM) in Brazil in October. This was the first Equator Principles AGM where UKEF has been a member of the Equator Principles steering committee. UKEF took a key role in the organisation of the meeting, undertaking preparatory telephone interviews with other Equator Principles Financial Institutions to gather data on keys issues which may lead to an up-date to the Principles, and organising a panel discussion at the event. UKEF participated in joint presentations with other Steering Committee members on the feedback on what a potential up-date to the EPs might look like and on covenants, loan conditions and monitoring.

INTERNATIONAL

As part of a full week of meetings at the OECD in Paris at the beginning of November, the annual meeting with Civil Society Organisations was well attended, with NGOs and industry representatives updating the OECD group on their concerns. Business issues raised included

the Arrangement local cost rules, project finance rules, implementation of the sustainable lending principles and the Rail Sector Understanding. The NGOs presented on support for coal and other fossil fuels and responded to the Chairman's proposal for an updated Recommendation on Bribery.

The Technical Experts discussed the ongoing review of the minimum interest rates in the Arrangement. Discussion focussed on the rules and procedures around setting and holding the interest rate in advance of signing the loan documentation, and no conclusions were reached. On premium issues, the Experts agreed to restart the process of collecting data to assess the adequacy of the minimum premium rates in the Arrangement.

The 14th Meeting of the International Working Group on Export Credits took place in Beijing on 8-9 September. The UK has been invited to join a small group of experts convened by the Secretary General that will be leading progress on issues between meetings. A number of working groups will be established to discuss key topics at an expert level with direction and decisions set at the regular plenary meetings. The groups will cover: maximum official support and down-payment; maximum repayment terms; local costs; information sharing; scope; premium; and interest rates.

BTC; LESSONS LEARNT

Mr Brookes provided an environmental and social reflection on UKEF's involvement with the Baku-Tbilisi-Ceyhan (BTC) pipeline project. This reflective exercise was undertaken following UKEF's guarantee for the project reaching financial completion. Events during UKEF's environmental and social due diligence and monitoring of the BTC Pipeline were highlighted. The subsequent evolution of UKEF's environmental and social risk management in the context of these events, alongside updates to the OECD Common Approaches and international standards, was subsequently discussed.

The Council noted that the BTC pipeline project had helped to advance environmental and social risk management within UKEF as well as within the wider international lending community including OECD ECAs, development banks, and other lenders.

BRIBERY ANNUAL REPORT

Mr McHugh presented the annual report on the operation of anti bribery policies and practices for the period July 2016 – June 2017. In accordance with usual practice, this report will be made public on UKEF's website.

Mr McHugh noted that the number of applications received was 392 compared to 368 in 2015-16 with those from SMEs accounting for 87% of the total (88% in 2015-16). This continues to reflect the expansion of UKEF's business domain in 2011 to support raw material, consumer durable, light manufacture exports sold on short terms of credit, and the introduction of Short-Term Products . There were 106 applications in respect of the Export Insurance Policy (88 in 2015/16), 200 applications in respect of the Bond Support scheme (142 in 2015/16) 111 in respect of the Export Working Capital scheme (111 in 2015/16).

Of the 392 new applications received, 80 involved the use of agents, of which 40 were in respect of the Bond Support Scheme and a further 22 in respect of the Export Insurance Policy.

2 applications involved the use of joint ventures/consortium partners. In both cases the applicant provided the information UKEF sought concerning the contracting arrangements, including the identities of the joint ventures/consortium partners and details of any agents. Neither of the applications involved the use of agents.

No applicant refused to provide UKEF with any additional information required to carry out the necessary due diligence. All applicants signed UKEF's audit and recourse provisions.

OECD RECOMMENDATION FOR CLIMATE RELATED FINANCE

Mr Waterhouse outlined recent considerations at the OECD regarding a proposal to report climate related export credits to the OECD export credit group. The proposal sets out a recommendation for a common methodology to identify positive climate-related transactions.

Mr Waterhouse noted that the OECD collects data on every transaction supported in line with the terms of the Arrangement on Officially Supported Export Credits. Information is captured using a reporting template and subsequently stored in a comprehensive database.

Mr Waterhouse reviewed the proposal that transactions may be qualified and identified within the current reporting template using a 'climate related identifier'. A decision tree in the proposal describes how this identification will be done. This identifier enables members to manually indicate transactions that are climate related, rather than needing to incorporate any additional complexity in the reporting template at this stage.

FREEDOM OF INFORMATION UPDATE

The Council considered information requests which had been answered since the last Council meeting. The Council noted the continued high performance against statutory deadlines for processing requests under the Freedom of Information Act and the Environmental Information Regulations.

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 in 2017.

ANY OTHER BUSINESS

The Council briefly discussed possible agenda topics for future discussion. Council members reviewed dates for future meetings.

Nia Bevan

Secretary

Action: Council members to provide any further comments by 19th of February 2019.

**ANNUAL BRIEFING FOR EXPORT GUARANTEES ADVISORY COUNCIL
FOR PERIOD: 1 JULY 2016 TO 30 June 2017**

A. APPLICATIONS RECEIVED AND CASES SUPPORTED

1. APPLICATIONS

A. Total number of Applications received	B. Number of Applications disclosing the existence of an Agent	C. Number of Applications disclosing the existence of Joint Venture/ Consortium Partners	D. Number of Applications involving SMEs ¹	E. Number of Loan Contracts not governed by English law
392	80	2	339	0
F. Number of occasions where UK Export Finance as reinsurer relied on due diligence by the lead ECA on the head contract under reinsurance arrangements	G. Number of occasions where anti-bribery procedures were not applied by UK Export Finance due to the low value of a sub-contract under reinsurance arrangements			
0	0			

¹ An SME is defined as an enterprise with fewer than 250 staff and turnover of less than €50m and does not have a parent that falls outside of these criteria.

