

EXPORT GUARANTEES ADVISORY COUNCIL (EGAC)

MINUTES OF MEETING HELD ON 3rd MARCH 2025

Present	Ms Vanessa Havard-Williams (EGAC Chair) Dr Ben Caldecott, EGAC Ms Belinda Howell, EGAC Mr Harold Freeman, EGAC Mr John Morrison, EGAC (items 1-4) Mr Stephen Prior, EGAC Ms Sarah Steele, EGAC Mr Robert Gillespie, UKEF Board Chair Ms Charlotte Morgan, UKEF Board member Ms Kim Wiehl, UKEF Board member Mr Tim Frost, UKEF Board member (item 3 onwards) Mr Tim Reid, UKEF CEO Ms Jayne Whymark, UKEF Director, Legal & Compliance Mr Ed Prince, UKEF Director, Business Group Mr Adam Lyons, UKEF Director (interim), Strategy, Sustainability and Impact
Presenters	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
Observers	Ms Roshana Arasaratnam, UK Government Investments (UKGI)
Apologies	None
Secretariat	[REDACTED]

1. Minutes of previous meeting and matters arising

- 1.1. Members reviewed the minutes from the January 2025 meeting. The Chair noted the more detailed minutes which were welcomed.
- 1.2. Members noted the actions log. Ms Jayne Whymark, Director of Legal and Compliance Group, updated the Council on Compliance actions. The Chair asked that relevant actions from the Board Effectiveness Review be shared with the Council and implemented for EGAC meetings.

- 1.3. Ms Steele and Ms Howell each declared a conflict of interest in relation to the Mozambique LNG project.

2. E&S post-issue incident management

- 2.1. [REDACTED] briefed the Council on the monitoring of projects post-issue. They outlined the common challenges that monitoring uncovered, describing the types of issues and the underlying reasons.
- 2.2. [REDACTED] presented the issues involved in two projects where fatalities had occurred. She detailed the solutions developed on pre- and post-issue, including improving collaboration, adopting a more holistic approach, and tracking trends.
- 2.3. [REDACTED] discussed the levers that could be used to ensure that what has been promised is delivered. They noted the time lapse between when transactions are underwritten and come to fruition, which can be more than 6 years. They noted that UKEF often works in less mature sectors that are not familiar with or used to health and safety requirements.
- 2.4. Members noted the reliance on quality and robust consultants. The meeting discussed the variable quality of consultants and noted that the developer hires the consultant so UKEF does not have much input to the choice.
- 2.5. Council members discussed what could be done on a systemic level rather than case-by-case basis. They asked about coordination with other lenders and export credit agencies that have similar concerns. The Council advised UKEF to think about the scope for further diligence on the pre-issue side to ensure that borrowers understand their legal obligations. Members advised doing outreach proactively and recommended developing informational materials (potentially with ECAs or commercial lenders) that provide case studies to inform the project sponsor's approach. The committee noted that this would be ongoing problem given the complicated projects UKEF is involved with in difficult places.

3. Clean growth transactions

- 3.1. [REDACTED] presented UKEF's thinking on incentivising clean growth transactions. The discussion focused on specific product features that could make a difference, the strategic approaches of other ECAs to driving clean

growth, the opportunities, terms and whether more staff could enable more action.

- 3.2. The Council advised the team to think about what role UKEF has in clean growth, noting there were multiple expressions of ambition and expectations across internal and external strategies, the Business Plan, the Export Guarantees Act, and government expectations. Members agreed that there is a relevant position for UKEF as a government department that operates in the commercial space, and that it was important to reflect on how these ambitions fit with UKEF's risk appetite.
- 3.3. The meeting noted that UKEF uses the industry-standard definition International Capital Market Association (ICMA) Green Bond principles and talked about the Green Taxonomy and the Industrial Strategy. Members advised to align the concept of clean growth with other definitions, particularly with those of banks.
- 3.4. The Council encouraged the team to think about risk broadly, including climate risk, (physical and transitional) and stranding risk. Members asked whether the Clean Growth Offering was risk-neutral when compared with other investments. They agreed that while it varied depending on the clean activity, it was not, on the whole, substantively riskier than other sectors in which UKEF does business.
- 3.5. The meeting discussed the pipeline for clean growth financing and heard that UKEF's ambitions are in line with the direction of the market, although there was some divergence between US and European banks. The meeting discussed risk appetite in the context of financing transition technologies. Members noted that other Public Finance Institutions were working through the same issues.
- 3.6. The Council considered structural incentives to unblock risk obstacles within sectors and statutory constraints. Members talked about UKEF's terms and considered technical, product and other areas where there might be opportunity to explore. The Council discussed the risk of 'green-washing' or 'green-badging' and advised developing an approach rather than badging individual products.
- 3.7. Members requested to continue the discussion at the next meeting.

