



UK Export
Finance

UK EXPORT FINANCE SUSTAINABILITY STRATEGY 2024-29

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FOREWORD



I am proud to introduce UK Export Finance's (UKEF) first Sustainability Strategy, covering the period 2024 to 2029. It succeeds UKEF's Climate Change Strategy, in place since 2021, and complements the business plan that is being published at the same time.

This strategy sets out how we are working to embed sustainability considerations in the way UKEF does its business and what we want to achieve over this next strategic period. Our mission statement, updated in 2022, reflects this: we advance prosperity by ensuring no viable UK export fails for lack of finance or insurance, doing that sustainably and at no net cost to the taxpayer.

This strategy also underpins the priorities I set the department when I became Chief Executive Officer: maximising impact, delivering for customers, growing the reach and relevance of our support, and continuing to invest in our staff.

As a department which uses the strength of the public balance sheet to leverage private investment for economic growth and job creation, UKEF has a key role to play in the delivery of the government's sustainability objectives – from helping UK businesses seize the economic opportunities of net zero to

delivering vital sustainable infrastructure in developing countries. We are looking increasingly to maximise our impact through the way that we do business, including the standards we apply, and the types of business we support.

Our key barometer will always be the success of our customers. As the business plan makes clear, UKEF will continually look to improve the service we provide, whether that's through the products we offer or the efficiency of our support. This Sustainability Strategy sets out the actions UKEF will take over the next cycle to position UK exporters and suppliers at the heart of the global low-carbon transition and use our finance in developing markets to create positive impact on communities overseas, as well as in the UK.

A handwritten signature in black ink, appearing to read 'Tim Reid'. The signature is fluid and cursive, with a large initial 'T' and 'R'.

Tim Reid
Chief Executive Officer

ABOUT UKEF

OUR MISSION

We advance prosperity, ensuring no viable UK export fails for lack of finance or insurance, doing that sustainably and at no net cost to the taxpayer

OUR VISION



To empower UK businesses, drive local growth and create a global impact

- We were the world's first export credit agency, established in 1919.
- We are a government department, strategically and operationally aligned with the Department for Business and Trade and operating within the consent of HM Treasury.
- Our statutory purpose is to support UK exports and overseas investments. We do this by providing export credit and trade finance support for exports that might otherwise not happen, thereby supporting UK exports and incentivising overseas buyers to source from the UK.
- We work with over 100 private lenders and credit insurers.
- We exist to complement, not compete with, private sector financing, and we operate at no net cost to the taxpayer over time.
- We support current and potential UK exporters through our innovative product range, which we are constantly improving.

Our products include:

- export insurance policies
- buyer finance
- working capital products

UKEF'S SUSTAINABILITY JOURNEY

The evolution of UKEF's approach to sustainability

The way that we do business sits at the core of our approach to sustainability. Sustainability issues have been an integral part of our processes for some time, through our consideration of environmental, social and human rights risks and our commitments to standards in these areas. UKEF's approach to sustainability matured significantly during the previous business plan 2020-24, reflected in our updated mission statement.

Building our consideration of climate change-related risks and opportunities has been a particular focus, supported by our Climate Change Strategy 2021. In February 2023, we published our **Sustainability Policy Statement**, reflecting our practice on sustainability issues beyond climate change.

This Sustainability Strategy – UKEF's first – builds on our progress so far and represents an important milestone in our continued journey to both manage the risks and maximise the impacts of sustainability considerations for UKEF. It complements, and should be read alongside, UKEF's business plan 2024-29, as it underpins the delivery of each of our five business plan objectives.



Delivery of the ambitions outlined in UKEF's Climate Change Strategy was a key focus for the department, with significant progress made against each of its five pillars:

Increasing support to clean growth and adaptation

- We were named the top export credit agency for sustainable financing by TXF in 2021.
- We backed green economy exporters by offering extended payment terms on their Export Development Guarantee facilities.
- We implemented a 50% origination clean growth target.
- We established a new renewables and transition underwriting team.

Reducing our portfolio greenhouse gas emissions

- We set interim decarbonisation targets for our exposures in the oil and gas, power, and aviation sectors on the path to net zero by 2050.
- We implemented the government's policy ending support for the fossil fuel energy sector overseas.

