

MINUTE OF MANAGEMENT BOARD MEETING – 5 MARCH 2015

Present: Guy Beringer (Chair) Pat Cauthery Items 3 and 4
 Sir Eric Peacock Frank Gough Item 3
 Steve Dodgson Lawrence Nichols Item 2
 David Havelock
 Fiona-Jane MacGregor
 Amin Mawji
 Lucy Wylde

Apologies: David Godfrey
 Cameron Fox

Secretary: Iain Phillips

1. Draft Minute of 28 January meeting

1.1. The draft minute was agreed.

2. IT strategy update

2.1. The Board was provided with an IT strategy update, which covered:

IT resilience

2.2. An overview of the IT infrastructure was provided illustrating UKEF's server configuration, which included virtualisation and cross-barring of the servers and increased resilience to server failure. Disaster recovery testing was ongoing, with a 'private' test already completed and the issues that had been identified and resolved. The next phase was a re-test in a 'live' environment, the results of which would be reported to the Audit Committee at its meeting on 18 March.

Strategic direction

2.3. The strategic direction for IT supported the delivery of the four pillars in the 2014-17 Business Plan. The Board discussed IT strategy to support the customer experience, improved process support, management information, data sharing, pre- and post-issue support and technology platforms.

2.4. In particular, the Board noted that Government Digital Service (GDS) approval had been obtained for discovery phase of customer needs work, which would focus on smaller exporter needs, with initial work concentrating on UKEF's

short-term products. The Board asked whether there was insight that could be provided by UKTI through its small customer needs work and whether there were private sector services analogous that could be looked at to provide a working model.

- 2.5. An update on implementation of the document and records management systems for the business groups was provided and UKEF's approach to management information. Consideration was being given to unique referencing of customers, linkages across data areas and unique data sources. The Board asked whether consideration was being given to knowledge management systems and noted that such a system was being introduced in the General Counsel's Office.
- 2.6. The Board was updated on work being led by BIS on a common data sharing systems between BIS and UKTI. UKEF would not be included in the early phases given the commercially confidential nature of some of the contract information it holds but could contribute at a later phase of the project. The Board noted that UKEF was looking to extend to more areas of the business its current customer database.

IT contract re-let

- 2.7. The Board was provided with an outline of the current IT support landscape in which UKEF operated and the proposed scenario if UKEF were to operate under a shared service model with another department. The Board noted the GDS technology code of practice, which departments must demonstrate that they meet for all applicable elements.
- 2.8. The planned approach was discussed including the target services model and strategy for engagement throughout with GDS.

3. International strategy update

- 3.1. The Board received an update on UKEF's international strategy, noting that unlike in most other countries where responsibility for policy and delivery resided in separate organisations, UKEF was both UK policy lead on export credits and the national export credit agency. At the OECD negotiation on financial terms for export credit support was an EU competence, whereas

ethical issues were a national competence and therefore participants led on negotiations on these issues themselves.

3.2. The Board discussed a number of issues, including:

Climate change

3.3. Discussions in the OECD were ongoing regarding introduction of carbon emissions performance standards for high carbon intensity power plants. The UK had supported the US proposal put forward in 2014, although it was meeting some resistance from participants with large export industries in the coal power sector. UKEF was working closely with DECC and the FCO to push forward the UK position, the goal being that the OECD export credits group could make a substantive contribution to the Paris Climate Conference (COP21) in December 2015.

The OECD Common Approaches

3.4. As part of the 2012 OECD Common Approaches (CA), it was agreed that a report would be submitted by the export credit group to the OECD Council in 2015, reviewing the consistency of implementation of the CA and how the impact of project-related human rights are being addressed. In this regard, several delegations have made proposals to amend the Common Approaches, particularly in the area of human rights due diligence; UKEF is currently considering its position and is aiming to put a proposed mandate to Ministers when the new government is formed.

Interest rate reform and category zero pricing

3.5. The OECD is currently reviewing the minimum fixed interest rate regime (CIRR), captured within the terms of the OECD arrangement, with the aim of seeking a more level playing field between agencies offering direct lending and pure cover (bank guarantees) support. A number of proposals had been tabled by participants on structural changes to the way the interest rate was constructed. Historically UKEF support had been as a pure cover provider. However, it was now able to provide fixed rate financing through its recently introduced Direct Lending Facility.

- 3.6. Linked to the fixed interest rate regime negotiations, work was also ongoing on introduction of minimum premium rates for corporate risks in category zero (rich) markets. Discussions were progressing on a 'Chairman's' proposal which it was expected would be put to participants in the Summer.

The International Working Group

- 3.7. The Board noted ongoing work of the International Working Group which had been set up to increase engagement with the non-OECD export credit agencies, particularly of China, Brazil and India. The group met between two and three times per year and focussed on export credit terms in ship and medical equipment sectors, seeking to build consensus on common terms before widening to other sectors of mutual interest. The UK attended meetings as part of the EU delegation.

The Airline Sector Understanding

- 3.8. The Airline Sector Understanding, which set the terms under which participants to the understanding offered export credit agency support for aircraft was due for review on 2015. Consideration was currently being given as to whether a full review was necessary and some participants had received representations from interested parties including airlines in the US.

4. Governance update

- 4.1. The Board noted the proposed Terms of Reference and new Board Operating Framework, which were agreed in principle. However it was felt that given ongoing discussion in Whitehall that they should be kept under review and revisited to address any further developments in the Summer.
- 4.2. Consideration was given to whether UKEF should seek to reinstate the Cross-Whitehall Export Credits Committee, which it used to host and was used to bring together departments across government to discuss export credit policy and develop more coordinated approaches to export credit support for exporters.

5. Review of effectiveness

- 5.1. The Board agreed the draft terms of reference for the proposed review of Board effectiveness. The review would be led by the Internal Audit and Assurance Division, which would look at compliance against the Corporate governance code for central government departments and the Shareholder Executive would lead on the Board self assessment exercise.

6. Any other business

Off-payroll arrangements

- 6.1. The Board discussed the Written Ministerial Statement on off-payroll arrangements which had been published during the Board meeting.

Succession planning

- 6.2. The Board requested a detailed discussion on succession planning, particularly senior posts and those currently filled on a temporary basis.

Iain Phillips

Chief Executive's Office