

Minute of UKEF Board meeting – 12 June 2019

Present: Noel Harwerth (Chair) [REDACTED] Item 2 – [REDACTED]
Oliver Peterken (Observer) Item 3 – Davinder Mann (by
Amin Mawji Gordon Welsh phone)
Justin Manson (Observer) Item 4 – [REDACTED], Pat
Lawrence Weiss Cauthery, [REDACTED]
Louis Taylor [REDACTED]
Samir Parkash Item 4 & 5 – Richard Smith-
John Mahon Morgan
Shalini Khemka Item 7 – [REDACTED], [REDACTED]
Cameron Fox [REDACTED]
Item 8 – Shane Lynch

Apologies: John Mahon, Kim
Wiehl

Secretariat: [REDACTED]

1. Draft Minutes and Actions Log of 20 May 2019 Meeting

1.1. The draft minutes were approved. The meeting discussed the actions arising from the prior meeting and it was agreed that the Head of Business Group would liaise with secretariat to invite one of more IEFEs to a Board meeting or event.

2. Marketing and origination update

2.1. The Head of Marketing and Communications presented an update to the Board on marketing and communications activities. The meeting was provided with a reminder of the performance throughout 2018-19, recent activity highlights and a forward look at opportunities for improvement in 2019-20.

2.2. The meeting discussed the advertising channel choices made by the Marketing and Communications team, in particular regional print coverage. It was noted that negative coverage of UK Export Finance had decreased markedly in recent years.

2.3. Attendees commented on the recent UKEF Customer Conference and Gala Dinner, agreeing that they were well excellent events. Board members noted that the feedback from delegates had been positive. Members thanked the Marketing and Communications for their work, noting the improvement made in the last year.

3. Compliance annual review

3.1. The Director of Legal and Compliance gave a presentation to the Board covering the changes to the Compliance function in the last year. The Board noted that the function was effectively re-constituted in February with the appointment of an SCS1 to the role of Head of Compliance. The meeting noted that the focus of the new team was on financial crime, fraud, bribery and corruption. The Director of Legal and Compliance agreed to provide the cost of the FCC Compliance to date to the Board by correspondence, along with an estimate for the future.

ACTION: Director of Legal and Compliance to provide the Board with the cost of the FCC compliance programme to date, and with an estimate of costs for the next year.

3.2. Attendees heard that a key role of Compliance Division was maintaining UKEF's Risk Appetite Statement which established a framework that defined the Department's appetite and tolerance across a range of financial crime risks.

3.3. The meeting discussed possible areas of vulnerability and noted that transactional work, particularly in jurisdictions that did not have a good rating on the transparency index presented the greatest risk to the Department

3.4. The Board agreed that a great deal of progress had been made on the compliance function generally and that a work programme was in place to improve further. The meeting discussed ways in which Salesforce could be optimised to assist the compliance function and the need for the experience of Business Group colleagues to be embedded in the new compliance function.

4. Aerospace annual review

4.1. [REDACTED] and Richard Smith-Morgan gave a presentation to the Board providing an overview of the aerospace portfolio for the last year. The meeting noted that production on the A380 had ceased, that the Boeing 737-MAX 8 had been grounded and that compliance process within Airbus had improved.

4.2. Members also discussed the financing landscape, new business opportunities, and the industry outlook, which was considered to be generally positive. The CRO specifically highlighted to the Board two counterparties that were in the CCC rating

territory and on Watch List – Norwegian and Avianca. It was agreed that the Chief Risk officer would send the Board details of each of the two cases mentioned.

ACTION: CRO to provide details to the Board of Norwegian and Avianca by written procedure.

4.3. The Board were informed of the ongoing active management of these weak credits and the strength of recoverable assets and the need for ongoing monitoring. [REDACTED] gave a more detailed update on Avianca; where certain waivers were requested.

5. Business Performance Update

5.1. The Director of Business Group updated the meeting on progress with the recruitment of the Head of Short-Term business, the meeting noted that this position was to be filled by September. Attendees were briefed on the General Export Facility and considered the impact that it could have.

5.2. The Director of Business Group gave an update on the deal pipeline, taking time to discuss completed deals, the deals that were expected to be completed and also projects that were still in development.

5.3. The meeting noted the paper provided by the Chief Risk Officer which discussed the latest breaches and waivers of covenants; an update on active portfolio management; and the Risk Management Group key performance indicators. The meeting were informed that recruitment into the Risk Management team was now almost completed with chief analysts joining in July.

5.4. The Chief Finance and Operating Officer informed the meeting of the financial performance of the business for April. The meeting discussed Direct Lending and the technical solutions used by other banks.

6. Committee Chairs' updates

6.1. Members received an update from the Audit and Risk Committee Chairs which covered the discussions and actions taken by the Audit and Risk Committees at their respective meetings on 11th June and 21st May. This included a lessons-learned paper on Kayali which the Risk Committee agreed was an excellent piece of work. The Risk Chair noted the importance of data governance in minimising

reputational risk and maximising recovery. It was agreed that an update on data management would be provided to the next Board meeting.

ACTION: Update on data management to be added to the forward agenda for the September Board meeting.

7. Climate change

7.1. [REDACTED] presented a paper to the Board providing an overview of recent climate change developments and outlining action that UKEF was considering taking. The meeting noted the recent Environment Audit Committee report had been published.

7.2. The meeting noted the high level of external scrutiny that UKEF was facing in respect of its fossil fuel-related support and the actions that the global financial sector was taking with respect to climate change. The meeting heard that UKEF was developing a strategy to respond to the business risks and opportunities presented by climate change. The meeting provides its views on the proposals within the presentation and discussed possible actions that UKEF could develop relating to climate change.

8. Update on People Survey actions

8.1. The Director of Business Group updated the meeting on his trip to the G12 meeting in China. The meeting noted the deal pipeline, and that the scale of difficulty had increased in comparison with last year.

8.2. The meeting noted the paper provided by the Chief Risk Officer which discussed claims and recoveries and Active Portfolio Management. The meeting were informed that the credit portfolio had been stable and discussed the few distressed credit exposures in the UKEF portfolio.

8.3. The Chief Finance and Operating Officer informed the meeting of the full year's unaudited position. The Board noted the performance against UKEF's financial objectives and the position on employee turnover and current vacancies.

9. Any other business

9.1. On behalf of the Board the Chair thanked Amin Mawji and Justin Manson for their service as members of the UKEF Board.