Understanding and mitigating our climate-related financial risks

- We updated our approach to considering climate-related financial risks.
- We developed our climate scenario analysis.

Transparency and disclosure

- We delivered annual Taskforce on Climate-Related Financial Disclosures (TCFD) reporting.

Providing international leadership

- We were the first export credit agency to offer climate-resilient debt clauses.
- We were a founding member of Export Finance for Future.
- We supported the COP26 Clean Energy Transition Partnership.
- We secured updates to the Organisation for Economic Co-operation and Development's (OECD) climate change sector understanding and modernisation of the Arrangement.
- We launched the Net Zero Export Credit Agencies Alliance.



- ① Catalyse UK trade through UKEF's world-leading export finance and insurance offer
- ② Significantly increase the number of SMEs that benefit from UKEF's support
- ③ Support a broad range of businesses to export, driving local growth across all regions of the UK

SUSTAINABILITY STRATEGY

- ④ Position UK exporters and suppliers at the heart of the global low-carbon transition
- ⑤ Use our finance in developing markets to create positive impact on communities overseas and in the UK

OUR MATERIAL TOPICS

Sustainability topics are material to UKEF's success and that of our customers.

UKEF support spans the globe and all sectors where the UK supply chain is active, except where we have specific sectoral exclusions. The sustainability topics most relevant to any individual customer or transaction will vary by geography, sector and broader context.

UKEF and our customers face a diverse range of sustainability risks, but we also have the opportunity to drive a broad range of positive sustainability impacts through the standards we apply in our consideration of transactions and the types of business we look to support.

Sustainability topics are material to UKEF's success

Governance and ethics

Ensuring we have the right structures in place to deliver our objectives in line with the high standards we set ourselves, including for business ethics.

People

Attracting, retaining and developing staff with the capabilities to deliver our objectives, including by prioritising diversity and inclusion and encouraging cross-disciplinary working.

Products and policy

Building sustainability considerations of all kinds, including on financial crime compliance, into product design and delivery and supporting the government's priorities.

Transaction management

Taking account of sustainability risks and impacts in transactional decision making in line with international good practice standards, and working with customers to support their management of these risks, delivery of these impacts and business integrity.

Sustainability topics relevant to our financing

Environmental

- Climate change mitigation and adaptation
- Land use
- Resource efficiency
- Pollution prevention
- Biodiversity

Social

- Sustainable Development Goals (SDGs)
- Stakeholder engagement and communities
- Human rights, including in the supply chain
- Labour health and safety, and working conditions
- Management of resettlement
- Cultural heritage