2. USE OF SPECIAL HANDLING ARRANGEMENTS (SHAs) FOR AGENTS²

A. Number of Applicants requesting use of SHAs	1
B. Number of Applications on which an Applicant's consent was sought for the making of inquiries by UK Export Finance	1
C. Number of Applications on which an Applicant refused consent for the making of inquiries by UK Export Finance	0
D. Number of Applications where cover was refused by UK Export Finance because (i) the Applicant refused its consent for inquiries by UK Export Finance, or (ii) UK Export Finance was not satisfied, following its enquiries, concerning the Agent	0
E. Number of cases supported by UK Export Finance on which the Applicant refused consent for UK Export Finance to make inquiries concerning its agent	0

3. JOINT VENTURES/CONSORTIUM PARTNERS (JVs)

A. What proportion of Applicants, who were party to a JV, disclosed all the parties to that JV?	100%
B. What proportion of Applicants, who were party to a JV, refused to disclose any of its JV partners?	0%
C. What proportion of Applicants, who were party to a JV, disclosed the names of all agents acting on their JV's behalf?	N/A ³

² SHAs were discontinued with effect from 24 April 2017

³ Of the two applicants who were party to a JV, neither used an agent

4. DUE DILIGENCE (conducted on all processed Applications)

<p>A. What was the proportion of Applications on which all relevant names were checked by UK Export Finance against the publicly available debarment lists of the International Financial Institutions specified in the OECD Recommendation?</p>	<p>100%</p>
<p>B. What proportion of UK Export Finance checks against the above lists identified any potential problems/issues?</p>	<p>0%</p>
<p>C. What proportion of Applicants disclosed the existence of a corporate Code of Ethical Conduct or the equivalent?</p>	<p>63%</p>
<p>D. What proportion of those Applicants with a Code of Conduct provided a copy of that Code of Conduct to UK Export Finance (where not previously provided)?</p>	<p>100%</p>
<p>E. What proportion of Applicants refused to provide to UK Export Finance any additional information, when requested, relating to a bribery and corruption issue?</p>	<p>0%</p>
<p>F. The number of Applicants that disclosed to UK Export Finance that they, or anyone acting on their behalf, were under charge or, within the last five years, had been convicted of bribery or corruption in a UK court</p>	<p>0</p>
<p>G. What proportion of Applicants disclosed that they, or anyone acting on their behalf, had been subject within the last five years to any administrative sanction or measure in the UK for bribery or corruption?</p>	<p>0%</p>

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H. What was the proportion of Applicants that were the subject of allegations made to UK Export Finance relating to bribery or corruption in respect of the contract for which UK Export Finance support was requested?	0%
I. The number of Applications rejected by UK Export Finance because of bribery or corruption-related issues?	0
J. What proportion of Applications, in which the existence of an agent was disclosed, were subject to inquiry by UK Export Finance with the relevant UK overseas diplomatic mission on the standing of that agent?	100%

5. CASES SUPPORTED BY UK EXPORT FINANCE

A. Number of cases supported by UK Export Finance ⁴	B. Number of supported cases on which the existence of an Agent was disclosed to UK Export Finance	C. Number of supported cases on which the existence of a JV was disclosed to UK Export Finance	D. Number of supported cases on which the Loan Contract was not governed by English law
508	53	0	0

⁴ Not all applications result in a supported case and those that are supported are not necessarily in respect of applications received during the period of this report.

B. INTERNATIONAL AND OTHER DEVELOPMENTS

1. OECD/INTERNATIONAL

Brief outline of significant international developments concerning UK Export Finance's anti-bribery and corruption procedures that took place within the OECD or elsewhere

A. Number of OECD anti-bribery and corruption meetings attended by UK Export Finance.	3
B. Number of bilateral meetings with non-OECD official export credit agencies (ECAs) at which UK Export Finance raised the general topic of anti-bribery and corruption	0

November 2016 – the OECD Secretariat (Export Credits) presented a paper that collated the comments received from Adherents, as requested at the June 2016 meeting, concerning a possible review of the 2006 Bribery Recommendation. The Chairman concluded that there was support for a review and invited the Secretariat to prepare a paper setting out the issues and some options.

March 2017 – the Secretariat presented its paper containing various options and proposals. Following a discussion by Adherents, the Chairman noted that more work was needed and invited Adherents to provide any additional comments which would be collated into a revised paper for the June meeting.

June 2017 – the Secretariat presented its revised paper containing proposals and certain counterproposals to help facilitate a discussion of the various options. Following extensive discussions, the Chairman concluded that it would now be her intention to work with the Secretariat to prepare a Chairman's proposal to be shared with both Adherents and stakeholders including, for example, Transparency International, for comments by the end of September 2017.^{68/}

2. ALLEGATIONS

UK Export Finance refers all specific allegations of bribery and corruption and money laundering of which it becomes aware to the appropriate authorities

A. Number of specific allegations of corruption received by UK Export Finance

0

B. Number of specific allegations of corruption referred by UK Export Finance to the appropriate UK authorities

0

3. RECOURSE

UK Export Finance has a right under its Premium and Recourse Agreement with an exporter on a transaction which benefits from financing provided under an UK Export Finance guarantee to a funding bank to take financial recourse to that exporter in the event of loss caused by a corrupt act

A. Number of cases in which UK Export Finance sought to enforce its right of recourse against an exporter because of corrupt activity

Nil

4. OTHER DEVELOPMENTS

Brief timeline of other significant developments during the period of this briefing concerning UK Export Finance and the issue of anti-bribery and corruption

April 2017 – Special Handling Arrangements were discontinued

UK Export Finance

December 2017