

Minute of UKEF Board meeting – 19 November 2019

Present: Noel Harwerth (Chair) [REDACTED] Richard Simon-Lewis, [REDACTED]
Oliver Peterken (Observer) [REDACTED], [REDACTED], [REDACTED]
Maddy McTernan [REDACTED] (Item 2)
Lawrence Weiss Vlad Bobko (AON), [REDACTED]
Louis Taylor [REDACTED] (Item 3)
Kim Wiehl [REDACTED] (items 3-4)
John Mahon (for Esi Eshun, Davinder Mann
items 1-2 by phone) (Item 5)
Cameron Fox [REDACTED], Adam
Gordon Welsh Harris, Arwen Robertson, [REDACTED]
[REDACTED]

Apologies: Samir Parkash,
Shalini Khemka

Secretariat: [REDACTED]

1. Draft Minutes and Actions Log of 25 October 2019 Meeting

1.1. The draft minutes were approved. The meeting discussed the actions arising from the prior meeting and noted the forward agenda.

2. UKEF Business Plan Aspirations

2.1. The Head of Marketing and Communications, [REDACTED], introduced a paper which discussed the merits of establishing customer numbers and business underwritten aspirations, and what those aspirations, if required, should be.

2.2. The meeting heard that following the introduction of short-term products in 2011 there was a growth in UKEF customer numbers until 2015-16 when the numbers stabilised. The meeting discussed the current addressable market and what would constitute appropriate aspirations for the coming years. It was agreed that a target of 270 was to be set for 2021, with an aspiration of over 500 companies supported.

2.3. The Chair asked the Marketing and Communications team to investigate the number of exporters with a turnover of £5 billion that exported outside the European Union. It was agreed that the team would meet with the Chair to discuss further.

ACTION: Chair to meet with Marketing and Communications team to discuss companies with a turnover of £5 billion or less that exported outside the EU.

3. State of the insurance and re-insurance markets

- 3.1. Vlad Bobko, Head of Crisis Management (Structured Credit and Political Risks) at Aon Global Broking Centre, London presented to the Board on the state of the insurance and re-insurance markets.
- 3.2. The meeting were informed of market trends and the impact of short term losses in Thomas Cook and Carillion, how primary markets were dealing with tall trees exposure and how reinsurance protection for primary markets was flat due to 10 years of positive results.
- 3.3. Attendees heard that the UKEF structure was unique in comparison with other ECAs due to the way in which reinsurance was procured. It was noted that access to reinsurance markets was important for UKEF's strategy and the meeting were informed that there no clear blockers to prevent access to the reinsurance market visible at present.
- 3.4. The Board was informed that UKEF's reputation among ECAs was considered best in class, and that UKEF colleagues were noted for their quality and diligence.
- 3.5. The Chair thanked Vlad for his thorough and interesting presentation.

4. Business performance updates

- 4.1. The Director of Business Group updated the Board on the deal pipeline for this year and for 2020/21. The meeting noted the completed deals, the deals that were expected to be completed and also projects that were still in development. Attendees discussed the sectors that the pipeline included and the resources within Business Group.
- 4.2. In the absence of the Chief Risk Officer, [REDACTED] provided an update to the Board on the latest breaches and waivers of covenants and claims and recoveries.
- 4.3. The Chief Finance and Operations Officer updated the Board on the financial performance of the business for September. The meeting were also informed the progress on the transformation and change plan, noting that there would be a Target Operating Model update in the January Board meeting.

5. Legal Risk

- 5.1. The Director of legal and Compliance, Davinder Mann, and the Head of Legal, Esi Eshun gave the Board an update on the Legal Department and on legal risk in particular. The meeting noted that it had been an impressive year for the Legal Department, having led on the general export facility (GEF), supply chain discounting, and the revised buyer credit product.
- 5.2. Attendees were informed that Legal Division had documented the legal risk the Department faced in a single source document alongside an explained methodology. It was noted that the creation of legal risk overlapped in many areas with other risks to the Department including financial, underwriting, operational risk. A single action could potentially create legal risks and therefore potential consequences in all of those areas.
- 5.3. The Board heard that the new plan listed all of the key areas of legal and pseudo legal risk for the Department by identifying; (i) the party to whom the legal obligation was owed; (ii) the obligations; (iii) potential legal consequences of breach; (iv) how the breach may impact the business; (v) what controls could be put in place to help mitigate the likelihood of the legal risk materialising; and (vi) what our plan was if the risk was to materialise.
- 5.4. Members agreed that the plan was a sensible idea and noted that it would be placed on BGPedia to ensure it was accessible to all staff. It was also agreed that a teach-in for staff would be useful. The meeting also agreed that the Audit Committee should look at legal risks and costs.

ACTION: Secretariat to add Legal Risks to Audit Committee forward agenda

6. Direct Lending: Forecast and monitoring

- 6.1. Adam Harris introduced an item which provided the Board with a response to UKEF's unsuccessful bid to secure additional Direct Lending funds as part of the SR19 round. The Board had previously requested an update on the current utilisation and future commitments of available Direct Lending capacity, and remaining headroom to support new projects.
- 6.2. The meeting discussed whether the failure to secure additional Direct Lending funds had led to any deals that could have been done, not being done. Members

noted that this was difficult to discern precisely, but that it was likely to be the case. Such deals would be reported as part of the Business Group business performance updates to the Board meeting from January.

7. Committee Chairs' update

7.1. The meeting received an update from the Audit and Risk Committee Chairs.

7.2. The Audit Committee Chair noted that the partner leading on UKEF's external audit from Grant Thornton had now left the company. The meeting noted that instead of Grant Thornton providing another partner, Hilary Lower from the NAO would lead the external audit.

8. Any other business

8.1. There being no other business, the meeting was brought to a close.