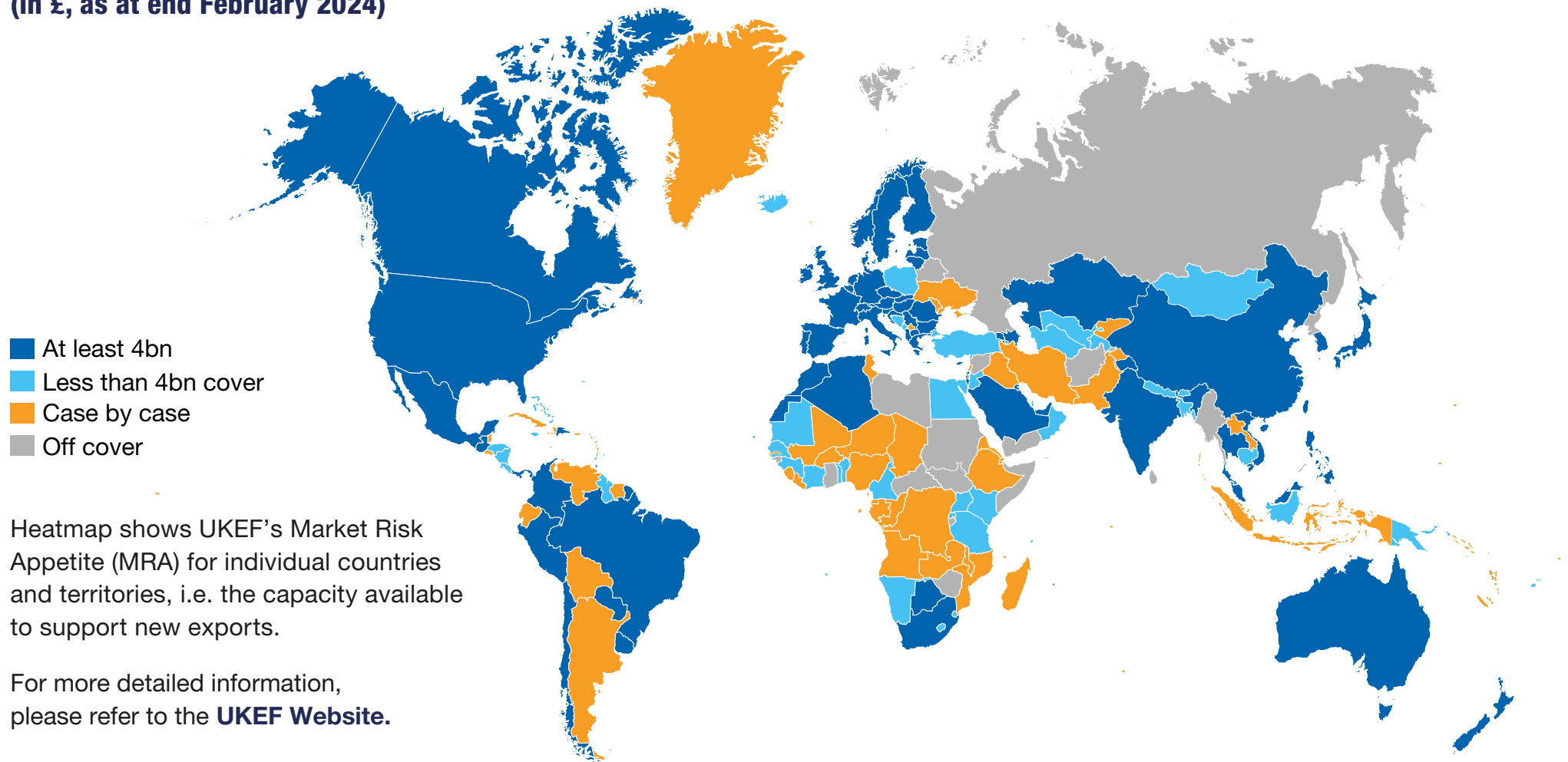
Governance

- Business ethics
- Policies and procedures
- Disclosure and transparency









UKEF'S AVAILABLE CAPACITY

UKEF's available capacity to support exports
(in £, as at end February 2024)



EXECUTIVE SUMMARY

We will	By	Milestone	Actions	Enablers	
 <ol style="list-style-type: none"> Catalyse UK trade through UKEF's world-leading export finance and insurance offer Significantly increase the number of SMEs that benefit from UKEF's support 	 <ol style="list-style-type: none"> Position UK exporters and suppliers at the heart of the global low-carbon transition 	<p>Accelerating the net zero transition and financing clean growth</p>	<p>Providing £10 BILLION of clean growth finance by 2029</p>	<ul style="list-style-type: none"> Refresh our transition finance offering Measure our financed emissions and work towards our decarbonisation targets on the way to net zero by 2050 Develop a UKEF transition plan Drive progress in partnership internationally 	 <p>Engagement</p>  <p>Transparency</p>
 <ol style="list-style-type: none"> Support a broad range of businesses to export, driving local growth across all regions of the UK 	<ol style="list-style-type: none"> Use our finance in developing markets to create positive impact on communities overseas and in the UK 	<p>Crowding in finance in support of sustainable development</p>	<p>Mobilising £10 BILLION in finance in low- and middle-income countries by 2029</p>	<ul style="list-style-type: none"> Drive sustainable deals through our products and partnerships Assess our development impact and work towards a harmonised approach with peers and partners Develop our policies to align with international good practice Engage actively to raise standards internationally 	 <p>Governance</p>

Position UK exporters and suppliers at the heart of the global low carbon transition



BY

- **Accelerating the net zero transition**
- **Financing clean growth**

Our approach

The global low carbon transition offers huge opportunities for UK exporters. Export credit can be a powerful vehicle for mobilising increased volumes of finance to deliver the low-carbon transition globally. By executing transactions in sectors key to the transition, and through our application of standards for the protection of workers and communities, UKEF can play a role in the realisation of a just, orderly and equitable transition in the markets where we do business.

