

PERFORMANCE

REPORT

Performance overview

- 11** The year in figures
- 12** This year's milestones
- 14** Financial objectives
- 16** Chief Executive's statement

Performance analysis

- 24** Five-year summary
- 26** Our impact
- 34** Economic context
- 37** National Interest Account
- 39** Chief Finance and Operating Officer's commentary
- 48** Chief Risk Officer's commentary
- 67** Statutory limits
- 68** Environmental and social risk management
- 72** Task Force on Climate-related Financial Disclosures
- 90** Export Guarantees Advisory Council's commentary



PERFORMANCE OVERVIEW

This section provides a comprehensive overview of UK Export Finance, its purpose and structure, its performance relating to its strategic and financial objectives, organisational risks and focus for the year ahead.

About UKEF

Who we are

UKEF is the UK's export credit agency and a government department, strategically and operationally aligned with the Department for Business and Trade. UKEF is the operating name of the Export Credits Guarantee Department.

Our mission

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.

We help UK companies:

- win export contracts by providing attractive financing terms to their buyers
- fulfil export contracts by supporting working capital loans and contract bonds
- get paid for export contracts by providing insurance against buyer default

How we do it

We fulfil our mission by providing insurance, guarantees and loans where the private sector will not, backed by the strength of the government's balance sheet. We also help companies find support from the private sector. Our work means that:

- more UK companies realise their ambitions for international growth
- more jobs in the UK are supported and overall UK exports are higher

We complement, rather than compete with, the private sector and work with around 100 private credit insurers and lenders. We help to make exports happen which otherwise might not, helping UK exporters and their supply chains sustain and grow their business overseas. In this way, we provide security of support through economic cycles and market disruptions.

(next page) →

UKEF staff visiting the Siemens Gamesa site in Hull, where wind turbine blades for the UKEF-supported Hai Long offshore wind project in Taiwan are manufactured



THE YEAR IN FIGURES



£14.5 billion
financial support issued



667
exporters supported



70,000
UK jobs supported



£2.3 billion
clean growth support issued



£58.8 billion
maximum annual exposure



496
SMEs supported

THIS YEAR'S MILESTONES

2024

MAY

- UKEF's first ever overseas oil and gas decommissioning deal: a £7 million guarantee enabling Brazilian firm Ocyan to buy cutting-edge equipment from Scottish exporters
- We guarantee a £531 million Islamic Murabaha financing facility in support of the Six Flags Qiddya City theme park in Saudi Arabia, securing export opportunities for UK suppliers, winning TXF's Middle East Export Finance Deal of the Year

APRIL

- UKEF launches its Business Plan and Sustainability Strategy, putting impact at the heart of our 5-year strategic priorities
- We meet with the other G7 export credit agencies in Tokyo

JULY

- KBC Bank NV, London Branch becomes the latest lender to participate in the General Export Facility, increasing access to finance for small and medium-sized enterprises
- We support our largest ever offshore wind farm transaction, Hai Long, in Taiwan

JUNE

- UKEF attends the Ukraine Recovery Conference and signs a memorandum of understanding reaffirming our commitment to working with like-minded partners to support Ukraine's recovery
- Our Board Member Kimberly Wiehl is awarded an OBE for services to export credit finance and international trade in His Majesty the King's Birthday Honours List

SEPTEMBER

- A £136 million UKEF Export Development Guarantee helps secure over £1 billion in investment to redevelop recycled paper manufacturer Shotton Mill, safeguarding 147 jobs and creating 220 more in North Wales, and aiding the UK's transition to net zero, and winning TXF's Europe Export Finance Deal of the Year
- We launch an online portal to make the export credit insurance application process more accessible for small businesses

AUGUST

- £2.1 million of UKEF-backed financing supports BOBST Manchester Ltd to export food packaging machinery

2024

NOVEMBER

- UKEF launches the Early Project Services Guarantee to further incentivise overseas buyers to choose UK services firms to scope and design their projects
- At COP29, with fellow members of the Net Zero Export Credit Agencies Alliance, we launch the first ever decarbonisation target-setting protocols for export credit agencies and export-import banks
- We open a hub at Whitehall Quay, Leeds – our first office outside of London in almost 2 decades

OCTOBER

- In the Autumn Budget, the Chancellor announces UKEF's new Critical Minerals Supply Finance product, which will provide export credit financing for overseas projects supplying critical minerals to UK exporters, helping to secure supplies for UK industrial growth
- We publish our first ever Impact Framework, setting out how we will measure the impact we deliver for the UK taxpayer
- We close our first defence-focussed Export Development Guarantee with Chemring to support new investment in a manufacturing site in Scotland

DECEMBER

- UKEF partners with Female Founder Finance to help more women-led businesses access export finance support
- We issue our first co-financing deal with the National Wealth Fund to unlock £1 billion of investment for the construction and operation of AESC's Sunderland gigafactory
- UKEF employees Pat Cauthery and Pat Pile are recognised for their contributions to exports and public service in His Majesty the King's New Year's Honours List
- Parliament increases our statutory limit by £15 billion, creating more potential financial firepower to support UK exports

2025

JANUARY

- Rolls-Royce's Ed Prince joins UKEF's Executive Team as the Director of Large Corporates & International
- Nottinghamshire-based aerial data-acquisition firm DEA Aviation secures a 3rd financing package with our support to continue to grow its export operations
- Huddersfield-based golf technology firm MIA Sports secures a £75,000 UKEF-backed finance package to expand into the United Arab Emirates market

FEBRUARY

- UKEF hosts the 7th annual UK Trade and Export Finance Forum, attended by around 1,000 business and industry leaders
- Northern Ireland company Maxflow enters new markets after receiving a UKEF-backed General Export Facility in partnership with Ulster Bank

MARCH

- The Prime Minister announces a £1.6 billion UKEF-backed deal commitment to finance the supply of Belfast-made Thales air defence equipment to the Ukrainian Government
- We host 2 events for ethnic minority-led and female-led businesses to discuss how access to export finance support can unlock growth potential and promote inclusive trade
- The Chancellor announces a £2 billion increase to our direct lending capacity for defence exports

FINANCIAL OBJECTIVES

HM Treasury agrees a standing consent with UKEF, providing parameters within which we can operate. These parameters embed fiscal responsibility in the way we work.

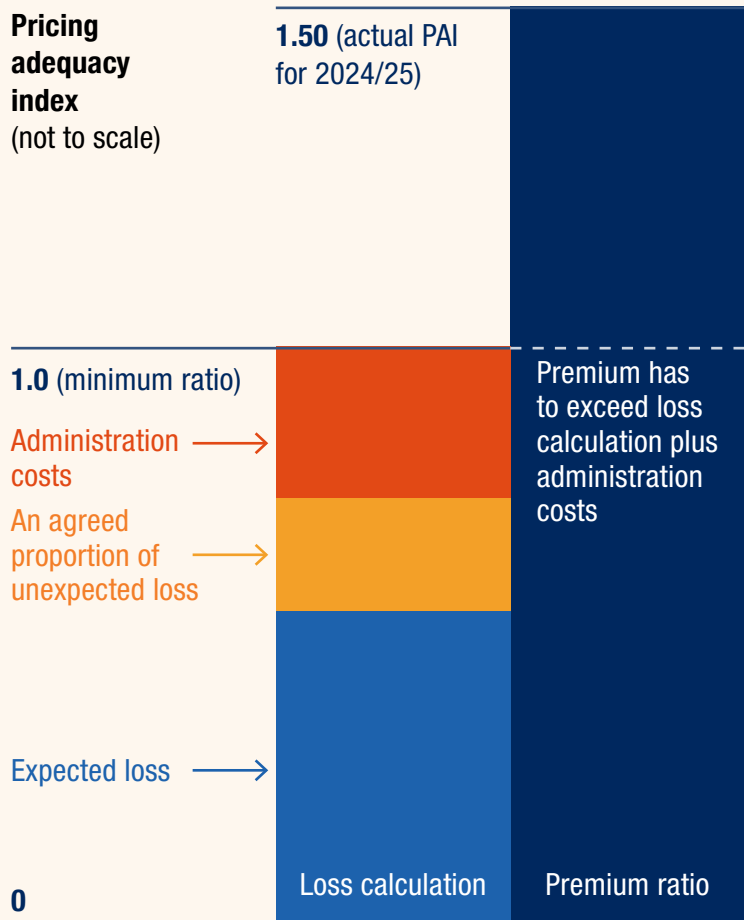
HM Treasury sets our financial objectives, which are designed to enable us to support UK exporters while making sure we:

- receive a return that is at least adequate to cover the cost of the risks we are assuming
- do not expose the taxpayer to the risk of excessive loss
- cover our operating costs

These objectives make sure we are financially responsible when taking risks while completing transactions to provide financial support that the private sector cannot.

For a fuller description of our financial objectives, risk appetite and controls, see the **Governance Statement**.

How we calculate premiums to make sure we cover costs and losses



Performance against our objectives

Objective and description	Result
<p>Maximum commitment This measure places a cap on the maximum amount of nominal risk exposure (i.e. the total amount of taxpayers' money that we may put at risk)</p>	<p>Met: The highest recorded maximum exposure in the year was £58.8 billion, against a maximum permissible level of £60 billion.</p>
<p>Risk appetite limit This limit places a constraint on our appetite for risk at the 99.1 percentile of our estimated portfolio loss distribution.</p>	<p>Met: The 99.1 percentile of our portfolio loss distribution did not exceed £3.4 billion against a maximum permissible level of £6 billion.</p>
<p>Reserve index This index ensures that, over time, we have accumulated enough revenue to cover possible losses, to a 77.5% level of confidence.</p>	<p>Met: The reserve index did not fall below 2.23 in the year, against a target minimum of 1.00.</p>
<p>Pricing adequacy index This index tests whether, over time, we earn enough premium income to cover all our risk and operating costs. It is measured over 3 different periods:</p>	
Past 2 years and present year	Met: At 31 March 2025 this index was 1.50, against a monthly minimum target of 1.00.
Previous, present and next year	Met: This index did not fall below 1.46 against a monthly target minimum of 1.00.
Present year and next 2 years	Met: This index did not fall below 1.42, against a monthly target minimum of 1.00.
<p>Premium to risk ratio This measure ensures that each year, we charge enough premium to cover the cost of risk, together with a sufficient margin to contribute a material amount to administrative costs.</p>	<p>Met: This ratio did not fall below 2.18, against a target minimum of 1.35.</p>

These financial objectives only apply to business issued since 1991. There are no specific financial objectives for outstanding exposure on business we supported before 1991, other than to recover amounts owed to UKEF while taking account of the government's policy on debt forgiveness.

Our maximum commitment objective applies to all 3 of our active accounts. Our other financial objectives only apply to the Guarantees and Insurance Account and Direct Lending Account.

For fuller descriptions of our accounts, see the **Performance Analysis**.

CHIEF EXECUTIVE'S STATEMENT

Throughout the past year, our priority has been delivering on the government's growth mission. Our topline figures show that it was a successful year for UKEF – we mobilised finance at scale to drive growth and impact across the UK.



Tim Reid
Chief
Executive Officer

During 2024/25, we:

- provided a record £14.5 billion of support to 667 businesses of all sizes and types
- supporting up to 70,000 jobs in communities across the UK
- supporting the contribution of up to £5.4 billion to the overall economy

UKEF is delivering against our Business Plan, launched at the beginning of this financial year. This plan revolves around 5 objectives against which we can measure our success:

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 and inclusive growth across all regions of the UK

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

Those objectives are underpinned by 5 strategic enablers, designed to steer how we deliver on our objectives:

- putting our customer at the heart of everything we do
- ensuring we have the right digital and data solutions to inform our activities
- being purposeful and responsible with our risk taking
- ensuring UKEF is an agile, fit-for-purpose organisation
- making UKEF the best place to work for our people

Our activity over the past year has focussed on delivering these objectives and contributing to our mission of ensuring that no viable UK export fails for lack of finance or insurance. The general election in July 2024 brought a new government to the UK, which has endorsed our Business Plan objectives, recognising that these directly feed into the government's priority to kickstart economic growth.



Tim Reid attending the G7 ECA Heads meeting in Tokyo

As our progress across these 5 objectives shows, UKEF has made a significant contribution to this mission, and demonstrated that it has an important role to play in the success of the UK exporting community – all at no net cost to the taxpayer.

For the first time we're including specific details about that progress in this annual report – see **Our Impact** for more information.

The year in review

Catalyse UK trade through UKEF's world-leading export finance and insurance offer

UKEF's domestic and international support helps drive demand for UK exports, while also providing the increased lending capacity to support new exporters and build domestic export capability.

This year has seen unprecedented demand for our support from both new and existing customers. As a result, we sought Parliamentary approval for our statutory commitment limit to be raised. By getting the necessary statutory instruments passed – with unanimous cross-party support – that limit has now been raised by around £15 billion.

In a similar vein, the Chancellor's Spring Statement included a £2 billion increase in our direct lending capacity specifically to the defence sector.

Direct lending is the government's only sovereign-to-sovereign lending tool.

This increase will boost the competitiveness of the UK defence industry and allow UK exporters to grow their business through sales to our allies around the world, while supporting the government's plan for strong and resilient growth.

Another key to achieving growth across the UK's priority industrial sectors is securing access to critical minerals. These are essential for key export sectors such as the automotive, aviation, and defence industries, as well as sustainable technologies like electric vehicles, solar panels, and wind turbines.

