

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 19 February 2018

1. MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING

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

2. CHIEF EXECUTIVE'S UPDATE

2.1. Mr Welsh updated the Council on recent developments. The year to date figures for issued and effective business and premium are at £1,654m and £78m respectively. New business recorded for 2017/18 totals 463 issued and effective facilities, consisting of 432 Short-Term facilities and 31 MLT facilities. This provided cover for 132 exporters, of which 103 are SMEs. New issued and effective business in recent months included aircraft for Korean Airlines and Norwegian Air and Buyer Credits in Dubai and Indonesia.

2.2. The Council noted that UKEF had been named the outright winner in the Best Export Credit Agency category of the Global Trade Review (GTR) Leaders in Trade 2017 awards, which highlight excellence in the trade, commodity, supply chain and export finance and fintech markets.

2.3. The Council was also updated on staff changes in the Environmental and Social Team, and on developments in the OECD and International Working Group forums.

3. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT TEAM ANNUAL REPORT

3.1. The E&S Team presented the annual report on the activities of the team for the period January – December 2017. The Council noted highlights and welcomed the work that had been done where UKEF positively influences project developers and UK exporters through assisting their capability to assess and manage ESHR risks resulting from their activities and developing their capacity and tools to manage such risks in an appropriate way.

3.2. Examples of tangible outcomes may include improving health and safety behaviours, minimising injury and loss of life, securing affected people's livelihoods and promoting positive project impacts.

3.3. In 2017, the E&S Team had played a key role in working alongside and influencing Environmental and Social (E&S) Practitioners in other OECD ECAs and Equator Principles Financial Institutions (EPFIs), particularly through the OECD ECA E&S Practitioners' Group meetings and Equator Principles' Annual General Meeting (EPAGM) respectively, by influencing key agenda items, sharing experiences, and seeking to achieve consistency of approach in OECD ECA and EPFI practice, in fulfilment of the requirements of the OECD Common Approaches and the Equator Principles.

3.4. In June 2017 UKEF were elected by the EPFI community to join the EP Steering Committee and undertake a Management Support role to the EP Chair. UKEF participated in EP Steering Committee meetings throughout 2017 and jointly facilitated a Strategy Working Group on the future direction and development of the Eps.

3.5. The report outlined some examples of work done on Category A and B projects, and on Post Issue E&S monitoring.

4. EGAC ANNUAL REPORT

4.1. Mr Wiseman presented the draft EGAC Annual Report for 2017-18 which would be included in the UKEF Annual Report. He would also attend the UKEF Board to update them on EGAC work over the year.

5. KABAALE AIRPORT

5.1. The Council reviewed UKEF's handling of the E&S assessment of the Kabaale Airport in Uganda, which is a greenfield project for a runway, cargo terminal and associated infrastructure. The Council considered the challenges that

were associated with the project. These included the fact that the UK exporter was new to international financing and had no previous relationship with the buyer. Robust impact assessment had been carried out in respect of cultural heritage, biodiversity and protected areas, and in labour and natural resource impacts.

- 5.2. The Council noted the joined-up approach taken by the UK government, with coordination between UKEF and DfID, FCO and DIT, particularly in respect of sustainable lending considerations. The project represented UKEF's largest loan to an African country, and was the first major project supported in Uganda.
- 5.3. UKEF advised the Council of the wider due diligence which had been carried out, given that a future proposed oil refinery complex would be an associated facility. The planned refinery is the primary factor driving the construction of the Project, and the Project appears the only reasonable option to deliver equipment and materials to the future planned refinery.
- 5.4. A review was undertaken, in line with the requirements of the OECD Common Approaches and Equator Principles, to identify potential ESHR issues for the Project and how these would be effectively managed. The review found that a suite of ESHR controls has been developed to mitigate and manage the significant Project-related environmental and social impacts and risks over time. Actions were agreed between the Project developers, operators, and the lenders involved in the financing which are necessary to ensure the Project's on-going alignment with international standards. Following agreement of these commitments, it was concluded that the Project should meet the relevant international standards over the project cycle and UKEF therefore decided to provide support to the Project in respect of the supply of capital goods and services by UK exporters to the Project.
- 5.5. A condition of support is that Project will be subject to monitoring by an Independent Environmental and Social Consultant so it can be satisfied that the Project is aligned with the relevant international standards throughout the duration of support.

6. FREEDOM OF INFORMATION UPDATE

6.1. 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.

7. EGAC SCORECARD

7.1. 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.

Chief Executive's Office