It is our ambition to provide £10 billion of clean growth finance by 2029. We define this as business aligned with the use of proceeds categories set out in the International Capital Market Association's (ICMA) Green Bond Principles, keeping this under review with government guidance. There is an important link between our support for clean growth business – which includes our support for climate change adaptation, clean transportation, sustainable water and wastewater management, circular economy, and green buildings – and our development impact objectives (see page 15).

Increasing UKEF's focus in this area will help to generate opportunities for UK exporters and suppliers to embed in the global supply chain. Our origination network in the UK and internationally will be critical to realising this ambition, as will regular review of our finance offering to ensure it remains globally competitive and that we are maximising the benefits created by the ongoing modernisation of the OECD Arrangement on Officially Supported Export Credits. We will continue to evolve our product offering to best support our clean growth ambitions, building on the strength of our current offer which includes dedicated direct lending and enhanced terms for eligible clean growth transactions.



We also see an important role for UKEF in actively facilitating transition for customers who are either operating in or exposed to transitional sectors. We will update our Transition Export Development Guarantee product for large exporters and develop a transition offering aimed at small and medium-sized enterprises (SMEs), putting customers' needs at the heart of our transition finance support. As the world moves closer to 2050, all finance will increasingly need to be green or transitional. UKEF will play its part in delivering the government's objectives on transition finance more widely. We will consider the role transition plans can play in supporting customers' goals across our product offering. We will also continue to implement the government's policy ending support for the fossil fuel energy sector overseas and explore the introduction of standards for other sectors that are key to delivering the global low carbon transition.

We remain committed to reducing our operational and financed emissions to net zero by 2050, and to working towards the interim decarbonisation targets set for our oil and gas, power and aviation sector exposures. We will monitor our progress towards these by measuring our financed emissions and continuing to disclose them transparently.



In line with good practice, we will keep these targets under review and consider setting additional or revised targets as appropriate, to ensure we are working towards a credible and ambitious pathway. We recognise the value of transition plans in guiding institutions' planning towards the low-carbon future, so UKEF will develop its own transition plan, informed by the work of the Transition Plan Taskforce and other recognised sources of guidance.

We also see the transition to a nature-positive economy as an important global trend. We will consider setting nature-related key performance indicators where relevant, building on our ambition to increase our support for clean growth, in areas including terrestrial and aquatic biodiversity and sustainable management of natural resources and land use.

We cannot deliver these objectives alone and we will continue to work in partnership with customers, peers and other stakeholders towards our shared ambitions. International partnerships are at the heart of our approach. We co-founded the Net Zero Export Credit Agencies Alliance and Export Finance for Future initiative and will continue to use these partnerships, as well as others, to work towards a global financial architecture that better incentivises sustainability.

LOW CARBON TRANSITION – ROADMAP TO 2029



Support at least **£10 billion of clean growth** business, measured in cumulative maximum liability from 2024 to 2029.



Continue to evolve our product offering to best support our **clean growth and transition finance** ambitions, including enhancing our transition finance offering for both small and large customers.



Work towards achieving our **sectoral interim decarbonisation targets**, on the path to **net zero financed emissions by 2050**. We will keep our interim decarbonisation targets under review, including in light of methodological good practice.



Develop a **UKEF Transition Plan**, informed by the work of the Transition Plan Taskforce and others.



Drive progress in partnership internationally, through the **Net Zero Export Credit Agencies Alliance**, **Export Finance for Future** and other initiatives.





Launch of the Net Zero Export Credit Agencies Alliance at COP28 in Dubai

We announced our intention to form an alliance of net zero export credit agencies at COP26 in Glasgow. We were able to launch the Net Zero Export Credit Agencies Alliance at COP28 in Dubai, with eight full and affiliate members from export credit agencies and export-import banks around the world.

Through working in partnership to build coalitions internationally, we have raised the bar for the export credit community, creating an important space for collaboration between members committed to net zero and those actively working towards this goal.

Use our finance in developing markets to create positive impact on communities overseas and in the UK



BY

- **Crowding in finance in support of sustainable development**
- **Pursuing positive development outcomes**
- **Embedding international good practice standards**

Our approach

UK economic growth and prosperity is at the heart of UKEF's mission. Our international reach means we also have a wider impact on the markets in which we work. Export credit plays an important role in the global trade system which is so critical for lifting people out of poverty, while UKEF's finance is an important part of the UK government's toolkit for achieving global prosperity objectives. To this end, we aim to mobilise £10 billion of finance in low- and middle-income countries by 2029. The outcomes we achieve against this objective will also be supported by our clean growth business milestone, which includes support for sectors critical to delivering social and development outcomes (see page 10).