ACTION: Clean growth strategy to be considered at the June meeting

4. **Sustainability risk**

- 4.1. [REDACTED] outlined recent changes to the definition of Sustainability Risk within the Enterprise Risk Taxonomy and the associated risk appetite level. They

gave the rationale for keeping the definitions broad and asked members for their reflections on effective risk management of sustainability issues.

- 4.2. [REDACTED] described UKEF's approach to risk and confirmed that the Enterprise Risk Division had reviewed the sustainability risk and agreed with the amendments.
- 4.3. [REDACTED] explained the change in risk appetite for sustainability from 'minimal' to 'cautious'. She said this more accurately reflected the institutional appetite. They confirmed that no controls were being changed; existing controls were sufficient.
- 4.4. Members agreed that the amendments made sense and were clearly argued. They agreed with the mainstreaming of sustainability risk and noted that risk appetite for it could not be minimal.
- 4.5. They asked who was responsible for monitoring and flagging reputational risks; they heard that managing reputational risk was a responsibility for all staff across the business up to the Executive Committee, as with other risks.
- 4.6. There was discussion about whether sustainability risk was value-neutral or skewed towards underperforming rather than overperforming. The meeting leaned towards it not being value-neutral. They noted that sustainability risk is framed explicitly around the risk of negative environmental and social impacts with the balancing element in other parts of the framework, such as the primary risk of financial risk. Members noted that risks changed over time.

5. Update on the Task Force on Climate-Related Financial Disclosures (TCFD)

- 5.1. [REDACTED] summarised the review of the TCFD report.
- 5.2. The committee noted that the understanding of UKEF's impact was improving.
- 5.3. Members asked about priority areas of focus and discussed climate and credit risk alongside metrics, targets, and methodology. They advised clarifying the governance frameworks and diagram, noting that the Executive Committee were accountable for the delivery of TCFD. Members noted the useful recommendations that had come from engaging with stakeholders and benchmarking.
- 5.4. The Council discussed transition plans and disclosures. Members offered to review and provide input where helpful.
- 5.5. The Chair advised that the National Audit Office (NAO) be kept informed and that the UKEF team communicated regularly to manage expectations during

the report process, acknowledging that the team had already started early engagement.

- 5.6. Members recommended that the Enterprise Risk Division (ERD) work with the Legal and Compliance teams to consider the interaction of sustainability and legal risk appetite and how to articulate it.

ACTION: Head of ERD and Director of Legal and Compliance group to discuss.

6. Any other business – Compliance and Financial Crime update

- 6.1. [REDACTED] updated the Council on the Compliance Division's work which included a risk rating methodology for the portfolio, a risk rating tool that looked at counterparties in granular detail, and the Risk Appetite statement. They heard the plans to test and validate the tool.
- 6.2. Members heard about the mandatory Financial Crime Compliance training. They were informed about the Financial Crime Risk Assessment project and changes that would be made in future and were asked for their input to it as work progresses. Members asked about progress on key risks from last year's assessment.

ACTION: Compliance to share the risk rating tool with EGAC member Stephen Prior for his input

ACTION: Director of Legal and Compliance to review Terms of Reference for the Council to ensure that the right Legal and Compliance topics are being brought to the attention of members.

7. Future agenda items

Members shared thoughts on topics the Council ought to consider in future meetings and discussed priorities. They noted that some topics may be reviewed by other committees so they would not duplicate. The meeting agreed that a joint Board/EGAC session looking at strategy would be useful.

ACTION: Secretariat to work with Chair