Our new Critical Minerals Supply Finance product, announced by the Chancellor in the Autumn Budget, is designed to make sure our industries can secure a stable, long-term supply of both raw and processed materials.

And in November, we launched our new Early Project Services Guarantee. This product is designed to help the UK's strong engineering, design, and technical services industry to secure international contracts by offering attractive financing to overseas buyers.

All of this shows, not only how demand for our core service continues to grow, but how our agile approach enables us to evolve our products and services, in line with both our customers' needs and the market gaps we identify in discussion with our stakeholders.

Significantly increase the number of SMEs that benefit from UKEF's support

This year, we continued to increase our backing for SMEs: supporting 496 SMEs across a range of sectors.

SMEs can often struggle to gain the financing they need to scale up, but we have bold ambitions for increasing how many we help. This means continuing to target a broad range of businesses, enhancing our Digital, Data and Technology offer, and continuously expanding our customer base to reflect the strength and depth of UK exporting businesses.

Our General Export Facility (GEF) remains our most popular product. Aimed at SMEs, it provides firms with the flexible trade finance they need, and it accounted for 81% of all facilities we issued this year. In 2024/25 we provided £771 million in working capital support across 632 individual GEF transactions – mostly for SMEs.

Since accessing finance can be particularly challenging for firms with turnover under £10 million a year, we have unveiled a range of initiatives to improve our support for this portion of the business community. These include launching a new online portal for export insurance applications and onboarding new lenders for the GEF (including non-bank lenders) to reach new customers.

And behind the scenes, we have been designing and building a variation of our export credit insurance policy, which will be available from 2025/26. Designed for small exporters, the Small Export Builder will offer UK exporters a fast-track route for insuring low-value shipments.

Support a broad range of businesses to export, driving local and inclusive growth across all regions of the UK

Entrepreneurial talent can be found everywhere in the UK, so I'm pleased that 81% of all of the companies we worked with were based outside London. That percentage

increases to 83% when focussing only on SME customers. We know that UKEF's support can act as a catalyst for growth and prosperity throughout the UK, so we're proud that the companies we support come from a diverse range of regions and nations.

One of the ways we're able to do this is through our Export Development Guarantee (EDG), which unlocks working capital finance for UK businesses to support their export growth. We used the EDG to provide £853 million of support this year, bringing the total value of our EDG portfolio to £6.9 billion.

Our EDG played a crucial role in securing £225 million of additional investment for SeAH's wind technology factory in Teesside. The ongoing project has already generated significant contracts for the UK supply chain in manufacturing, construction, and logistics. It will also create up to 750 jobs by 2027 – a major milestone in the development of a thriving offshore wind and renewables industry in North-East England.

And in March, I hosted the Northern Women in Business Reception in Leeds, which we organised with the Women's International Network. Attendees included representatives from several female-led firms we have already supported, including toy manufacturer Slime Party, aerial data-acquisition company DEA Aviation and distillery Spirit of Yorkshire.

This year, we measured the number of female-led businesses we supported for the first time: they accounted for 18% of our SME customers. We are focussed on increasing this proportion year-on-year through the life of our Business Plan.

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

In our first full financial year since the launch of our Sustainability Strategy in April 2024, we have made progress towards providing £10 billion in financing for clean growth projects by 2029, with £2.3 billion issued in the past year alone.

UKEF is a leader in clean growth finance, putting UK exporters at the heart of the global low carbon transition – but the path to net zero is not one we can plot alone. This is why, at COP29, we secured agreement to decarbonisation target-setting protocols from like-minded export credit agencies (ECAs). This will help our fellow ECAs and export–import banks implement their own targets so we all make meaningful progress towards net zero, together.

That move complements our experience in financing green projects, most notably in offshore wind. This year we built on our clean growth sector experience in the Asia–Pacific region by issuing guarantees worth £1.2 billion to support the construction of 3 offshore wind farms in Taiwan. These deals will unlock millions of pounds’ worth of export contracts for UK businesses and bolster the UK’s position as a clean energy superpower.

We also issued a £96 million loan guarantee to enable the construction of Turkey’s 2nd-largest solar project to date, in collaboration with the Polish ECA, KUKE. This will power 65,000 households with renewable energy and support UK jobs in the renewable-energy sector supply chain, particularly in the Midlands.

Aviation remains a pivotal sector for the UK economy and aviation financing is a significant part of UKEF’s portfolio, accounting for 18% of our exposure for 2024/25. While it remains one of the hardest-to-abate sectors in the global low-carbon transition, we are committed to helping the aviation sector decarbonise.

This year, we provided £749 million in financial support, all focussed on new generation, more fuel-efficient aircraft. This included a loan to Ethiopian Airlines so they can purchase 4 Airbus A350-1000s. Powered by the world’s most efficient large jet engines – which, like the planes’ wings, are built here in the UK – this new fleet is an example of how we’re backing UK expertise.

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

While our focus is on supporting UK businesses, UKEF’s reach and impact is truly global. Africa remains one of our largest global markets, accounting for 19% of our overall exposure. We issued £262 million in new support this year for a range of transformational projects in Sub-Saharan Africa.

For example, at the West and Central Africa Trade and Investment Forum in December, we announced an £85 million deal, involving British exporter Incatuk Limited, to improve 15,000 hectares of grassland, lay new roads for herders, establish new agricultural facilities and improve soil quality in Cameroon.

We also remain highly engaged in the Middle East, providing £803 million in support this year, reflecting the region’s enormous growth potential. This includes a £29 million direct loan to the Iraqi Ministry of Interior so it can buy 62 British-made fire-fighting vehicles, supplied by Emergency One in Ayrshire and Angloco in Batley.

Another milestone was our first-ever transaction in Uzbekistan, guaranteeing a loan so that Scottish firm, Weir, can supply specialist machinery for one of Central Asia’s largest copper production facilities.

Initiatives like these not only promote trade and economic growth but can also align with the United Nations’ Sustainable Development Goals by supporting environmental sustainability, social equity, and improved infrastructure. By directing our support towards projects that foster sustainable growth, we are committed to making a positive impact on local communities worldwide while creating export opportunities for UK suppliers.

These overseas projects would be impossible without our specialist network of Country Heads, which expanded to 23 this year, with new hires in Canada and Turkey.

Handling public money responsibly

In 2024/25, we remained subject to the 2021 Spending Review settlement. Along with all government departments, this year UKEF fed into the 2025 Spending Review, which the Chancellor announced to Parliament in June 2025.

UKEF complements, rather than competes with, the private market. Our support plays an important role in de-risking transactions to enable UK exports to thrive. This means we often work in markets or segments of the UK exporting industry with heightened risk profiles – for example, underwriting deals in emerging markets in which economic and political instability can feature prominently – and finding novel ways to support new and innovative UK businesses to build a larger international track record.

This means taking on risk on behalf of the exchequer and, by extension, being prepared to pay out on losses and claims. Being purposeful and responsible with our risk taking is one of our strategic enablers, ensuring that we take the right risks to meet our objectives. As well as the regular due diligence carried out by our specialist in-house environmental, social, human rights, legal, compliance, and financial crime teams, UKEF carefully and proactively analyses risk, including strategic risk, and manages its portfolio and claims. This is part of our continuing commitment to ensuring that the deals we support are conducted in the right way.

The record value of business issued this year has expanded our portfolio, which naturally means more exposure to risk. Meanwhile, the global credit risk environment has become more uncertain. UKEF's dedicated risk management team diligently monitors the impact of global events and policy on our portfolio, in line with our risk management framework, to secure the best possible outcomes for the taxpayer and maintain the confidence of our ministers.

For more information, see the **Chief Risk Officer's Commentary** and **Economic Context**.

This year, there has been an increase in business supported through our National Interest Account on the written instruction of ministers, primarily for the large NAREW defence transaction in Poland, which has significantly increased the percentage of our portfolio concentrated in Europe.

We are committed to supporting the government's foreign policy aims and continue to operate under ministerial direction to remain open for business in Ukraine. The Defence Export Support Treaty, signed in July, reaffirmed UKEF's commitment to supporting Ukraine's defence against Russia's invasion.

We anticipate more National Interest Account activity in the coming financial year, following the Prime Minister's announcement in March that Ukraine will use £1.6 billion of UKEF-backed financing to buy more than 5,000 Belfast-built air defence missiles.

Building on the substantial support UKEF has provided to date, this new financing will be vital in defending Ukraine's critical infrastructure, while also creating 200 new jobs in the UK defence sector. For more about this, see the **National Interest Account** chapter.

Making UKEF a great place to work

Since becoming CEO in 2023, I have been clear that it's our people who drive our mission and achieve our goals – and our successes this year could only have been achieved with the hard work and dedication of our diverse workforce. Everyone at UKEF plays a vital role in creating significant impact for businesses and communities in the UK and beyond. Our values of taking responsibility, excelling together, respecting all, and making a difference drive our work across the department.



Attendees at the Northern Women in Business Reception listen to a panel discussion on access to finance for women-led businesses

This is the first year of our new People Strategy, designed to raise and maintain employee engagement. The first step is accurate measurement, and I am proud that in this year's People Survey, our people reported engagement at 71%, compared with 70% the previous year, and 64% across the Civil Service as a whole. This puts UKEF's People Survey engagement in the Civil Service's high performing category.

Although UKEF is among the smallest government departments, we have successfully expanded our presence beyond Whitehall by establishing a new office in Leeds. The office has capacity for 25 UKEF staff, and is co-located with the National Wealth Fund, encouraging more cooperation among public finance institutions. Through this new workspace, we aim to draw in new people from the broader Yorkshire area, expanding our local talent pool.

Looking ahead

As we move to the 2nd year of our Business Plan, our commitment to fostering growth, supporting UK exports, and empowering businesses of all sizes remains unwavering.

I look forward to continuing to work closely with the UKEF Board to deliver our objectives. I would like to thank my fellow

members of the Executive Committee for their ongoing leadership and dedication to supporting staff and providing a world-class service to our customers and stakeholders.

Effective from 1 April 2025, HM Treasury has increased our maximum commitment limit from £60 billion to £80 billion, ensuring we can continue to negotiate support for the commitments in our pipeline and deliver on government objectives set out in the Industrial Strategy and Trade Strategy.

Looking ahead to 2025/26, we recognise the heightened global uncertainty driven by a rapidly evolving picture on tariffs, continuing conflict in Ukraine and the Middle East, and debt vulnerabilities in emerging and developing markets. UKEF has over 100 years of experience in supporting UK exports through economic turbulence; I am confident about the opportunities that lie before us and the positive impact we can continue to have on the UK economy.

Tim Reid
Chief Executive and Accounting Officer

8 July 2025

PERFORMANCE ANALYSIS

The Performance Analysis details our performance in the following areas: strategic objectives, financial review, risk management, and Task Force on Climate-related Financial Disclosures.

It also reviews the global economic context, which can have an impact on our performance. To make sense of this information, it is useful to understand how UKEF operates.

How to understand UKEF's performance

UKEF is a self-funding and income-generating department. Still, our financial performance is best viewed over the business cycle, not just against a single year. This is because our business involves supporting loans that can

take more than 10 years to repay, and losses from unrecovered claims can take many years to assess. Thinking in these terms will give you a better view of how we're performing.

As you read through the rest of the Performance Analysis, you will also encounter various performance metrics and account descriptions. These include our headline metrics, such as the maximum liability of new business supported in the year and the premium income we've earned to protect the department against the risk of loss. These metrics have been consistently and reliably reported over time, showing trends in UKEF's support and providing a measure of our output.



Members of our Business Group visiting JCB to learn about their hydrogen-powered combustion engine

Our accounts

UKEF operates 6 accounts, each defined by the nature of business supported by the department. Three of the 6 accounts are active and 3 are closed, with old exposure running off.

Each of our active accounts plays a crucial role in helping us achieve our financial objectives and fulfil our mission to support UK exports. While our closed accounts are no longer active, they provide useful historical context for understanding our evolution over time.

Active accounts

Account name	Account description
Guarantees & Insurance Account	Relates to the credit risk arising from guarantees and insurance issued by UKEF for business since April 1991.
National Interest Account	Relates to guarantees, loans and insurance issued for business since April 1991 on the written instruction of ministers, which UKEF's Accounting Officer had advised did not meet normal underwriting criteria.
Direct Lending Account	Relates to the provision of direct lending (in the normal course of business) since it was introduced in 2014.

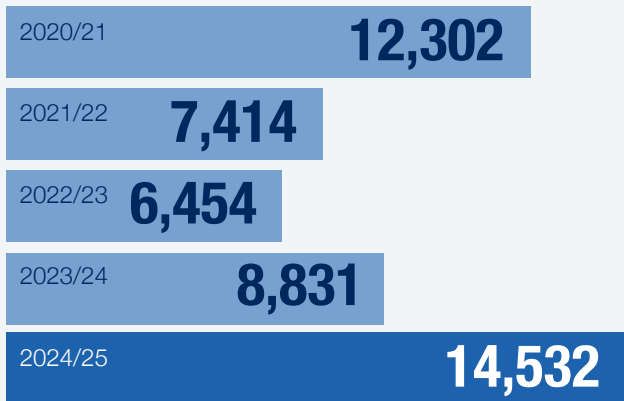
Closed accounts

Account name	Account description
Pre-1991 Guarantees & Insurance Account	Relates to guarantees and insurance issued for business before April 1991, and insurance issued by the Insurance Services Group of UKEF (which was privatised on 1 December 1991) for which UKEF retains all contingent liabilities.
Fixed Rate Export Finance Account	Relates to the provision of Fixed Rate Export Finance (FREF) to banks (closed to new business since 31 March 2011), together with arrangements for reducing the funding cost of FREF loans and for certain interest rate derivative arrangements. UKEF has no exposure remaining in this account.
Temporary COVID-19 Support Account	Relates to all new business underwritten and booked under the Temporary COVID-19 Risk Framework from opening on 2 April 2020 to when it closed to new business on 31 July 2022.