We will pursue positive development outcomes by focusing our efforts where we can have the greatest impact. We will continue to use our origination network to develop opportunities where partnership with UK exporters can help deliver countries' own priorities for sustainable development. We will review our offering and work actively to influence the international agreements governing our support, to ensure our offering adds value for customers and we are maximising our potential for impact. Working in partnership is at the core of our approach – with borrower countries, with development finance institutions and multilateral development banks, as well as our traditional banking partners. Through the UK's British Investment Partnerships approach, we will work across government to build economic partnerships to fit country partners' needs.

Better understanding the development outcomes that arise from UKEF support is an important step in our theory of change for maximising UKEF's development impact. At portfolio level, we will track our annual support for sustainable infrastructure through the next business plan period, comprising civil and infrastructure transactions aligned with the ICMA Social Bond Principles or Green Bond Principles in low- and middle-income countries. We also want to better understand the range of impacts, positive and negative, that UKEF-supported projects can have in local markets. At transaction level, we are working towards assessing the SDG impact of all relevant projects.

We continue to trial approaches and will also work towards reaching a harmonised development impact methodology with peers and partners. This renewed focus will help us to better understand and maximise the social impacts of UKEF-supported projects, in addition to the environmental impacts.

The way that we do business also has a powerful effect on the outcomes we achieve. Our application of international good practice standards is at the heart of our approach. UKEF's Environmental Social and Human Rights (ESHR) Policy sets out how we identify ESHR risks and impacts and monitor alignment of projects with relevant ESHR standards over the life of UKEF support. Our approach is built on the application of international good practice and international standards including the Equator Principles and International Finance Corporation's Performance Standards, as well as international agreements we are party to such as the OECD Common Approaches. We will continue to monitor the development of international standards and agreements to ensure our ESHR Policy and Sustainability Policy Statement are kept aligned with good practice.

Financial crime compliance is at the core of how we do business. Taking a reasonable and proportionate approach to minimising the risk of our supporting transactions or projects which are tainted by financial crimes can help us to mitigate negative impacts on communities and protect the integrity of the department. We are conscious that the evolving nature and pace of transaction-related financing may require increased focus on management of financial crime risks and demand more sustainability information across project value chains.

Our application of standards in other areas is also integral to our approach to sustainability. We apply the OECD Sustainable Lending Principles to ensure that our lending is consistent with debt sustainability. We offer climate-resilient debt clauses in eligible lending, to help improve the financial resilience of vulnerable countries in the face of severe climate shocks.

Across all these areas, we engage actively with customers, peers and partners to increase understanding and capability to implement international good practice standards, and to influence their development and evolution. We will continue to actively shape international agreements to best enable consistent approaches.

SUSTAINABLE DEVELOPMENT – ROADMAP TO 2029



Mobilise **£10 billion in finance in low- and middle-income countries** by 2029.



Drive sustainable deals through our **products and partnerships**, ensuring our offering addresses our customers' needs and working with partners to deliver their sustainable development priorities.



Disclose our support for **sustainable infrastructure** annually between 2024 and 2029.



Continue piloting approaches to assess the **SDG impact of all relevant projects**.



Work towards a **harmonised development impact methodology** with peers and partners.



Continue to **develop our policies** to align with international good practice.



Apply **international good practice standards** in areas that influence sustainability outcomes and engage actively to broaden their uptake.





Meeting of the Equator Principles Association, Washington DC

Engagement is at the heart of our approach to impact. We work with our customers and borrowers to ensure our sustainability requirements are understood, and roles and responsibilities are clear.

We also work with our peers and partner institutions to align and develop good practice standards. Through our engagement we help to shape industry practice to produce better outcomes.

ENGAGEMENT

Our commitment to working in partnership



With customers

We will engage actively to ensure we are responsive to customers' needs.

It is important that customers understand UKEF's approach to sustainability and what it means to work with us.

We want to help our customers achieve their sustainability goals.

With peers and partners

We can have more impact when we work together. That is why we must align with peers and partners in implementing and evolving our approach to sustainability.

