

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 6 SEPTEMBER 2021

**Present:** Mr Alistair Clark (Chair)  
Dr Ben Caldecott  
Ms Vanessa Harvard Williams  
Mr John Morrison  
Mr Stephen Prior  
Dr Roseline Wanjiru

**In attendance:** Mr Louis Taylor (UKEF CEO)  
[Redacted]  
[Redacted]  
[Redacted]  
Ms Davinder Mann  
[Redacted]  
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[Redacted]  
[Redacted]

**Apologies:** None

**Secretary:** [Redacted]

1. **EGAC only session**

1.1. The Council members met with no UKEF staff present.

2. **MINUTES OF PREVIOUS MEETINGS AND MATTERS ARISING**

2.1. The minutes of the May 2021 meeting were approved by the Council and will be published in due course. The actions arising were discussed and updates noted.

2.2. The Chair asked if members had any conflicts of interest to declare and gave an opportunity to recuse themselves. There were no conflicts declared.

**3. CHIEF EXECUTIVE'S UPDATE**

3.1. Mr Taylor provided the Council with an update on business. New business recorded for 2021/22 (to end of June 2021) totals 186 issued and effective facilities. Of these, 169 were Short-Term facilities and 17 Medium or Long-Term facilities. This provided cover for 57 exporters, of which 46 are SMEs.

3.2. Mr Taylor reported that total exposure is £40bn, with capacity for £60bn and drew attention to the strong, geographically diverse pipeline, the first transition export development guarantee and the first general export facility to be agreed with a Scottish company.

3.3. The Council was informed of a busy period over the summer prepping for a likely 3-year Spending Review bid and putting together UKEF's Climate Change Strategy.

3.4. Members were informed that there had been a number of articles published by UKEF staff in recent months. It was agreed that these articles would be shared with the Council by written procedure.

3.5. The meeting discussed the potential revamp of common approaches within the OECD and the proliferation of other frameworks related, in particular, to fossil fuels. Members noted that the US Treasury had issued Fossil Fuel Energy Guidance for Multilateral Development Banks (MDBs), and it was agreed that a link to this would be sent round to Members by written procedure.

**ACTION: Secretariat to share op-eds and other articles with the Council by written procedure.**

**4. CLIMATE CHANGE STRATEGY**

4.1. [Redacted], Head of Climate Change, provided an update on the current Status of the Climate Change Strategy, in particular focussing on the progress on key actions for 2021 and 2022.

4.2. The meeting discussed the development process of the Climate Change strategy and agreed that the Council had been well engaged and that their comments had been

considered, with many reflected in the final draft. It was agreed that the draft was in good shape, however Members discussed whether the strategy could also focus on social and governance issues as well. It was noted that social and governance issues were being considered at a policy level.

4.3. The Council discussed the potential options for NGO/CSO engagement and agreed that an approach involving bi-lateral engagement and broad inclusive events would be the best way forward. The meeting also discussed how to mobilise other ECAs to follow UKEF's lead in this area.

4.4. The UK Centre for Greening Finance and Investment (CGFI), a national centre established to accelerate the adoption and use of climate and environmental data and analytics by financial institutions internationally, was raised in the meeting and Dr Caldecott agreed to connect UKEF with the appropriate workstream.

**ACTION: Ben to introduce [Redacted] and [Redacted] to the CGFI.**

### 5. UPDATE ON INTERNATIONAL DISCUSSIONS AHEAD OF COP26

5.1. [Redacted], gave an update on three strands of work:

- the Coal-Fired Electricity Generation Sector Understanding (CFSU);
- joint (high level, political) statement for agreement around COP26; and
- the Common Approaches

5.2. It was noted that the UK had co-signed a joint proposal for text to strengthen the CFSU (drafted by like-minded group of the EU, UK, US, Canada and Norway). The proposal included provisions to end support for mining and transportation by the end of 2022 (as well as an immediate end to support for unabated coal-fired power). Members heard that while a coalition of the like-minded would be a powerful driver to get agreement in the OECD, UKEF were not under-estimating the challenge from others. The EU, US and UK had done some joint outreach to other countries in preparation for the OECD discussions on 15 September.

5.3. With regard to the COP26 statement, the Council noted that Louis had spoken with his counterparts in Canada and Germany, and calls coming up with the Netherlands, Sweden, Denmark and France; while work is ongoing to reach out to US Exim, South Korea and the appropriate ministries in Italy.