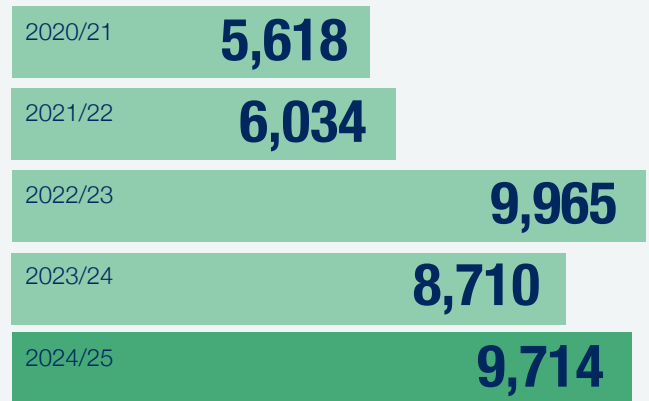
FIVE-YEAR SUMMARY

FINANCIAL INDICATORS

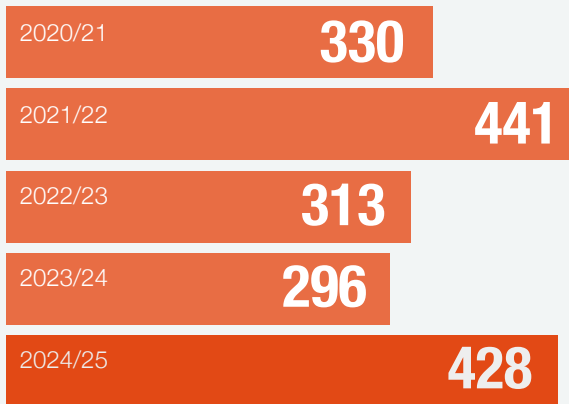
Business Supported (£m)



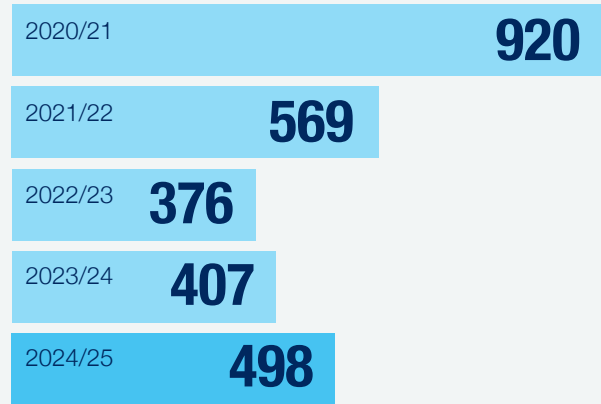
Value of Commitments (£m)



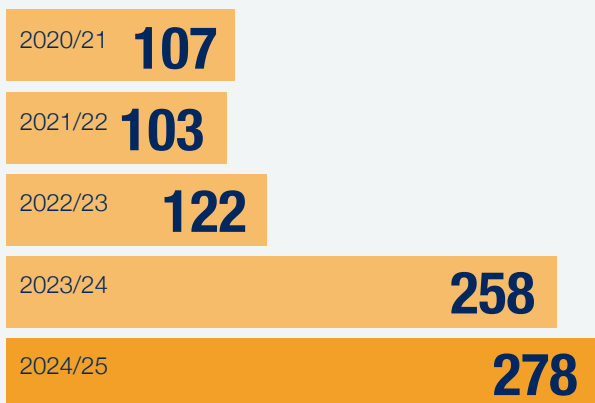
Premium Income Earned (£m)



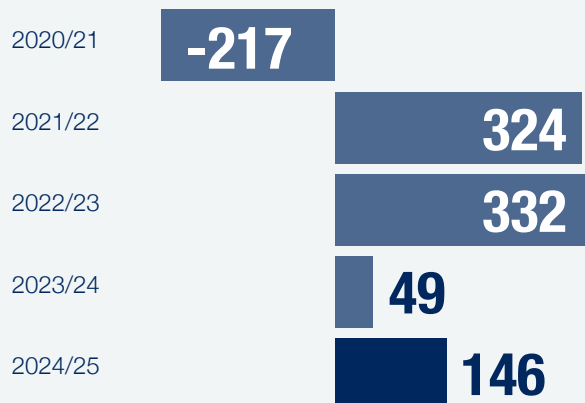
Premium Income Issued (£m)



Claims Paid (£m)

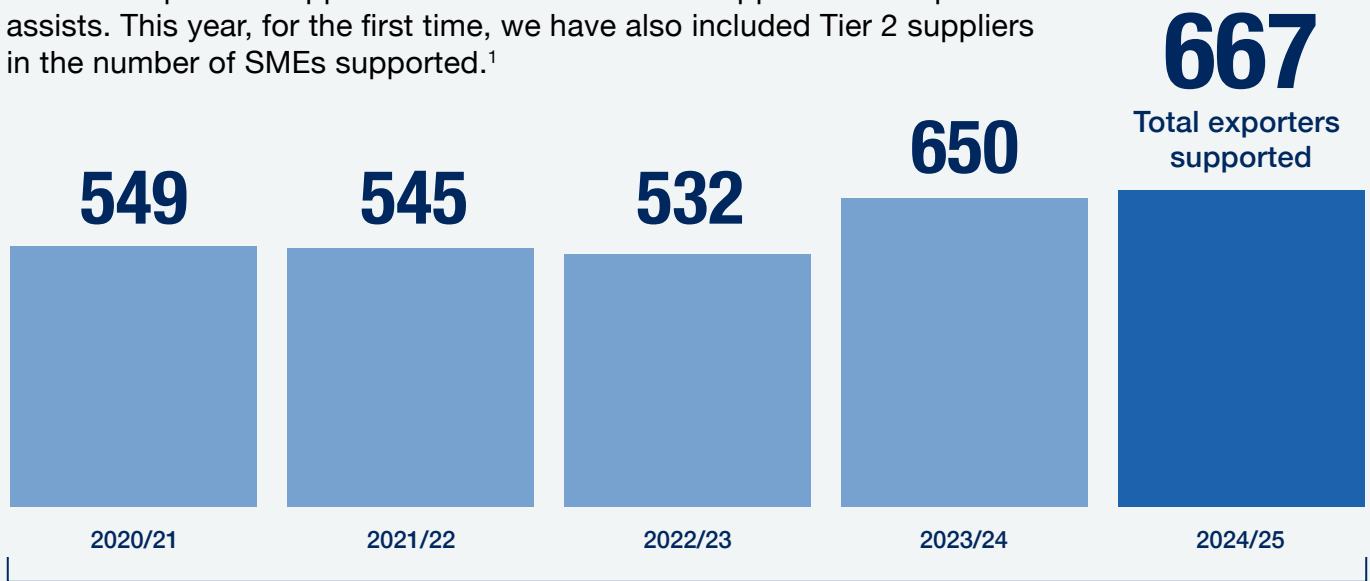


Net Operating Outturn (£m)

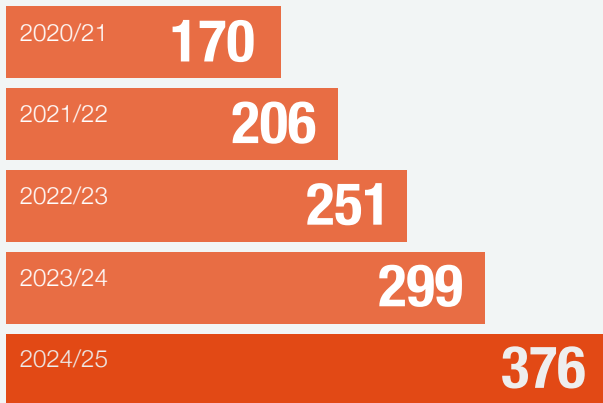


HOW OUR SUPPORT FOR EXPORTERS BREAKS DOWN

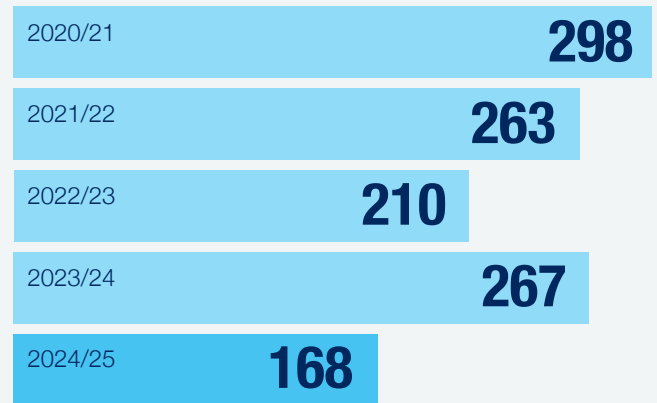
As well as the exporters we have directly supported with a product, our count of exporters supported also includes Tier 2 suppliers and export assists. This year, for the first time, we have also included Tier 2 suppliers in the number of SMEs supported.¹



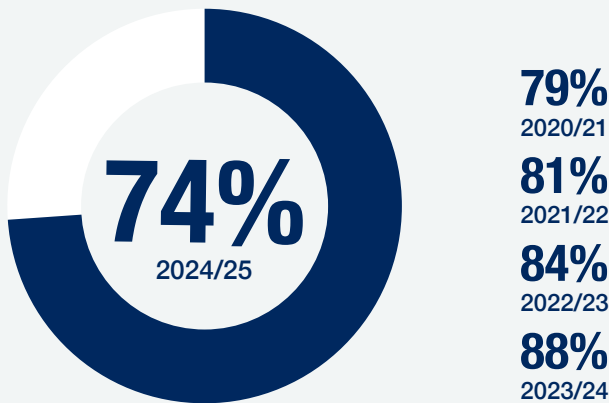
Of which direct support under a UKEF product



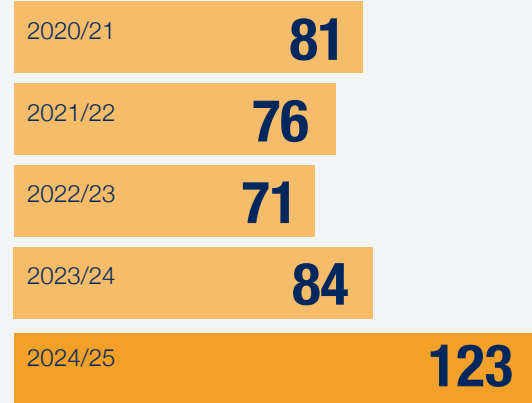
Of which Tier 2 suppliers



Of which SMEs %



Of which export assists



¹ UKEF Glossary of terms, July 2025.

[gov.uk/government/publications/ukef-annual-report-and-accounts-2024-to-2025-by-section/glossary-of-terms]

OUR IMPACT

UKEF provides billions of pounds of financial support each year, supporting UK businesses to tap into global export opportunities and helping to catalyse growth.

It is important to be both transparent and accountable about this support. That's why this year we are – for the first time – reporting progress against our Business Plan. This showcases both what we've achieved so far, and how we plan to build on it in the future.

Our comprehensive 5-year Business Plan is informed by a recently published Impact Framework, so we can demonstrate how we are bolstering the economy and meeting government objectives.

Delivering impact is at the heart of our mission: to advance prosperity while making sure no viable UK export fails for lack of finance or insurance. We aim to achieve that sustainably and at no net cost to the taxpayer.

Launched in 2024, our Impact Framework provides a series of measurable indicators that track and report on the difference we are making across communities in the UK and around the globe. These are grouped around the themes of **prosperity, public policy, and sustainability**.²

This framework guides our work, making sure our stakeholders are confident in the benefits of UKEF support.

² UKEF is also committed to fiscal responsibility. See **Financial Objectives** and the **Chief Finance and Operating Officer's Commentary** for more information.

HIGHLIGHTS



£5.4 billion
impact on
economic activity

41
countries reached
by UKEF-supported
exports

2
new products
launched



70,000
UK jobs
supported

In our 5-year Business Plan, we set 5 objectives to empower UK businesses, drive local growth and create global impact. We can now report against our objectives in ways that are both meaningful and measurable. This will help us better understand the impact we have, and will further inform future decisions and strategies that will keep our offer as relevant and effective as possible.



Prosperity

Supporting economic growth and jobs

- 1 Catalyse UK trade through UKEF's world-leading export finance and insurance offer
- 2 Significantly increase the number of small and medium-sized enterprises (SMEs) that benefit from UKEF's support



Public Policy

Contributing to wider public policy priorities

- 3 Support a broad range of businesses to export, driving local and inclusive growth across all regions of the UK³



Sustainability

Promoting the low carbon transition

- 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

2024/25 was the first year of delivering the new Business Plan. We have made significant progress against our objectives this year.



