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Mr Angus Brendan MacNeil MP
Chair, International Trade Committee

By email:

22 June 2021

Dear Mr MacNeil,

**International Trade Committee: Inquiry into UK Export Finance
Oral Evidence Session, 12 May 2021**

Thank you for inviting me to appear before the Committee during the oral evidence session on Wednesday, 12 May, along with my colleague Vomic nur Shah. We were grateful for the opportunity to explain the work of our International Export Finance Executives (IEFEs).

I promised to write to the Committee to offer some additional information beyond what I was able to provide during the session.

Modern Slavery Act

Mr Mangnall asked about the impact of the Modern Slavery Act upon UKEF's due diligence processes when considering applications for support.

UKEF undertakes due diligence covering modern slavery issues when considering project applications. It does this as part of its environmental, social and human rights commitments. The Modern Slavery Act itself does not impact on UKEF's due diligence processes when considering applications for support. The effect of the amendment to the Act relates to UKEF's reporting requirements under s.54. As a public body (with a budget in excess of £36m), UKEF is now required to publish a modern slavery statement in relation to our own supply chain. We are working on our inaugural statement, which will be published, along with those of other ministerial departments, in September 2021.

We recognise that UKEF can be indirectly exposed to modern slavery risks through the exporters and projects that we support. Some of the conditions that can make workers vulnerable to such exploitation include poor labour standards, a lack of representation or freedom of expression, discrimination, coercion and poorly regulated labour agencies. While our current project related due diligence considers such human rights risks, we are, with the expertise and guidance of the Export Guarantees Advisory Council (EGAC), currently reviewing our due diligence approaches and scope to ensure that we are doing all we can to identify and mitigate those risks.

I thought it might be useful to set out the due diligence processes that we currently undertake. UKEF considers environmental, social and human rights risks and impact relating to transactions that fall within the scope of the Organisation for Economic Co-Operation and Development (OECD) 2016 Revised text for the Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the “OECD Common Approaches”) and the Equator Principles.

This due diligence involves reviewing projects against international standards, namely the International Finance Corporation (IFC) Environmental and Social Performance Standards. Projects must be aligned to these standards before UKEF provides support. The Performance Standards cover modern slavery issues including (but not limited to):

- clear and robust HR policies and procedures are in place based on equal opportunity and fair treatment;
- workers are provided with a safe and healthy working environment;
- there is no forced or child labour;
- workers are paid fairly and on time;
- a robust and accessible grievance process is available to all workers; and
- where accommodation is provided for workers, it meets quality and management requirements set out in the standards.

Once UKEF support is provided, it monitors the environmental, social and human rights performance (including on modern slavery issues) to be satisfied that a project is being constructed and operated in line with the international standards. Where standards are not maintained, we seek actions to be put in place by the project sponsor to bring the project back on track. Failure to implement these actions could lead to withdrawal of support.

UKEF local support for SMEs

Mr Girvan asked whether, in addition to its international contacts, UKEF had any mechanism for encouraging local SMEs. During the session, I advised him of the existence of UKEF’s network of 24 Export Finance Managers (EFMs), spread around the country. The EFMs are regional representatives of UKEF, and act as local points of contact for exporters and businesses with export potential. The EFMs can provide information on payment methods and risks; types of finance available; trade finance (both pre- and post-export); credit insurance and foreign exchange risks. Further information about the EFMs, and the support that they can offer is available at: www.gov.uk/government/publications/find-an-export-finance-manager.

As I mentioned during the session, the EFM covering Northern Ireland is Elizabeth McCrory, who can be contacted by telephone on: 07435 323231 or by email at: Elizabeth.McCrory@ukexportfinance.gov.uk.

I thought that Mr Girvan might also be interested to know of some of the recent instances of support that UKEF has provided for businesses in Northern Ireland. Last month the Chancellor agreed to provide Treasury consent for a US\$100 million line of credit to an overseas buyer where an initial \$15 million of contracts are with a Northern Ireland SME. Meanwhile, UKEF continues to support Bombardier (Spirit Aero) and Thales through its export credit guarantee products. Both these companies have set up in Northern Ireland and export from there.

Mr Girvan may also be interested to read about UKEF’s support for Environmental Street Furniture Ltd, a company based in Newtonabbey, which features in one of our online case studies at: <https://www.gov.uk/government/case-studies/northern-irish-firm-doubles-turnover-thanks-to-dubai-export-win>. The company’s success was recognised last month with the Queen’s Award for International Trade.

Another company that UKEF has supported is ELSS Engineering, whom we supported to secure orders in Oman and Saudi Arabia. Further information is available at: <https://www.gov.uk/government/case-studies/northern-irish-sme-exports-to-bahrain-with-uk-government-support>

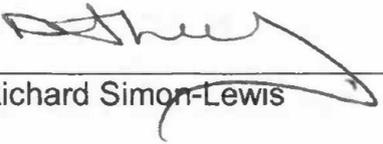
Northern Ireland company, CDE Global, which provides wet processing equipment for construction and recycling operations, was one of the first business to benefit from UKEF's new Standard Buyer Loan Guarantee facility. CDE secured a multi-million pound contract with a Tunisian customer to expand the production capabilities at a silica quarry in Oueslatia. In absence of a financial solution from the commercial market to support extended repayments in Tunisia, CDE contacted UKEF for support who offered a nine-year facility to finance the contract for their buyer. This significantly boosted CDE's turnover and helped support jobs at the firm.

UKEF Supplier Fairs

I also recall that one of the Committee members expressed an interest in joining one of UKEF's supplier fairs, once we are able to start holding them as physical events. These events allow UK businesses of all sizes to access opportunities to supply to UKEF-backed international projects. In addition to engagement on the principal project around which the fair is based, frequently the relationships developed at these events will enable further opportunities for UK suppliers. I would be very happy to extend the invitation to any members of the Committee, and any representatives of the SME business community, who would be interested to attend such an event, and will write again once our physical programme of supplier fairs resumes.

I hope that this is helpful. Please let me know if you need any further information.

With best wishes,



Richard Simon-Lewis

Director and Head of Origination, Client Coverage, Marketing and Communications