

EXPORT GUARANTEES ADVISORY COUNCIL

MINUTES OF MEETING HELD ON 7 MARCH 2022

**Present:** Dr Alistair Clark (Chair)  
Ms Vanessa Havard-Williams  
Mr Stephen Prior  
Dr Roseline Wanjiru

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

**Observers:** [Redacted]  
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**Guests:** [Redacted]  
[Redacted]  
[Redacted]

**Apologies:** Dr Ben Caldecott  
Mr John Morrison

**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. Members discussed the December 2021 minute and actions log. Subject to minor amendments to the minutes, they were approved by the Council and will be published in due course. The Council had comments on the actions arising and will discuss with Secretariat to clarify.

### 3. CHIEF EXECUTIVE'S UPDATE

3.1. Mr Louis Taylor provided the Council with an update on business. The meeting noted the new business figures recorded for 2021/22 (to end of January 2022) which totalled 546 issued and effective facilities. Of these, 485 were Short-Term facilities and 61 Medium or Long-Term facilities. This provided cover for 166 exporters, of which 136 were SMEs.

3.2. Mr Taylor reported that total exposure was £45bn, with capacity for £60bn, and noted that the pipeline was growing.

3.3. Mr Taylor outlined the implications of the situation around Ukraine and Russia for UKEF. The meeting was informed of UKEF's outstanding exposure to Russia, Ukraine and Belarus. Members heard that the exposures were manageable, with UKEF operating within its mandate. It was noted that UKEF were unlikely to be materially impacted.

3.4. Mr Taylor informed the Council that cover was determined at the Enterprise Risk and Credit Committee but had not been communicated to the market.

3.5. The meeting discussed how the defence sector might develop and respond to the changing geopolitical situation and about how the current situation may impact energy transition. Members agreed that there may be a short term need to slow energy transition but underlined that this was likely to only be a short-term effect, with faster acceleration likely in the medium term.

- 3.6. The meeting noted that other sectors such as agriculture, food, and fertilisers would also be affected and discussed whether UKEF's strategy was sufficiently flexible to accommodate changing market forces. Members noted that the strategy would continue to be demand-led and focus on where it could have the greatest impact, such as driving the clean growth supply chain in the UK. It was agreed that while sectors and priorities may change and resources may be re-directed, the strategy would not require wholesale change.
- 3.7. The Council were given an update on Marketing and Communications, noting UKEF's contribution to the Africa Investment Summit, and media coverage of UKEF's £500m support for Jaguar Land Rover in its electric vehicle plans, which had been positively received.
- 3.8. In addition, the Council was given an update on products, UKEF cross-government strategy, policy, resources and international relations.
- 3.9. Members were informed a letter had been submitted by UKEF to the International Trade Committee in response to its enquiry into Trade and the Environment.

**ACTION: Provide a copy of the ITC submission to the Council**

- 3.10. The meeting discussed products targeting SMEs. It was noted that the Board and other parts of government were looking at this and agreed it would be useful to discuss further.

**ACTION: On the next meeting agenda include a presentation on how UKEF reaches SMEs, covering impediments to greater access and greater use of trade products. The Council will be asked to ideas and reflections on opportunities and approaches.**

#### 4. **MISSION STATEMENT**

- 4.1. Mr Clark opened by noting that mission statements are very challenging.
- 4.2. [Redacted], informed the Council that UKEF is reviewing its mission statement, partly in response to the September 2021 International Trade Committee (ITC) report on the department which recommended the statement better reflect the changing context of

the government's social, environmental and human rights priorities, such as the net zero drive and levelling up agenda.

4.3. [Redacted] noted that the topic had been discussed at length among UKEF officials. A long list of options had been considered by the Executive Committee and there had been a wide variety of views. She presented two options for revising the statement and asked that EGAC provide a steer, before discussion with the UKEF Board on 10<sup>th</sup> March.

4.4. With reference to Option 2, Members questioned the clarity of prosperity, financial resources and sustainability, commenting that the terms seemed vague and lacked focus. There was discussion about viable vs sustainable in relation to environmental considerations.

4.5. Mr Clark suggested the existing statement could be maintained with the addition of a strapline, proposing the word "ethically" to encompass ethical and sustainable lending. Members had looked at the mission statements of a few financial institutions and reported that with the exception of HSBC, none include the terms sustainable or ethical.

4.6. Mr Taylor commented that the goal of the mission statement was to explain what UKEF does, why, and how, adding that the ITC wanted something around sustainability. Ms Beck informed that officials are working on clarifying sustainability. She added that there was a concern about what message a change to the statement might send to stakeholders, so there was a desire to balance the sustainability element of the mission with a continued focus on prosperity (in a sustainable way).

4.7. The Council wished to review the other options considered and background work done to provide an informed steer.

**ACTION: Strategy team to circulate the other options to the Council and request members' input.**

### 5. TCFD READINESS REPORT

5.1. [Redacted], introduced the PWC team that are consulting UKEF on its ongoing implementation of TCFD.