UKEF and other ECAs visit to a Taiwanese offshore wind farm project

We have achieved more than 40% of our 2029 ambition for objective 1, engaged a wide range of diverse business leaders across the UK (objective 3), and issued £2.3 billion in clean growth financing (objective 4) – to name a few.⁴

But we know we can go further – so here we outline our priorities for 2025/26. Given the ever-changing global trading environment in which UKEF operates, we have committed to reviewing progress against our 5-year Business Plan ambitions at the end of 2025/26, and will adjust our approach where required.

³ UKEF defines a 'female-led business' as a business in which at least half of the registered company directors are female. UKEF's female-led business statistics have been generated using a database of publicly available and self-reported information about companies (collected via Companies House), cross-referenced with UKEF's list of SME customers. Businesses will only be included in the final statistics where their directors' gender balance is publicly known.

⁴ In 2024/25, UKEF supported an extension to an existing facility issued in 2023 for SeAH Wind UK, providing an additional £213 million of new financial support. Because of how UKEF records the business it supports, amendments to existing facilities are not included in our calculation of how much new financial support we issued this year, nor in our Business Supported annex. For the purposes of our impact reporting, we have included the SeAH Wind UK facility extension in our calculations for Objectives 1 and 4 and our economic impact analysis.



1 Export growth

Catalyse UK trade through UKEF's world-leading export finance and insurance offer.

Achievements in the year

Supporting renewable energy exports

We issued **£184 million** in guarantees to support the financing of Taiwan's 495 megawatt Fengmiao 1 offshore wind farm, our 6th offshore wind project in Taiwan, and securing **£55 million** in UK contracts for the manufacturing and services industries.

Our Statutory Limit

Our legal capacity was increased by around **£15 billion**, laying the foundation for UKEF to extend more support for UK exporters in coming years.



Progress against our 5-year milestones

→ Support UK firms to win over **£12.5 billion** of export contracts by 2029⁵

2024/25:

£12.5bn

42%

£5.2bn

→ Enable **£5 billion** of finance to help exporters build their capability by 2029⁶

2024/25:

£5bn

40%

£2bn

⁵ Value of export contracts are measured by UK content associated with the medium/long-term support provided by UKEF in each financial year. See "UKEF's approach to foreign content" for further details of how UK content is measured. [gov.uk/government/publications/ukefs-approach-to-foreign-content/ukefs-approach-to-foreign-content]

⁶ Value of financing to build exporters' capability is measured by the value of the loan facilitated by UKEF's guarantees that are not tied to specific export contracts. This includes the General Export Facility, Export Development Guarantee and Supply Chain Discount Guarantee.



Looking ahead

1. Expand UKEF's offer in Industrial Strategy growth sectors and maintain our long-term portfolio growth.
2. Further enhance UKEF's financial firepower via an increase in our maximum commitment limit from 2025/26.



2 SME growth

Significantly increase the number of SMEs that benefit from UKEF's support.

Progress against our 5-year milestones

→ Support **1,000 SMEs** per year by 2029



2024/25:

496
SMEs

Of which:

115 supported
via export assists

83 Tier 2
suppliers

298
supported
with a UKEF
product

Looking ahead

Continue to broaden the range of financing partners we work with to increase the reach of our offer to SMEs.

Executive Committee members visit
Rosehill Polymers in Sowerby Bridge



Achievements in the year

Digital solutions

We launched an **online portal** to streamline credit insurance applications. By removing PDF forms from the process, it makes it easier and faster for businesses, particularly SMEs, to secure government-backed export insurance.

Impact over time

Using financing first issued through the General Export Facility in 2023, West Yorkshire-based SME Rosehill Polymers expanded their global reach to **9 new export markets** in 2024/25. They opened a new factory in Sowerby Bridge, with around 100 staff, while also offering apprenticeships.



3 Inclusive trade

Support a broad range of businesses to export, driving local and inclusive growth across all regions of the UK.



Achievements in the year Breaking barriers

In partnership with Business Insider, we hosted the Empowering Ethnic Minority Businesses panel in March. The event brought together industry leaders to discuss barriers faced by ethnic minority-led businesses (EMBs). In the year ahead, we will take a qualitative approach to assessing our impact on this portion of the business community. We will engage directly with EMBs to address challenges, build trust, and make sure our offer meets the needs of these underserved businesses.

Progress against our 5-year milestones

→ Measure the **number of underserved businesses** we support. We're committed to increasing the proportion of the underserved businesses we support year-on-year

2024/25:

18%

of the SMEs we supported this year were female-led businesses.

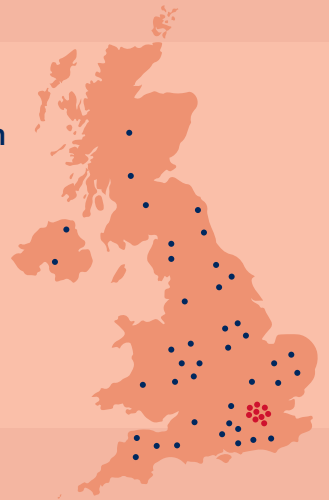


→ Maintain a minimum of **80% SMEs we support based outside of London** over the 5-year business plan period

2024/25:

83%

of SMEs supported outside of London



Looking ahead

Maintain our support for exporters around the country, and better target our engagement with ethnic minority- and female-led businesses, by addressing barriers like trust, awareness, and attitudes to debt.



4 Clean growth and transition

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

Progress against our 5-year milestones

→ Provide **£10 billion** of clean growth finance to accelerate the UK's green export sector by 2029

2024/25:

£10bn

23%

£2.3bn⁷

7 Value of support in transactions defined as business aligning with the use of proceeds categories set out in the International Capital Market Association's (ICMA) Green Bond Principles.



Looking ahead

Enhance the suitability of UKEF's offer for transition and clean growth financing in line with the government's wider Industrial Strategy.

Achievements in the year

Clean growth superpower

Our support helped AESC secure **£1 billion** of investment into the group's 2nd gigafactory in Sunderland. This is the first time UKEF has issued a financial guarantee alongside the National Wealth Fund. When operating at full capacity, the plant will represent an almost 6-fold increase on the UK's current gigafactory capacity – powering up to **100,000 electric vehicles** each year and playing a significant role in the decarbonisation of the UK automotive industry.

International partnerships

We signed a partnership with Chilean economic agency CORFO to unlock new financing for Chile's green hydrogen sector, with over **£5 billion** in UK export credit support available. The agreement aims to boost liquidity in Chile's renewables sector while creating significant export opportunities for UK cleantech firms.



5 Developing markets

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

Progress against our 5-year milestones

→ Mobilise £10 billion of finance in low- and middle-income countries by 2029

2024/25:

£1.2 billion⁸

of finance mobilised in developing markets, including:

Cameroon

£85 million to support land and agriculture improvement works

Iraq

£29 million direct loan so the Iraqi government can buy British-made fire-fighting vehicles

Uzbekistan

£12 million for the export of UK-made specialist machinery for mining copper in Uzbekistan

of which

£337.8 million

for sustainable infrastructure projects⁹



Looking ahead

1. Leverage the government's global network to increase the opportunities for UK exporters in developing markets, where there's demand for our support.
2. Explore ways to capture our positive contribution to employment in communities in destination countries through the overseas projects we finance.

Financing projects in developing markets overseas can drive progress towards the United Nations' Sustainable Development Goals (SDGs). Through our international network, we identify projects and supply chains with positive SDG-related impact. This year, we have been trialling an assessment to track the SDGs we contribute towards, and measuring that impact qualitatively.

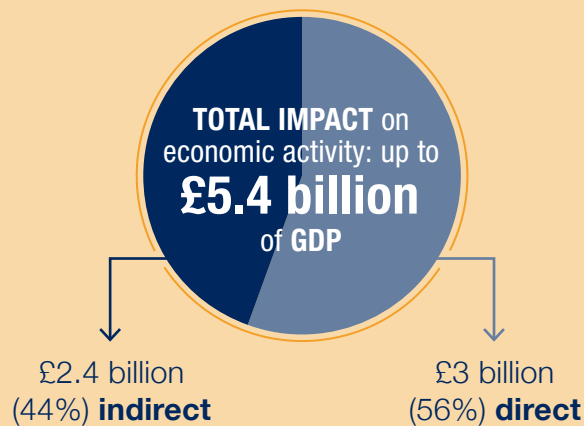


Supporting employment and economic growth in the UK

The business issued by UKEF in 2024/25 is expected to support the contribution of up to £5.4 billion in GDP and support up to 70,000 UK jobs.¹⁰ GDP measures the overall value of goods and services produced in the economy. Our estimate captures how the exporters we support contribute to the economy in 2 ways:¹¹

directly Facilitates exports, encouraging employment and economic activity through the businesses it supports.

indirectly Facilitates economic activity and employment via the supply chains of those businesses.



8 Value of financing to ODA eligible low- and middle-income countries.
 9 See **TCFD report** for more information on our methodology.
 10 Jobs are measured in terms of full time equivalent (FTE) units which count employed people in a consistent way based on the number of hours worked per week. As our support is drawn over multiple years, these supported FTE jobs may occur over numerous years. Figures may not add up precisely because of rounding (we round to the nearest 1,000 for FTE jobs and the nearest £0.1 billion for GDP).
 11 UK Export Finance. [Economic impacts of our support 2024/25. [gov.uk/government/publications/uk-export-finance-economic-impacts-of-our-support-2024-to-2025](https://www.gov.uk/government/publications/uk-export-finance-economic-impacts-of-our-support-2024-to-2025)]

The loans, insurance, and guarantees issued by UKEF in 2024/25 is estimated to support

up to 70,000 UK FTE jobs

 38,000 direct
 31,000 indirect



ECONOMIC CONTEXT

Global growth stabilised over 2024/25, with robust expansion in the United States and improved momentum in large emerging markets including China. Geopolitical tensions and trade restrictions increased, offset against moderating global energy prices and the start of monetary policy loosening. Global public debt levels have continued to increase.

Global economic growth remained stable in 2024, albeit still below its pre-pandemic trend. This stability was underpinned by rising real incomes and lower nominal interest rates, which supported consumer spending.

Growth proved particularly strong in the US, where private consumption levels consistently surpassed forecasters' expectations throughout 2024. Growth in Europe remained below the US, hindered in part by persistently high energy prices, with European gas prices about 5 times as high as in the United States, versus twice as high before the pandemic. In China, an acceleration in exports helped the country's growth rate recover, masking ongoing weakness in the real estate sector.

Then in the first half of 2025 the outlook pivoted because of elevated levels of uncertainty: primarily a product of upheavals in global trade policy.

Consumer and business confidence fell and, looking ahead, tariffs will likely present a supply-side shock for countries imposing charges and a demand shock for those on the receiving end. As such, the International Monetary Fund (IMF) now expects global

growth to slow to 2.8% in 2025, down from their previous forecast of 3.3% in January 2025.

Likewise, the prospect of softening global demand, coupled with an unwinding of OPEC+ supply cuts, saw the IMF revise their global oil price forecast for 2025 to \$67/barrel, more than \$5/barrel below their October 2024 forecast, and even further below the \$80/barrel average price achieved over 2024.

Increasing tariffs

While it is still very uncertain which tariffs will be enacted or retained, it is almost certain that the average global tariff rate will be higher in 2025/26, moving the global economy towards a level of protectionism not seen for 80 years.

Higher tariffs are expected to lead to weaker global trade overall, and to more fragmentation of the trading system into geopolitical blocs centred on the US, European Union and China, with the possibility of reorientation of global supply chains.

Open, export-reliant economies are likely to be hit hardest, particularly those in Southeast Asia. The Mexican and Canadian economies will also be affected because they are so integrated with the US economy. Some markets will benefit from supply chains rerouting, but businesses in general are likely to delay investment decisions until the global tariff picture settles – which will further reduce global economic growth.

Global debt

Global public debt levels reached 92.3% of gross domestic product (GDP) in 2024. The IMF forecast this will rise to 95.1% in 2025 and 100% by 2030, surpassing levels during the pandemic.

Low-income developing countries are expected to buck this trend, with public debt levels falling 7 percentage points over the same period. Nevertheless, analysts have underlined the uncertainty of these forecasts in the context of escalating trade disputes and growing policy uncertainty – which could lead to further calls on government support, and even more debt.

No new applications were received for the Paris Club's Common Framework (a mechanism to provide low-income countries with orderly debt restructuring) in 2024/25.

However, signs of debt distress were still apparent: for example, in countries like the Republic of Congo and Mozambique, where outstanding issuances were exchanged for ones with longer maturities to address a near term liquidity crunch.

In Senegal, an audit of public finances revealed extensive misreporting of borrowing by the previous administration, resulting in a substantial upward revision of the country's debt stock.

As of the end of 2024, the IMF assessed that 53% of low-income developing countries and 23% of emerging markets were at high risk of debt distress or in debt distress, many of which are in Sub-Saharan Africa.

There were some positive developments, with several frontier markets regaining

access to international capital markets, including Cameroon, El Salvador and Kenya. Meanwhile, Ghana, Zambia and Sri Lanka made progress toward concluding their Common Framework restructuring processes.

Nonetheless, the recent uptick in global uncertainty and a move towards safe-haven assets have pushed up yields on emerging market and developing economy debt, increasing the pressure on those looking to roll over their debts.

Geopolitical tensions

Many of the geopolitical tensions present in 2023/24 carried through to 2024/25.

