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Minutes of UKEF Board strategy meeting – 15 February 2023

Present:

Noel Harwerth (Chair)
Lawrence Weiss
Candida Morley, (UKGI)
Kim Wiehl
Jackie Keogh
Tim Frost
Andrew Mitchell
Vanessa Havard-Williams
[redacted]
Samir Parkash, UKEF CRO
Cameron Fox, UKEF CFOO
Julia Beck, Chief Strategy and Impact Officer
Tim Reid, Director of Business Group (items 1-5)
Esi Eshun, Interim BG Director
Jayne Whymark, Interim Director of Legal and Compliance
Richard Smith-Morgan, UKEF Interim Chief Risk Officer

Apologies:

None

Secretariat:

[redacted]

Attendees:

[redacted]

1. Draft Minutes and Actions Log of 16 December 2022 Meeting

1.1. The Chair welcomed Members and attendees to the meeting and checked whether Members had any interests to declare. There were no interests declared.

1.2. The draft minutes were approved, and the actions log discussed.

2. Current business volumes

2.1. [redacted] gave a presentation detailing business supported over the last five years, noting the new products developed for medium to long term business. The meeting noted the growing sector diversity among UKEF's customer base; as well as the popularity of non-contract specific trade financing products such as the General Export Facility (GEF); and the growth of customers supported by partner banks.

2.2. The Board discussed concentration risk, both in terms of sector and geography,

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noting that these issues had been improved by GEF and Export Development Guarantees (EDGs). Members discussed minority group access to finance and it was agreed that the EC Taskforce work on how UKEF can better support women and minority owned business, would be placed on the Board's forward agenda.

2.3. The meeting discussed the UKEF impact framework, noting that an early draft would be provided to the Board in March, and would include consideration of the impact of UKEF on business issued as a percentage of UK exports overall.

3. Changing face of the customer

3.1. [redacted], gave a presentation which gave an overview of the medium and long term business, and the meeting noted the changes in the destination markets as UKEF have shifted away from oil and gas. The meeting noted a number of key projects that had been financed through direct lending such as the Zambian healthcare clinics.

3.2. Members discussed the proportion of UK content that was required to be part of each deal, and whether it should be higher. It was noted that the 20% content was the floor rather than the ceiling and UKEF would always aim to push higher levels of UK content. It was agreed that Jackie would have a further conversation about UK content with Esi.

4. Impact and Business Focus

4.1. The Interim Director of Business Group, Esi Eshun, gave a presentation on how UKEF delivers through origination, underwritings and execution, and which products were available to do this. Esi then led a discussion with the Board on what were the best opportunities for business growth in the next business cycle; and how UKEF could position itself to realise that growth.

4.2. The meeting discussed how the pipeline was driven through the origination team, IEFEs, regional heads, underwriters, through repeat business, and through partnership with DIT.

4.3. The Board discussed the importance of the impact framework being developed.

5. Product outlook

5.1. [redacted] and Richard Smith-Morgan, Deputy CRO led a discussion on UKEF products, focussing on the development of products to finance general working

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capital (GEF & EDG) support to UK firms. It was noted that multiple other ECAs had taken similar approach, including directly copying UKEF products, over the last few years reflecting a clear direction of travel and demand in the market.

5.2. It was agreed that a paper should be provided to the Board giving a case study of a particular EDG; and that UKEF should review how it provides assurance on the exporting merits of EDGs for the Board/Ministers using impact framework lens (linked to HMT review of EDG). The meeting discussed whether an estimate of exports supported by each EDG could be developed.

6. Leveraging the relationship between UKEF and the Department for Business & Trade

6.1. [redacted] led this discussion, which focussed on the relationship development between UKEF and DIT (now DBT).

6.2. The meeting discussed how the development of a new Department (DBT) would impact UKEF, noting that the relationships would continue and there was an opportunity to work with larger regional teams in a one stop shop for business. It was noted that the MoU Strategy team would integrate UKEF into Ministerial Review of Overseas Direct Investment at DBT.

7. Q&A: How can UKEF and banks work more effectively together to support UK exports?

7.1. [redacted].

7.2. The meeting discussed an array of topics including SME access to finance, restrictions imposed by banks on SMEs and the regulatory burden that SMEs had to shoulder.

7.3. It was noted that in other countries ECAs offered an end to end process for SMEs and it was agreed that this was something for UKEF to look into in the future.

7.4. The Chair thanked the panel for the lively discussion.

8. Enhancing our support for SMEs

8.1. [redacted] led this item. The meeting was given an overview of the short-term business, and its development between 2017-2022.

8.2. The meeting was advised of Trade Finance's current strategic approach and

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heard that UKEF was on an SME growth trajectory with exporters supported to potentially reach 600 by 2025 - a 450% increase on 2018-19. Members discussed whether a higher ambition strategy could help drive these volumes into the thousands over the next three years.

8.3. The Board were informed of how marketing and communications were being used as an accelerator for growth, with continued investment in B2B marketing aimed at lead generation and awareness. Members discussed the various media channels being used and their success rates.

8.4. The Board were given a brief overview tour of the campaign landing pages on UKEF's new website which Members welcomed.

9. Building the overseas network and origination pipeline

9.1. [redacted] gave a presentation on UKEF's sustained growth in UKEF's new business pipeline, aligned with key strategic priorities.

9.2. The meeting noted and welcomed the variety of key relationships that the origination had leveraged to develop the pipeline. A snapshot of future prospects in a variety of geographies was given to the Board and the sectors and countries were discussed; and a deep dive on how UKEF secured its first offshore wind project with a major Canadian developer.

10. Renewable and Transition (Clean Growth) business strategy

10.1. [redacted] gave a presentation to the meeting on the development of the renewables and transition division. Members were informed that UKEF needed a deeper understanding and collaboration with other parts of UKEF and the government to help project sponsors identify and procure from UK suppliers.

10.2. The Board discussed the transactions that had already been supported; and commented on the challenges identified such as market uncertainty and limitations in how UKEF assess risk within its financial framework, particularly with regard to emerging technologies.

11. Any other business

11.1. The Chair and Chief Executive closed the meeting and thanked all the participants for pulling together an excellent set of presentations and discussions.

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[redacted]

Strategy, Policy and Climate Change Directorate