- 5.2. [Redacted], described the activity and recommendations of the three project workstreams: scenario analysis, emissions/ decarbonisation pathways, and data. He outlined discussions about the approach to scenarios and risk. Reflecting that TCFD reporting requirements were not written with ECAs in mind, [Redacted], detailed the challenges involved for UKEF, specifically around collecting and reconciling data, and methodologies.
- 5.3. The Council noted the challenges of reporting in line with the TCFD recommendations and consequently highlighted the importance of engaging with key stakeholders on the content of UKEF's second disclosure, well in advance of its publication. Members advised the use of a granular checklist when preparing the disclosure and recommended using narrative to describe the challenges being faced.
- 5.4. The Chair recommended being upfront about the unique challenges of collecting data for UKEF, given its operations in data-poor environments.

### 6. **ENVIRONMENTAL AND SOCIAL DIVISION ANNUAL REPORT**

- 6.1. [Redacted], presented key points from the E&S Division's Annual Report. [Redacted] noted that there had been a significant increase in caseload (35%) this year; 62 cases in 2020 to 84 in 2021.
- 6.2. [Redacted] explained that the increase is due to a significant rise in small deals – covered by ESHR policies and new climate change policies and procedures that have led the team to screen cases in the aero, defence and some short-term deals, which had previously been excluded. They have conducted about 17 climate change screenings or assessments in addition to the due diligence conducted for Category A and B cases. The team has also developed a bespoke approach to ESHR and due diligence for the new Export Development Guarantee (EDG) product, which are typically not covered by Common Approaches.
- 6.3. [Redacted] highlighted the positive impact of ESHR involvement on a solar project and a rail project in Turkey. She noted that non-casework has been dominated by climate change, with the team working across the department to develop standardised approaches, and human rights, with the development of a policy for addressing human rights risks in the solar power sector.

- 6.4. [Redacted] mentioned the work that the E&S team have done in international representation at the OECD (for example setting up working group on human rights in the solar sector) and Equator Principles.
- 6.5. [Redacted] added that the team has recruited three members of staff and not had any staff leave this year. They have ongoing recruitment campaigns for seven roles.
- 6.6. Dr Clark asked if there had been any increase in E&S breaches in obligations or other adverse events this year as a result of travel restrictions due to COVID which have hindered the ability of the team to visit project sites. [Redacted] commented that staff are returning to visiting sites in person rather than virtually. She observed that in-person site visits add a lot of value, allowing reviews to be more comprehensive and completed more quickly, but that the team considered that the virtual assessments conducted throughout the past year had been robust.
- 6.7. Ms Wiehl reflected on the international activity and asked where UKEF has the best fit and can be most influential. [Redacted] said that UKEF has had a positive impact on the Equator Principles, thanks to the strong E&S team that has the capacity to be involved in the EP work, which can yield results. UKEF is also involved in the OECD Common Approaches update and will continue to contribute there. She added that UKEF's good relationships with commercial banks further enables influence.
- 6.8. Ms Mann informed the Council that the E&S team had moved into SPoCC and will work alongside the Climate team on sustainability policy, and will enable much closer working and horizon scanning.

### 7. **COMPLIANCE DIVISION UPDATE**

- 7.1. [Redacted], advised that Compliance policies had been reviewed and improved with more straightforward language and guidance. Training will be delivered to UKEF staff, supplemented during the year with more overarching training at a high level and granular level for operations of the controls.
- 7.2. The Council asked whether they and the Board should receive the training. Mr Blacksell agreed that a high-level briefing would be appropriate.

**ACTION: Compliance to provide training to EGAC and Board members.**

7.3. Council members noted that the policies largely addressed an insider threat and questioned how the risk from suppliers was being managed. Members suggested that the language used in internal training and policy documents should be stronger to convey the seriousness of corruption and the potential severity of punishments. [Redacted] agreed that this matter would benefit from further discussion with Mr Prior.

**ACTION: Compliance to discuss language used in training and documents with Members.**

**8. UPDATE ON JUDICIAL REVIEW**

8.1. Ms Esi Eshun, Director of the Legal and Compliance Directorate, provided a verbal update on the Judicial Review. Ms Eshun gave an overview of the key arguments made at the hearing in December 2021 and subsequent events. UKEF's external legal advisers have been informed by the Court that there will likely be a final judgement by the end of this week. Given the events since the hearing, Legal Division advise that there is high likelihood of appeal.

8.2. The Council remarked that there would be significant interest in the judgement(s) and asked about the communications plan for it, noting that they may be approached for comment. Ms Eshun advised that a plan is in place, led by the Communications team, and agreed it should be shared with the Council.

**ACTION: Provide Council with guidance on the communications plan for the announcement of the Judicial Review decision. Continue to brief the Council on Judicial Review process.**

**9. ANY OTHER BUSINESS**

9.1. The two new members are yet to be approved by the Minister, pending due diligence which should be completed shortly. They should be in attendance at the next meeting on 13<sup>th</sup> June 2022.

9.2. Mr Prior asked for an update on follow up to the Spotlight on Corruption report and meeting.

**ACTION: Compliance to provide an update on Spotlight on Corruption to Mr Prior and to circulate to EGAC.**

**[Redacted]**

**SPoCC Secretariat**