Russia's illegal invasion of Ukraine entered its 3rd year, although the initial impact on energy prices has moderated. Talks towards a permanent ceasefire remain ongoing.

Relations between China and Taiwan remain strained, with China conducting large-scale military drills around the island over the past year.

Realising that the world has entered a more geopolitically uncertain era, Europe has now moved decisively back towards increased defence spending, reversing the trend of the past 30 years.

Tensions in the Middle East remained high after a March 2025 ceasefire between Hamas and Israel collapsed, prompting renewed Israeli military action. Separately, Israel has since carried out strikes on senior Iranian officials and nuclear sites amid growing concerns over Iran's nuclear capabilities.

Monetary policy easing

Monetary policy began to ease over 2024/25 as inflation moderated towards central bank targets.

Lower interest rates will help to support private consumption and business investment, but so far have been partly offset by increased uncertainty, leading to a deferral of large private consumption and business investment decisions and therefore weaker growth.



Members of our overseas and domestic business teams presenting at the Cabinda International Airport supplier fair

Looking ahead, the path interest rates will take remains uncertain – particularly in the US, as policymakers grapple with the contrasting impact of tariffs on inflation and economic growth.

Tariffs directly raise costs and consumer prices, but also can lead to consumption being brought forward – with more transitory consequences for inflation that monetary policymakers will need to look through in their interest rate decisions. Given the multiple layers of uncertainty, the Federal Reserve is likely to proceed cautiously with any interest rate cuts.

Despite a general trend toward monetary policy loosening, interest rates remain above their pre-pandemic levels. Therefore, government interest costs have continued to rise as longer maturity issuances are rolled over at higher rates.

Long-term bond yields reached their highest levels in nearly 20 years in many advanced economies, as markets reassessed macro-financial prospects among growing geopolitical and trade disruptions.

Higher debt servicing costs will place growing pressure on governments' fiscal positions, competing with mounting costs from defence spending and ageing populations in advanced economies, and much-needed public investment in emerging market and developing economies.

The outlook for the UK

UK GDP grew by 1.1% in 2024, up from 0.4% in 2023. For 2025, the Office for Budget Responsibility (OBR) forecast a similar growth rate of 1.0%.

In making their forecast, the OBR emphasise that some of the risks they have previously highlighted, such as a tightening of global trade restrictions, are beginning to crystallise.

The OBR forecast that high food and energy prices, coupled with persistently high wage growth, will cause inflation to rebound to a quarterly peak of 3.7% in mid-2025, before returning to target over the rest of their forecast. The assumption on interest rates included in the OBR's forecast is that the Bank of England will cut the Bank Rate from 4.5% at the end of 2024/25 to 3.8% from mid-2026 onwards. This is well above the pre-pandemic level, which will put continued pressure on the most leveraged corporates and households.

The outlook for UKEF

The outlook for UKEF depends to a significant extent on the outlook for the global economy. Risks to the global outlook are growing given prospective trade restrictions which threaten to reignite inflation and deter investment. Over the longer term, higher tariffs are also likely to reduce productivity and the world economy's potential for growth.

Higher inflation could mean interest rates decline more slowly than anticipated, and the risk of illiquidity and insolvency among countries at high risk of debt distress will grow. This is particularly true where countries lose access to international capital markets (a critical means of rolling over their existing debt stock).

Nevertheless, despite the challenging global macroeconomic outlook, UKEF's support is likely to remain attractive to UK exporters and overseas buyers, as it did during previous periods of global economic disruption like the COVID-19 pandemic. UKEF is well positioned to continue supporting UK exports, particularly in higher risk markets where the private sector's appetite may falter amid rising risk aversion.

NATIONAL INTEREST ACCOUNT

The National Interest Account is for transactions that lie outside UKEF's normal risk appetite, which ministers have directed us to support in the wider national interest.

We operate under an exposure management framework agreed with HM Treasury. It's designed to establish our financial risk appetite and allow us to provide support in a way that's consistent with the principles set out in Managing Public Money.

Under the framework, UKEF offers support where it is needed, while managing potential financial risks to the exchequer arising from:

- individual transactions
- concentrated levels of exposure in particular markets and sectors, and across our whole portfolio

UKEF operates 6 accounts, each defined by the nature of business supported by the department. One of these is the National Interest Account, for business conducted outside the exposure management framework in the UK's national interest. It contains guarantees, loans, and insurance issued since April 1991 on the written instruction of ministers to UKEF's CEO and Accounting Officer, which do not meet our normal risk appetite but take into account the UK's broader interests.

Our formal financial objectives do not apply to this ringfenced account. But business supported in this account:

- does still count against our maximum commitment limit
- is still reported in our annual business totals
- is still included in voted control totals and reported outturn
- does still count as progress towards the Business Plan objectives

Business in the national interest in 2024/25

The total support provided under the National Interest Account in 2024/25 amounts to £7.9 billion.

Poland

Poland's NAREW air defence programme is being procured by Polska Grupa Zbrojeniowa, the state-owned Polish Armaments Agency, with MBDA UK Limited acting as the main sub-contractor from the UK.

A request for UKEF to support this contract was made in 2024 on the basis of MBDA UK's involvement. This would have exceeded

limits set by our exposure management framework, including our country risk appetite for Poland. Ministers, however, concluded that it would be in the UK's national interest for UKEF to support this transaction by exceptionally lifting its risk appetite for Poland up to £15 billion.

Poland is a close ally of the UK with shared security interests. Supporting the NAREW programme will strengthen this existing strategic bilateral relationship, and will return UKEF an adequate amount of income to compensate the risk being assumed.

Ukraine

We continue to maintain our pre-invasion £3.5 billion country limit for Ukraine in the national interest.

The heightened risk environment for Ukraine resulting from Russia's illegal invasion in 2022 means support for transactions in Ukraine falls outside our preset credit risk standards, as set by HM Treasury. In 2023, ministers previously determined that it was in the UK's national interest for UKEF to remain on cover for Ukraine. Present ministers reconfirmed this direction in July 2024.

In 2024/25, we provided £180 million in support of 2 deals involving UK exports



UKEF signs an MoU with other ECAs, committing to support Ukraine's reconstruction

to Ukraine. This includes a buyer credit guarantee to support Ukraine's nuclear plant operator, Energoatom, to source the supply of enriched uranium from Urenco UK, ensuring Ukraine's nuclear reactors can continue to produce essential electricity.

As of 31 March 2025, £3.4 billion had been allocated in support of deals involving UK exports where the market destination is Ukraine. This includes effective business and forecasted committed business to be underwritten in 2025/26. We consider requests for support on a case-by-case basis, otherwise in accordance with normal policy and practice, and subject to specific HM Treasury and ministerial approval.

For more details about the National Interest Account transactions relating to Poland and Ukraine, see the **business supported tables** in the **Annexes**.

Residual exposure

As well as these recent transactions, the National Interest Account includes residual exposure from older business – including, for example, a UKEF backed loan for Qatar, supporting the purchase of Typhoon aircraft and associated services and equipment in 2018.

Looking ahead

In March 2025, the Prime Minister announced that, under Ukraine's £3.5 billion country limit, UKEF would support a £1.6 billion financing package enabling Ukraine to buy 5,000 Belfast-built air defence missiles from Thales UK. Following this announcement, we expect to provide more support through the National Interest Account in the coming year. We expect this transaction to conclude in 2025/26.

CHIEF FINANCE AND OPERATING OFFICER'S COMMENTARY

This commentary describes UKEF's financial performance for the year ended 31 March 2025. Given the importance of the management of UKEF's portfolio, this should be read alongside the Chief Risk Officer's commentary.



Cameron Fox
Chief Finance and
Operating Officer

Financial results

UKEF achieved a strong financial performance again this year.

Net operating gain:

- 2024/25: £146 million (on a foreign exchange-adjusted basis: £200 million)
- 2023/24: £49 million (on a foreign exchange-adjusted basis: £104 million)

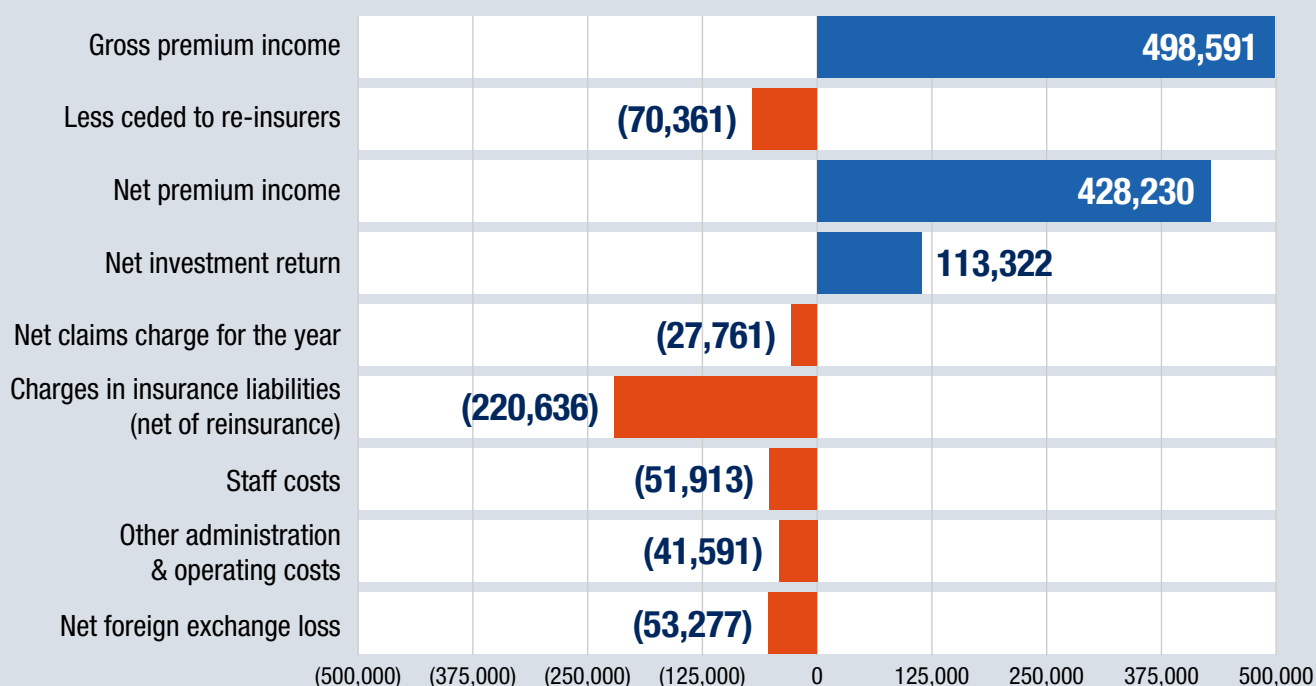
The change from last year arises because in 2023/24 there was a loss on the National Interest Account of £149 million – whereas this year, there was a gain of £28 million. This movement was partially offset by increased expenditure in 2024/25 caused by increasing provisions on increasing claims balances due to larger net claims paid this year.

We provided a £86 million Export Development Guarantee for Bristow to purchase next generation search and rescue helicopters for its global fleet



Summary of profit and loss	2024/25 £'000	2023/24 £'000	Variance £'000
Income			
Gross premium income	498,591	427,404	71,187
Less ceded to reinsurers	(70,361)	(131,186)	60,825
Net premium income	428,230	296,218	132,012
Net investment return	113,322	115,105	(1,783)
Total income	541,552	411,323	130,229
Expenses			
Net claims charge for the year	(27,761)	(5,790)	(21,971)
Changes in insurance liabilities (net of reinsurance)	(220,636)	(220,622)	(14)
Staff costs	(51,913)	(45,860)	(6,053)
Other administration and operating costs	(41,591)	(34,702)	(6,889)
Net foreign exchange loss	(53,277)	(55,575)	2,298
Total expenses	395,178	(362,549)	(32,629)
Net income / (loss)	146,374	48,774	97,600
Foreign exchange-adjusted net income / (loss)	199,651	104,349	95,302

Statement of comprehensive net income for 2024/25 (£'000)



Our full year outturn (removing foreign exchange movements), when looking only at regular business (so not including the National Interest or Temporary COVID-19 Support Accounts), was a gain of £173 million. The outturn for 2023/24, on the same basis, was a gain of £230 million.

Insurance and underwriting activity (premium income)

Net premium income revenue earned:

- 2024/25: £428 million
- 2023/24: £296 million

Net insurance premiums increased by £132 million. This reflects an increase in business supported this year. The nature (in terms of both risk and product type) and timing of the business underwritten also has an impact on the premium income recognised.

For the breakdown of insurance premiums, see note 3 to the **Financial Statements**. Also see note 1 for relevant accounting policies.

Net investment return

Net investment return for export credit guarantees and insurance activities:

- 2024/25: £19 million
- 2023/24: £25 million

Net investment return for export finance activities:

- 2024/25: £94 million
- 2023/24: £90 million

For export credit guarantees and insurance activities, net investment return mainly consists of interest on claims (after provisions) and fee income. Fee income was less this year because of greater utilisation of Export Development Guarantee (EDG) facilities, which reduced commitment fees on undrawn loan balances. Interest on claims was also less this year thanks to lower interest accruing on Paris Club agreements, mainly because Paris Club balances were lower after repayments.