5.4. On the Common Approaches, Members heard that it was due for review by the OECD ECG later in the year and that Environmental Practitioners were currently considering what to recommend to the ECG. The meeting were informed that UKEF had issued a paper outlining UK directional advice for the Practitioners in respect the update of the Common Approaches. This paper encouraged practitioners to look into greater alignment with the Equator principles; how human rights assessments can be strengthened; and widening the scope so that assessments are carried out for more projects.

5.5. The Chair suggested that EGAC Members could be used in international fora, and it was agreed that UKEF management would consider this and come back to the Chair with suggested events.

## **6. UKEF'S APPROACH TO CLIMATE RISKS**

6.1. [Redacted] within Risk Approval Division presented UKEF's approach to climate risks to the Council.

6.2. The meeting noted that Risk Management Group (RMG) continued to evolve its approach to integrating ESG and climate-related risks into its credit assessment processes. Members heard that RMG's key focus was understanding the financial implications (cost or saving) of ESG and Climate Change (CC) to a given company or project and whether these risks will impact the counterparty cash flows and how significantly, and consequently ultimately modify the credit rating or Loss Given Default (LGD).

6.3. The Council were given a summary of the collaboration across UKEF, noting that RMG had started to work more closely with the E&S team to share data but also during lenders' advisors' engagement; and that the E&S team was also involved with civil corporate transactions and work was underway to ensure better communication across all Risk teams and E&S team.

6.4. In addition, Members heard that led by the Strategy, Policy and Climate Change (SPoCC) directorate, UKEF had embarked on its second TCFD project and is in the process of going out to tender for consultants to support UKEF's efforts on this. The meeting was informed that RMG had an important role to play in the project, particularly in the areas of how UKEF develops stress testing and scenario analysis

to understand and quantify the potential risks and their materiality, and opportunities, which will feed into future policy work, business origination and underwriting.

- 6.5. The Council thanked [Redacted] for an excellent presentation and agreed that an item should be added to the next agenda covering what other areas of the Department aside from SPoCC/RMG were doing about TCFD.

**ACTION: Paper to be added to the forward agenda to discuss what the Department as a whole were doing with regard to TCFD.**

- 6.6. The meeting discussed the challenges facing UKEF on climate related risks. It was noted that data must be assembled in the right way – in particular that this type of information could not be run off excel spreadsheets. In addition, the meeting discussed the importance of tight terms of reference for consultants to support UKEF's second TCFD project.

## **7. MANAGING HUMAN RIGHTS RISKS IN THE SOLAR POWER INDUSTRY**

- 7.1. [Redacted] presented a paper on human rights risks in the solar power industry.
- 7.2. Members were informed that the international solar power industry was susceptible to elevated human rights risks associated with forced labour within its supply chain because of the reliance on solar-grade polysilicon in the solar panel production process. It was noted that approximately 45% of global polysilicon supply originates from the Xinjiang region in China where manufacturers had been linked to forced labour.
- 7.3. The Council were given an overview of UK Government policy, discussed potential risks for UKEF and exporters in supporting transactions in the solar power industry, and recommended actions to be implemented to strengthen UKEF's procedures in this area and mitigate risks.
- 7.4. The Council noted that this was solely an issue with the solar power industry, with the cotton industry also an industry vulnerable to similar abuses in China.
- 7.5. The meeting noted that alignment with the Modern Slavery Act was dangerous although superficially attractive; that this risk will "eventualise" for UKEF at some point and we need to be able to demonstrate our ability incorporate enhanced due diligence into contracts.

7.6. The Council agreed that UKEF should keep a watching brief, and cannot rely on exporter declarations, and in terms of the recommendations made in the paper, UKEF should consider a combination of options B & C.

**8. E&S TEAM QUARTERLY MONITORING REPORT 2021:Q2**

8.1. The paper was noted and the Council agreed to send any comments back in writing via secretariat.

**ACTION: Council to send comments to secretariat.**

**9. E&S RECRUITMENT AND TEAM RESOURCES**

9.1. The paper was noted and the Council agreed to send any comments back in writing via secretariat.

**ACTION: Council to send comments to secretariat.**

**10. ANY OTHER BUSINESS**

10.1. There was no other business.

**[Redacted]**

**SPoCC Secretariat**