We do this in relation to the international agreements governing our support, where we will continue pushing to create the best conditions for export credit agencies to maximise our sustainability impact.

We will also look to build alliances of leaders to further best practice. We are proud to have launched the Net Zero Export Credit Agencies Alliance at COP28 and to be a founding member of the Export Finance for Future initiative. We will continue to work actively in these fora to raise the bar on climate change and sustainability for export finance internationally.

With other stakeholders, including civil society and academia

Civil society organisations are important contributors to the sustainability landscape. We will continue to grow our relationships to support constructive dialogue with other stakeholders including civil society, recognising the value of transparency on issues of interest to our stakeholders.

TRANSPARENCY

Our commitment to transparency



UKEF is committed to the principles of openness and transparency. Our disclosures are one important way we inform stakeholders on both our approach to, and our progress against, our sustainability commitments.

We were proud to be the first UK government department to disclose in line with the TCFD recommendations. Since our first disclosure in 2021, we have continued to evolve our approach to TCFD in line with best practice and worked collaboratively to support peers in doing so.

Looking ahead, the landscape of sustainability-related disclosures is evolving rapidly. The publication of the International Financial Reporting Standards (IFRS) S1 and S2 was an important step towards a truly international standard incorporating sustainability issues broadly, and the Taskforce on Nature-related Financial Disclosures marked a key milestone in the global financial system's understanding of its impact on nature. We will align with wider government in our approach to these standards and look to draw on best practice, as appropriate.

We will continue to report our progress against our decarbonisation ambitions. We will expand our disclosures in new areas, including clean growth and sustainable infrastructure support, so that stakeholders understand our progress.

Ensuring we have the information we need on sustainability matters is important for our decision making, but also for our commitment to transparency. We will continue to work with customers to support proportionate and timely information disclosure from transactions.

We will also work actively with peers and partners to broaden the practice of sustainability disclosures, in support of industry-wide transparency.

GOVERNANCE

Our commitment to good governance



Our governance is fundamental to ensuring the right decisions are made in the right way.

Our Accounting Officer is responsible for UKEF's performance on sustainability, supported by the Executive Committee and its sub-committees.

Our board and Export Guarantees Advisory Council provide advice to the Accounting Officer on these issues, with the council's role specifically to advise on the climate, sustainability, anti-bribery and corruption, and disclosure policies that UKEF applies when doing business. These bodies have focused increasingly on UKEF's sustainability performance in recent years, which will continue into the next strategic period.

We will continue to develop the strength of our governance by embedding sustainability responsibilities and building capabilities across the department, including at senior management level. During the previous strategic period we made significant changes to UKEF's teams and structures to support our sustainability performance. We will continue to embed these changes and adapt to ensure we have the resourcing and structures in place to support our sustainability objectives in the next strategic period.

Sustainability is embedded within our business plan 2024-29 and we are working to mainstream delivery of sustainability objectives within our operational planning and delivery.

Our Sustainability Policy Statement sets out at a high level the sustainability considerations we take into account. We will continue to review and update this as appropriate, reflecting evolving practice. Our continued application of other sustainability-related policies and standards to transactions is another important lever for managing transaction-level risk, including on issues of financial crime and corruption.

OUR GOVERNANCE AROUND SUSTAINABILITY MATTERS

CEO and Accounting Officer

Responsible for the management of UKEF, including embedding sustainability into our business

Executive Committee

Includes the Chief Strategy and Impact Officer, who is responsible for the department's overall approach to sustainability

Enterprise Risk and Credit Committee

Advises the CEO on the effective management of UKEF's enterprise and credit risk, including the potential financial impact of sustainability-related risks

Board

Supports the CEO in the management of UKEF, including through advice on its approach to sustainability

Export Guarantees Advisory Council

Advises the Secretary of State for Business and Trade and the CEO on the environmental and social impact of UKEF's operations, including the effectiveness of its policies on sustainability

An aerial photograph of a large industrial or warehouse complex. The main building in the foreground has a grey roof covered with a dense array of solar panels. To the left of this building is a large parking lot filled with numerous cars and a few trucks. Further back, there are several other large industrial buildings with white and grey roofs. The surrounding area includes green grass and some trees. The overall scene depicts a modern, large-scale industrial or commercial site.

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