For export finance activities, net investment return mainly consists of movements in impairments and amortised interest income.

The moderate increase in net investment return this year is mainly a result of lower in-year impairment charges, partially offset by lower amortised interest income – because last year there were some early repayments which brought forward the recognition of amortised interest income in 2023/24.

For the breakdown of net investment return, see note 4 to the **Financial Statements**. Also see note 1 for details of the relevant accounting policy.

Claims and recoveries

Net claims paid:

- 2024/25: £278 million
- 2023/24: £258 million

Recoveries of claims paid and interest on claims paid:

- 2024/25: £111 million
- 2023/24: £145 million

The majority of net claims paid in 2024/25 were repeat sovereign and aviation claims from the previous year. The main reason for the increase in net claims paid this year was a new large corporate sector claim that arose in 2024/25. Recoveries were less in 2024/25 because some Paris Club debts were fully repaid in 2023/24.

See the **Chief Risk Officer's Commentary** for more details of UKEF's claims and recoveries. Also see notes 1c, 6 and 11 to the **Financial Statements**. Note 1c explains the significant uncertainty arising from UKEF's underwriting activities. Note 6 provides a breakdown of net claims credit. Note 11 provides details of recoverable claims and unrecovered interest.

Foreign exchange

During the year, sterling appreciated by 2.4% against the US dollar and 2.6% against the euro.

Net foreign exchange gain/(loss):

- 2024/25: £(53) million
- 2023/24: £(56) million

As a significant proportion of UKEF's guarantees, insurance policies and loans are written in foreign currencies (mainly US dollar and euro), UKEF is exposed to foreign currency risk and associated volatility in terms of the financial results.

UKEF is not authorised by HM Treasury to hedge exchange rate exposures.

See notes 7 and 18 to the **Financial Statements**, which include details of the currency profile of our insurance assets, financial instruments and capital loan commitments.

Operating costs

- 2024/25: £94 million
- 2023/24: £81 million

Staff costs increased by £6 million as a result of planned headcount increases agreed in the 2021 Spending Review. Other operating costs increased by £7 million, mainly from increased project costs and associated VAT: the department is running a large programme to implement new accounting standards in 2025/26, as outlined in note 1 to the **Financial Statements**.

Operating costs and headcount

See **Our People** for more details on UKEF's workforce trends.



Insurance liabilities

Net insurance liabilities held in the underwriting funds at year end:

- 2024/25: £1,939 million
- 2023/24: £1,719 million

We apply the fund basis of accounting for our medium and long-term guarantee and insurance business. The increase in insurance liabilities was the result of new business written in-year.

Releases from the underwriting funds during the year (arising from business written in 2015 and 2021) amounted to £35 million in 2024/25 (2023/24: £36 million). This release equates to the current surplus of premium written over risk and cost of writing the business.

See note 16 to the **Financial Statements** for the detailed movements in the underwriting funds. Also see note 1d for details of the relevant accounting policy, explaining the fund basis of accounting.

Long-term assets

Direct lending loans at year end:

- 2024/25: £3,361 million
- 2023/24: £3,407 million

Gross recoverable claims at year end:

- 2024/25: £841 million
- 2023/24: £683 million

Our major asset classes are direct lending loans and recoverable claims (both denominated in a range of currencies, predominantly US dollars). Gross recoverable claims increased, owing to further claims paid in 2024/25.

Management commentary – 5-year summary

	2024/25 £m	2023/24 £m	2022/23 £m	2021/22 £m	2020/21 £m
<i>All results rounded to the nearest million</i>					
Overall value of guarantees and insurance policies issued and effective:					
New business supported net of reinsurance Guarantees and Insurance Account	6,510	7,455	4,959	5,458	3,818
New business supported net of reinsurance National Interest Account	7,878	333	1	–	–
New business supported net of reinsurance Temporary COVID-19 Support Account	–	30	1,144	1,395	6,826
Total new business supported net of reinsurance	14,388	7,818	6,104	6,853	10,644
Amounts at risk gross of reinsurance	44,837	39,258	39,224	34,393	28,834
Statement of comprehensive net income:					
Premium income net of reinsurance	428	296	313	441	330
Staff, other administration and operating costs	94	81	77	66	49
Foreign exchange gain / (loss)	(53)	(56)	90	45	(138)
Net operating income – total	146	49	332	324	(217)
– Pre-1991 Guarantees & Insurance Account	27	22	30	18	(4)
– Guarantees & Insurance Account	67	136	110	157	(104)
– National Interest Account	28	(149)	11	12	4
– Direct Lending Account	24	17	110	59	(114)
– Temporary COVID-19 Support (TCRF) Account	(1)	23	71	78	1
Net operating income – foreign exchange adjusted	199	105	242	279	(79)
Statement of cash flows:					
Claims recoveries – total	98	118	94	92	70
– Pre-1991 Guarantees & Insurance Account	11	41	33	30	31
– Guarantees & Insurance Account	87	77	61	62	39
Interest recoveries in the year – total	13	27	31	25	19
– Pre-1991 Guarantees & Insurance Account	12	28	28	24	19
– Guarantees & Insurance Account	1	(1)	4	1	0

<i>All results rounded to the nearest million</i>	2024/25	2023/24	2022/23	2021/22	2020/21
	£m	£m	£m	£m	£m
Claims paid – total	278	258	122	103	107
– Guarantees & Insurance Account	278	258	122	103	107
Net cash flow from operating activities – total	199	242	313	576	353
– Pre-1991 Guarantees & Insurance Account	27	74	62	53	49
– Guarantees & Insurance Account	(62)	(6)	126	354	145
– National Interest Account	190	35	9	10	38
– Direct Lending Account	42	84	61	85	98
– TCRF Account	2	55	55	74	23
Statement of financial position:					
Recoverable claims before provisioning	841	683	560	534	600
– Pre-1991 Guarantees & Insurance Account	133	150	198	240	350
– Guarantees & Insurance Account	708	533	362	294	250
Recoverable claims after provisioning	471	357	220	184	179
– Pre-1991 Guarantees & Insurance Account	39	34	69	87	110
– Guarantees & Insurance Account	432	323	151	97	69
Interest on unrecovered claims after provisioning	53	56	73	87	98
– Pre-1991 Guarantees & Insurance Account	52	56	73	87	98
– Guarantees & Insurance Account	1	0	0	0	0
Underwriting funds – net of reinsurance	1,939	1,719	1,498	1,434	1,283
– Guarantees & Insurance Account	1,457	1,403	1,370	1,318	1,182
– National Interest Account	440	274	86	85	85
– TCRF Account	42	42	42	31	16
Recoverable capital loans before provisioning	3,361	3,407	3,032	2,808	2,308
– National Interest Account	1,000	1,000	1,000	1,000	703
– Fixed Rate Export Finance Account	–	–	–	1	2
– Direct Lending Account	2,361	2,407	2,032	1,807	1,603

Pre-1991 Guarantees & Insurance Account

The main activity related to this account is the administration and collection of recoveries for claims paid out against guarantees and insurance policies before 1991.

The exposure on this account includes claims on insurance issued by the Insurance Services Group of UKEF (which was privatised on 1 December 1991).

The change in net operating income results from changes in provision rates on recoverable claims balances. The decrease in gross claims this year was mainly due to recoveries. See the **Chief Risk Officer's Commentary** for details.

Guarantees & Insurance Account

This account records guarantees and insurance issued for business since April 1991.

Total of guarantees and insurance policies (net of reinsurance) issued and effective during the year:

- 2024/25: £6,510 million
- 2023/24: £7,455 million

Net operating income:

- 2024/25: £68 million
- 2023/24: £136 million

Net operating income was less in 2024/25 because of:

- a greater allocation of overheads in 2024/25
- a greater claims charge caused by increased provisions on claims balances, driven by increased claims balances
- a smaller reduction of the insurance liability on closed underwriting funds in 2024/25 than in 2023/24

National Interest Account

This account records guarantees, loans and insurance issued for business since April 1991 on the written instruction of ministers, which UKEF's CEO and Accounting Officer had advised did not meet normal underwriting criteria.

The significant extant exposure dates back to 2018/19, and relates to support provided to BAE systems and MBDA UK for the provision of military aircraft and related equipment to Qatar. From 2023/24, UKEF began providing support for exports to Ukraine. See **National Interest Account** and the **business supported tables** in the **Annexes** for more details.

Direct Lending Account

This account relates to direct lending activity in the ordinary course of business since 2014.

UKEF's direct lending capacity was recently increased from £8 billion to £10 billion. There are 58 signed loans, of which 54 are currently effective. Of these, 12 loans are impaired as of 31 March 2025.

See note 1 to the **Financial Statements** for details of the relevant accounting policy.

Net operating gain:

- 2024/25: £24 million
- 2023/24: £17 million

Net investment return:

- 2024/25: £77 million
- 2023/24: £72 million

Year on year operating gains and net investment returns have remained fairly stable. Amortised income was less in 2024/25, but this was offset by lower in-year impairment charges.

New loans originated (not including facility increases):

- 2024/25: 4 (signed and effective)
- 2023/24: 5 (signed and effective)

Temporary COVID-19 Support Account

This account relates to all business underwritten under UKEF's Temporary COVID-19 Risk Framework (TCRF), which closed for new business from 31 July 2022.

Net operating gain/(loss):

- 2024/25: £(1) million
- 2023/24: £23 million

The account is now in run-off, so the loss represents foreign exchange losses and an allocation of overhead expenditure for the year.

Financial reporting changes

As outlined in note 1 to the **Financial Statements**, UKEF currently applies International Accounting Standard (IAS) 39: Financial Instruments – Recognition and Measurement and International Financial Reporting Standard (IFRS) 4: Insurance Contracts. These standards will be replaced by IFRS 9: Financial Instruments and IFRS 17: Insurance Contracts, which will be effective for UKEF beginning on 1 April 2025. Please refer to note 1 to the **Financial Statements** for more information.

Budgeting framework

UKEF's expenditure is presented in both the **Statement of Outturn against Parliamentary Supply** and the **Financial Statements**.

The Financial Statements apply the IFRS as adapted and interpreted by the Financial Reporting Manual, which is produced by HM Treasury.

The Statement of Outturn against Parliamentary Supply, on the other hand, reports the department's expenditure into different budgetary categories, each with its own control limits that Parliament has voted on.

The total amount a department spends is referred to as the Total Managed Expenditure (TME). This is split into:

- Departmental Expenditure Limits (DEL), which covers spending that is subject to limits set in the spending review. Departments may not exceed the limits that they have been set in this budgetary category
- Annually Managed Expenditure (AME), which covers spending that is demand-led or exceptionally volatile in a way that could not be controlled by the department

Both budgetary categories, DEL and AME, can be further split into resource capital budgets. Resource capital budgets capture current expenditure while capital budgets capture new investment and financial transactions. The resource budgets further split into admin and programme budgets.

UKEF's resource DEL admin budget is a token amount (£2,000), with the gross costs covered from the premium income the department receives. The resource DEL programme budget is nil.

The capital DEL programme budget, resource AME budget and capital AME programme budget are all relevant to UKEF activities and set through the supply estimates process.

Explanation of the variances between estimate and outturn summary

Through the supply estimates process, Parliament sets a limit on the annual amount of resources and capital that UKEF can consume.

In the absence of any operating income outside the ambit of the supply estimate, UKEF's net resource outturn and net operating cost (or income) are identical.

UKEF supports export credit loans denominated in foreign currency and, as a result, is exposed to foreign currency exchange risk arising from fluctuations in the exchange rates of various currencies.

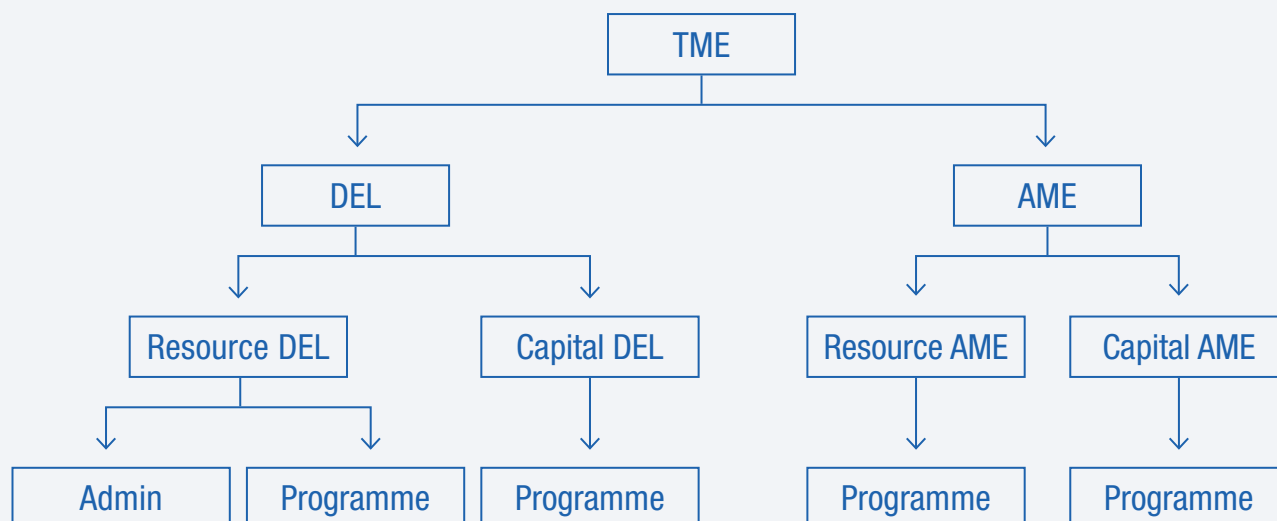
As UKEF is not authorised by HM Treasury to hedge exchange rate exposures, the estimates Parliament votes on include amounts to

cover adverse movements in exchange rates. Exchange rates did not shift significantly during the year, so outturn was below estimate.

In addition, budget was also held for the cost of support that UKEF is providing to the government of Ukraine (see **National Interest**

Account) which did not complete in 2024/25. The support is likely to complete in 2025/26.

For more explanation of the variances, see the **Statement of Outturn against Parliamentary Supply**.



UKEF's supply estimate vs actual outturn for the year 2024/25	SoPS note	2024/25 Outturn £'000	2024/25 Estimate £'000	2024/25 Variance £'000
Resource budget spending:				
Departmental Expenditure Limit	SoPS1.1	0	2	2
Annually Managed Expenditure	SoPS1.1	(146,374)	3,803,587	3,949,961
Non-budget resource expenditure	SoPS1.1	–	130,000	130,000
Net resource outturn and net operating cost / (income)		(146,374)	3,933,589	4,079,963
Capital Budget spending:				
Departmental Expenditure Limit	SoPS1.2	2,059	2,510	451
Annually Managed Expenditure	SoPS1.2	(1,354)	805,402	806,756
Capital total payments / (receipts)		705	807,912	807,207

CHIEF RISK OFFICER'S COMMENTARY

The role of risk management at UKEF is to make sure that all risks, including emerging risks, across the department are identified, assessed, evaluated and mitigated where appropriate and, ultimately, reported and monitored across the organisation.



Samir Parkash
Chief Risk Officer

We do this by designing, implementing and constantly reviewing the enterprise risk management framework such that all risks can be reviewed in a structured, consistent and logical way, to facilitate sound operational and strategic decision-making.

As well as strictly defined requirements laid down with the consent of HM Treasury, UKEF has a defined control environment to help manage and mitigate our risk exposures.

Collaboration and risk management go hand-in-hand at UKEF. That's why our Enterprise Risk and Credit Committee (ERiCC) comprises representatives of all relevant stakeholders within UKEF, working together to ensure that our primary risks (see **Risk Taxonomy**) are appropriately managed within the suite of policies, procedures and controls which cover our day-to-day operations.

This commentary provides an overview of our primary risks and an in-depth review of financial risk management-related developments in 2024/25, considering UKEF's financial and strategic objectives. It should be read in conjunction with the **Governance Statement**, which describes UKEF's enterprise risk management framework and control environment.

Operating environment and mandates

HM Treasury consent and risk appetite

Parliament sets a limit on the commitments into which UKEF may enter (see **Statutory limits**).

UKEF's powers may only be exercised with the consent of HM Treasury. The Treasury agrees a standing consent with UKEF, providing parameters within which we can operate without needing to seek explicit approval, as well as our financial objectives and reporting requirements.

Financial objectives

UKEF's financial objectives, set by HM Treasury, are as follows.

1. Premium-to-risk ratio (PRR): the premium we charge must reflect the risk taken. Each month, we must show that the premium charged on the overall business issued, or forecast to be issued in the financial year, will be at least 1.35 times greater than an agreed level of expected and unexpected loss measured for each transaction at the time of pricing.
2. Pricing adequacy index (PAI): the premium we charge must be sufficient for us to operate at no net cost to the taxpayer over time. While the PRR is measured only over the current financial year, our PAI considers a 5-year timescale, applied across 3 accounting periods:
 - the 2 previous and the current financial years
 - the previous, current and next financial years
 - the current and the next 2 financial years

For each accounting period, UKEF must demonstrate that the actual and forecast premium will cover and exceed the cost of doing business – meaning administration costs and an agreed level of possible losses.

3. Maximum commitment: the total amount of nominal credit risk exposure that the department may incur; set at £60 billion by HM Treasury (approved as of 30 March 2023, and will increase to £80 billion from April 2025).
4. Risk appetite limit: a form of economic capital limit of £6 billion (approved as of 30 March 2023).
5. Reserve index: an index that measures whether UKEF has accumulated enough reserves over time to cover its possible credit losses at the 77.5 percentile on its portfolio loss distribution.

Business and premium forecasts are based on the judgements of our underwriters, who draw on transaction pipeline information, market intelligence and the likelihood of transactions materialising within the current



UKEF meeting Air Premia representatives on delivery of the second ex-Norwegian Air Shuttle to Air Premia on an operating lease

or future financial years. We also perform regular sensitivity analyses to supplement these central forecasts and test the robustness of forecast financial performance against our PRR and PAI targets.

These objectives do not apply to our Temporary COVID-19 Support Account or National Interest Account.

Pricing

We set risk-based premium rates for all of our products. Our pricing methodologies and parameters are reviewed annually by ERiCC, endorsed by the board's Risk Committee and approved by HM Treasury.

An important principle of our pricing is to maintain a level playing field. We therefore operate within the Organisation for Economic Cooperation and Development (OECD) Arrangement (a framework for the orderly use of officially supported export credits) where it applies. This requires all export credit agencies (ECAs) to charge risk-based premiums sufficient to cover their long term operating costs and credit losses. This mirrors the World Trade Organisation Agreement on Subsidies and Countervailing Measures, which classifies export credit guarantee programmes that do not cover their long-term operating costs and losses as 'prohibited subsidies'.

It is also our objective to support UK exporters' competitiveness, and our policy to set the lowest possible premium rates.

In doing so we take into account:

- the minimum rates set out by the OECD (where applicable – and in practice, the vast majority of our medium/long-term transactions are priced at these rates)
- our international obligations, including subsidy rules
- the expected loss of the associated transaction
- aggregate premiums satisfying our financial objectives

Economic capital and the risk appetite limit

Economic capital is a measure of risk based on potential future losses. It can be considered as a buffer to cover unexpected losses over a defined future period at a specified confidence level. Economic capital is how we measure usage of our risk appetite limit.

The risk appetite limit set by HM Treasury means that UKEF must manage its credit risk-taking activities such that total losses, as modelled by our portfolio risk management simulation model, will not (with a 99.1% degree of certainty) exceed £6 billion.

In other words, at no time should portfolio expected loss, plus provisions against claims already paid, plus portfolio unexpected loss, exceed £6 billion. (This limit excludes business transacted in our Temporary COVID-19 Support Account or, under ministerial direction, in our National Interest Account).

Expected loss is a calculation of anticipated average loss over a defined period, based on historical experience. Expected losses essentially represent a 'cost of doing business', implying that when a financial institution assumes credit risk, it should always seek to charge an amount at least sufficient to cover the expected loss associated with the relevant loan, guarantee or insurance policy.

Unexpected loss accounts for the potential for actual losses to exceed expected losses, reflecting the uncertainty inherent

in calculating future losses. Unexpected loss will tend to increase if a portfolio has high risk concentrations and/or the risks in the portfolio are strongly correlated. UKEF defines unexpected loss as the difference between the portfolio expected loss and the 99.1% confidence limit of the loss distribution.

Risk taxonomy

In the pursuit of its objectives, UKEF is exposed to various risks resulting from both internal and external factors. Our risk taxonomy identifies 6 primary risk categories, which provides senior management with a structured approach to managing known and emerging risks across the department.

UKEF's enterprise risk management framework sets out how all risk categories are consistently managed by the department and how our 3 lines of defence (see the **Governance Statement**) help us manage and oversee the risks.

Each primary risk is owned by one or more members of the Executive Committee, who provide oversight of that risk and are responsible for managing it within UKEF's risk appetite. Each risk category has an appropriate risk monitoring and reporting structure, with a designated committee providing oversight.

We consider conduct, culture, and reputational as cross-cutting risks rather than as separate risk types, as these risks can manifest across any of the risks in our taxonomy.

Some of the risks we take support the strategic objectives in our Business Plan (for example, financial risk), while others are inherent in our business activities, such as operational risk and legal and compliance risk (including the risk of fraud and error). These risks are managed via the embedded control framework that operates across the department.

The risk environment in which UKEF operates can change quickly. Therefore, we actively review and enhance our policies and enterprise risk management framework to make sure they remain dynamic and appropriate for the risks under management.

PRIMARY RISKS

Reputational risk

Chief Strategy & Impact Officer; Directors of Business Group

Strategic & business risk

The risk of direct or indirect loss arising from suboptimal business strategy or failure to respond positively to changes in the business environment.

Directors of Business Group;
Chief Strategy & Impact Officer

Political risk

The risk that political decisions, events or conditions will have a significant impact on the department's strategic objectives and priorities.

Chief Strategy & Impact Officer

Sustainability risk

The risk that UKEF's activities undermine its sustainability commitments or otherwise have a negative environmental or social impact.

Chief Strategy & Impact Officer; Director of Legal & Compliance

Financial risk (inc credit & market risk)

The risk of claims being made against UKEF, and of our suffering ultimate loss arising from defaults by counterparties against which we have a financial exposure; the risk of financial records not being adequately maintained.

Chief Risk Officer; Chief Finance & Operating Officer

Legal & compliance risk

The risk of being exposed to censure, financial loss, civil or criminal proceedings as a result of failing to comply with applicable laws, regulations or legal obligations.

Director of Legal & Compliance

Operational risk

People

The risk that ineffective leadership and engagement; insufficient capacity, capability and availability of staff; or inadequate management and support negatively impact performance.

Director of Corporate Services

Process

The risk that inadequate design, documentation or oversight, or non-compliance, results in ineffective or inefficient internal processes.

All Executive Committee members

Infrastructure & cyber

The risk that inadequate IT systems, physical assets, data/information records, security or other failures lead to harm or insufficient resilience, integrity and assurance.

Director of Digital, Data & Technology

Conduct risk and culture risk

Director of Corporate Services

We consider our risks with both a forward view, as in our proactive horizon scanning of internal and external risk environments, and a rear view, as in our reviews of lessons learned.

This chapter describes our financial risk management and controls in detail, including how climate risk management is considered in our credit risk policy, and our performance relating to financial risk this year. For a full overview of how we manage climate risk, see **Task Force on Climate-related Financial Disclosures**.

For more detail on our governance and internal control environment related to other primary risks, including risks related to the performance of internal controls, see the **Governance Statement**. Also, note 18 to the **Financial Statements** describes the nature and extent of the risks arising from financial instruments and insurance contracts.

Risk management and controls

Financial risk management

Credit risk is the principal source of financial risk for UKEF. Hedging foreign exchange risk is, however, outside the terms of the UKEF mandate, as agreed with HM Treasury.

An account of UKEF's exposure to these risks is included in note 18 to the **Financial Statements**.

Under the consent agreed with HM Treasury, UKEF is obliged to comply with a number of financial objectives, risk policies, procedures and individual risk methodologies. These determine how we assess, measure, manage and report the categories of credit risk to which we are exposed.

All material credit risks must be approved by the CEO, ERiCC or a designated member of the Business or Risk Management Groups with the appropriate delegated authority. Further, UKEF may not give an individual commitment in excess of £200 million without HM Treasury's agreement.

Once approved, we regularly monitor credit exposures at both the portfolio and individual transaction level. We also regularly meet with a range of corporate, sponsor and sovereign counterparties to discuss their risk outlook.

ERiCC oversees portfolio-level monitoring. This includes stress testing and scenario analysis every 6 months and a monthly review of portfolio movements, particularly focussing on exposure, expected loss and unexpected loss changes. Monthly management information reports the performance of the credit portfolio against our financial objectives. Our Post-Issue Management team provides ERiCC with insights on breaches, waivers and other portfolio issues. Detailed portfolio packs are presented to the Risk Committee on a regular basis.

We regularly review credit ratings allocated to our counterparties. These ratings approximate the likelihood of a loss event occurring, informed by research and both internal and external analysis. This is then fed through to the transaction level which allows us to model potential losses.

Where these ratings become stressed, UKEF maintains 'watchlists' of counterparties. If a counterparty becomes so stressed that a significant increase in credit risk has occurred or is expected, or if the credit of a non-sovereign borrower deteriorates such that UKEF might reasonably expect to pay out under a guarantee or insurance policy, the risk is managed by a dedicated unit within the Risk Management Group.

Risk concentrations

Given UKEF's role, it is inevitable that we will have risk concentrations in our portfolio.

Our portfolio modelling quantifies those concentration risks and helps to determine the typical maximum amount of exposure UKEF might assume on a single counterparty, or group of related counterparties, within a sector, country, or region.

ERiCC will only consider approving a case or making a positive recommendation to the CEO if it is satisfied that a given level of credit

exposure, calculated using this modelling, will not threaten any of the department's financial objectives.

Practical means of reducing risk concentration include reinsurance and counter-guarantees from the private (re)insurance market, as well as from other ECAs. UKEF may seek (re)insurance when it is acting as lead ECA in a transaction where goods or services are sourced both from the UK and from other countries.

Exposure management framework

Where our assessment of country risk allows us to be on cover, we then use our exposure management framework to set country-level exposure limits, which apply to all types of risk obligors, sovereign and non-sovereign. These exposure limits are designed to limit and control exposure concentrations. They are guided by the following principles.

- Countries with higher levels of credit risk typically have lower limits.
- The larger a country's economy (as measured by its GDP), the higher the potential limit.
- Country limits are set relative to UKEF's notional capital (our risk appetite limit of £6 billion) and are consistent with our financial objectives.
- Typically, the maximum country limit is £6 billion (excluding the UK, which is our home market).

We also set a number of portfolio review points targeting concentration in individual corporates, regions, sectors, and sectors within countries.

Active portfolio management

Our active portfolio management strategy aims to reduce concentrations of risk in our portfolio to decrease the likelihood of idiosyncratic losses.

It also creates headroom under country limits or counterparty review points to support more UK exporters. Under this programme, UKEF can buy facultative reinsurance from the private market, subject to a satisfactory value for money analysis. Transactions are

put to the market and insurance providers are invited to place bids. Bids and contracts are reviewed in line with Managing Public Money, Public Contract Regulations and other relevant factors, and the risk transfer approved or rejected accordingly.

In 2024/25, UKEF was active in the private insurance market. We want to do more in this space. Our portfolio is routinely monitored for appropriate transactions which can be placed in the private market.

Portfolio modelling

UKEF uses its own portfolio risk simulation model to model credit risk at the portfolio level and to produce portfolio loss distribution curves. The loss distribution is used to estimate our economic capital and the consumption of the risk appetite limit, as well as:

- to carry out scenario analysis and stress testing
- to simulate the extent and timing of potential cash outflows resulting from claims payments
- to inform cash flow forecasts
- for liquidity management
- to detect concentration risk

Modelling assumptions

Our portfolio modelling (via the portfolio risk simulation model) operates under a range of assumptions, including correlations and credit default behaviour. It is essential to keep these assumptions as up-to-date and as robust as possible.

We do this through a regular review process for each assumption. Each review is accompanied by a report to ERiCC, with recommendations for action as appropriate.

In one example from this year, we reviewed the assumptions underpinning the probabilities of default in our sovereign portfolio, based on analysis of default data and our understanding of market best practice. And in another, we refreshed our assumptions about recovery prospects for defaulted aviation exposures, using the experience we have gathered from

recent successful management of our non-performing aviation portfolio (which was affected during COVID-19 lockdowns).

We are also continuing our work on new risk models for UKEF to comply with International Financial Reporting Standard (IFRS) 9: Financial Instruments, as part of the Financial Reporting Changes (FRC) transformation programme – our single biggest change programme ever (see the **Chief Finance and Operating Officer's Commentary** and note 1 in the **Financial Statements** for more details).

IFRS9 requires us to incorporate a (or identify an existing) forward-looking component into our risk modelling, using forecasts of macroeconomic variables. This means reviewing and enhancing our portfolio modelling suite, using new approaches, software, data sources and analytical techniques where required and proportionate.

This year we established our FRC-compliant approach to exposure at default, expected loss and expected credit loss, and we will build these into our new IFRS9 risk models. This will also be an important part of UKEF's compliance with IFRS17: Insurance Contracts, which applies to our insurance exposures.

We expect our work to conclude in 2025/26. When complete, it will affect aspects of both our reporting of risk across our portfolio, and how we provision for future losses.

Stress testing and scenario analysis

We use stress tests and adverse scenarios to test our credit portfolio for potential weaknesses and concentrations.

Our stress tests focus on specific parameters – like a generic 2-notch rating downgrade on all exposures in the portfolio. And our scenarios use stressed narratives – for example, a collapse in oil prices – to focus on specific areas of the portfolio.

Both approaches generate new sets of risk parameters, such as credit ratings, which we can use to estimate impacts on our portfolio, risk appetite limit and reserve index.

We keep our scenarios and stresses up to date by monitoring the risk environment and the composition of our portfolio throughout the year. ERiCC considers the results twice a year and decides on appropriate responses, which can include active portfolio management.

At the start of 2024/25, a number of central banks began cutting interest rates from their recent highs. Decreasing inflation and moderate economic growth represented a chance for many of the indebted sovereigns and corporates in our portfolio to rebuild weakened balance sheets: a legacy from COVID-19. However, geopolitical risk has remained at the top of the agenda and the US administration's focus on tariff policy has renewed global economic instability.

We have therefore developed new scenarios, like global fragmentation (an acceleration in global economic and financial decoupling) and global rearmament (growing tension in Eastern Europe).

While our portfolio remains robust in most scenarios, we find that we are most vulnerable to a severe crisis in the Middle East and conflict in Taiwan (given our growing portfolio of renewable energy projects there).

And finally, we continue building UKEF's climate risk management capacity, helping us to understand the potential forward portfolio exposure to physical and transition risk, and supporting our climate-related financial disclosures. This also includes expanding our climate stress testing models and scenarios with new Network for Greening the Financial System scenarios that reflect developments on the scale of impact of climate change, and the speed with which its impacts are felt.

Over the past year we also improved the level of detail of the results by disaggregating economic sectors and improving the geographic coverage, while methodologically strengthening the model.

Climate risk management

For a full overview of how UKEF identifies and manages climate-related risk and

opportunities, see **Task Force on Climate-related Financial Disclosures**.

UKEF has integrated climate risk management into its credit risk policy and has an established governance framework to assess climate risk on a transactional and portfolio level, aligned with the implementation of the government's fossil fuel policy.

At the approval stage, the analysed climate risks and mitigating actions of transactions are considered in capital structure, tenor, and collateral. UKEF will seek legally binding commitments and obligations from its obligors under its supported transactions. The residual climate-related credit risk is captured in probability of default and loss given default, which are both monitored in regular reviews throughout the life of our financial support, and stress tested regularly.

Over the past year, we further enhanced:

- our credit risk assessment, by strengthening the climate risk analysis in sovereign and non-sovereign transactions
- our portfolio stress testing, through methodological improvements
- our internal capacity to identify, analyse and manage climate risk, through capacity development

The C&ESG Risk Management team has made good progress this year in developing our tools, including portfolio climate risk appetite, and strengthening our C&ESG-related risk management governance across the 3 lines of defence, including developing our approach to provisions, claims, and watchlists.

Assessing credit risk

We use the following credit risk assessment process (where not delegated to partner banks and financial institutions) to estimate expected loss.

1. We assign a risk rating (from AAA to D) to all UKEF's credit risks to reflect estimated probability of default. These probabilities are updated at least annually, using S&P Global's nomenclature.

2. We estimate the loss given default: how much we stand to lose if the counterparty defaults, expressed as a percentage. Corporate and project finance loss given default are assessed on a case-by-case basis, considering security, priority ranking, recovery prospects by market and likelihood of restructuring, sale or liquidation.
3. We estimate exposure at default: the credit risk exposure we have at the time of default.

We also closely monitor unexpected loss, which is integral to our assessment of credit risk appetite.

Assessing sovereign risk

We assess each country in which we have an actual or potential credit exposure and use this assessment to assign a credit rating, from AAA (highest) to D (default, lowest).

Our sovereign risk assessment framework is aligned with those that Fitch, Moody's and S&P Global use. In addition, UKEF's framework is supplemented by a range of external materials, as well as cross-Whitehall forums, local UK diplomatic representatives, triannual OECD country risk expert meetings and country-specific visits, including meetings with a wide range of stakeholders.

In the case of sovereign risk, the persistence of default is also included in the calculation of potential loss. This is the estimated duration of a country's default, based on historical data on the duration of Paris Club debt treatments.

Where no external credit rating exists, we typically use a World Bank-derived credit rating model, supplemented by analyst judgement and peer comparisons. In all instances, credit ratings are reviewed by senior management and approved (as appropriate) by ERiCC.

ERiCC systematically reviews UKEF's country limits and associated cover policies. Our sovereign credit risk economists also hold in-country meetings with all of our largest sovereign counterparties. We also maintain a

sovereign watchlist, which is designed to pick up deterioration of sovereign credit quality within review periods.

Engagement with the Paris Club and the G20 on sovereign debt sustainability and restructuring

The Paris Club is an informal group of official creditors that cooperates on sovereign risk monitoring and sovereign restructuring operations. Its decisions are not legally binding, but its members (including the UK) are committed to implementing its consensual decisions in line with principles of solidarity, consensus, fair burden sharing and information sharing, and in partnership with the International Monetary Fund (IMF)'s programmes of policy conditionality. UKEF attends Paris Club meetings and negotiations, supporting HM Treasury's Head of UK Delegation.

UKEF works closely with:

- HM Treasury, which leads the UK government's international debt policy function and represents UK at the Paris Club and the IMF
- the Foreign, Commonwealth & Development Office (FCDO), which provides economic analysis on global debt vulnerabilities and supports UKEF's engagement with government officials in debt-distressed countries where UKEF has exposure

This tight cross-government coordination is critical in the current period of elevated sovereign default risks.

Our teams based in London meet multiple times a week, with additional standing meetings with the UK's delegation to the IMF and relevant ambassadorial post teams in the countries with active restructuring operations. The teams share data on UK exposures and payment experience, coordinate ahead of IMF board meetings and Paris Club meetings, and collaborate on research projects, policy development, and budgetary projections.

Our Risk Management Group also maintains a sovereign watchlist, updated quarterly, to track emerging sovereign default risks among

UKEF's partner borrowing countries. The list enables analysts to:

- process market indicators, recent payment experience, and intelligence gathered through our cross-government network and at the Paris Club
- produce a dynamic assessment of the likelihood of short- and medium-term defaults in UKEF's sovereign portfolio
- respond to these risks appropriately

Since its inception in 2023, the watchlist has effectively anticipated significant increases in default risks related to UKEF's sovereign exposures in countries like Gabon and Senegal, ensuring timely notification to senior management for proactive monitoring and management.

Since 2020, the Paris Club has formally coordinated with the G20 on sovereign debt restructurings with low-income countries under the G20/Paris Club Common Framework.

Sovereign defaults that lead to debt restructuring agreements through the Paris Club Common Framework are managed by the Risk Management Group, working with HM Treasury. Paris Club developments are monitored by ERiCC, which must approve any provisions or impairments made against this exposure.

This year, UKEF received recoveries totalling £25.5 million from countries which continued to make payments under their UK Paris Club debt agreements.

Following the agreement made in September 2023, as part of a multilateral effort of Ukraine's official sector creditors, UKEF agreed to extend the ongoing debt service standstill until the end of Ukraine's IMF programme in 2027. This year, we documented and signed an amendment to our existing facility to reflect the terms of the agreement, which provides for the full amount of the facility to be repaid over a longer term, maturing in 2037.

In June 2024, G20/Paris Club creditors agreed the terms of a debt restructuring agreement with the Government of Zambia. This comprehensive debt restructuring will amend the payment schedule under a

UKEF direct lending facility, financing the construction of critical hospitals and medical clinics across Zambia. The project itself is now completed and was not significantly disrupted by this process.

Also in June, G20/Paris Club creditors agreed the terms of a debt restructuring agreement with the Government of Ghana. The agreement follows the debt suspension announced by Ghana in December 2022, which has significantly disrupted the delivery of several UKEF-financed projects in the country. A decision on whether any project loans can be restarted within Ghana's borrowing limits under its IMF programme is expected from the Ghanaian government in the first quarter of 2025/26.

A memorandum of understanding between Paris Club creditors and the government of Sri Lanka was signed in Paris on 26 June 2024. The restructuring terms mean 100% of principal and interest (including other charges and arrears) due and not paid under the 5 UKEF supported facilities, as of 26 June 2026, will be refinanced into a bilateral facility between the UK and Sri Lanka with

a concessional interest rate applied. A draft bilateral debt agreement has been reviewed by the government of Sri Lanka and its advisors and is almost ready to be signed.

In January 2025, the Paris Club agreed a comprehensive restructuring with the government of Cuba following several years of arrears accumulation. The revised agreement extends the maturity to 2044, with principal payments starting in 2029, following a 5-year grace period. UKEF is currently drafting the bilateral agreement that will implement the agreed terms.

Information-sharing by creditors is a crucial component of promoting debt sustainability. The UK, as a creditor to other national governments, is committed to adhering to the highest standards of debt transparency. Since March 2021, as part of the UK's commitment to the G20 Operational Guidelines for Sustainable Financing, UKEF has published quarterly reports on any new issued and effective sovereign direct lending, sovereign called guarantees or finalised bilateral Paris Club restructuring agreements.

We issued a £75 million Export Development Guarantee to defence exporter, Chemring, to support new investment into their manufacturing site in Scotland



The reports capture granular loan-by-loan data, including its use, borrower, amount, tenor and type of interest rate. The publications complement HM Treasury's annual report on the outstanding stocks of debt owed by other countries to the UK (including UKEF and the FCDO), aggregated on a country-by-country basis.

And in December 2024, UKEF joined the FCDO and HM Treasury in a joint self-assessment on the UK's adherence to the Operational Guidelines for Sustainable Financing – making the UK the first country to make this assessment publicly available.¹²

Assessing corporate, SME and project finance risk

Risk assessments for our corporate finance (which includes aircraft financing) and project finance transactions are principally based on S&P Global credit rating methodologies supplemented by subjective, judgemental overlays from our team of analysts (including benchmarking against peers or other rating methodologies if appropriate).

Where support is for smaller direct UK exporters – typically small and medium-sized enterprises (SMEs) – we operate a tiered assessment system, generally dictated by the level of the request.

Smaller requests within defined limits are fully managed through delegated authority to approved banks and financial institutions on behalf of UKEF. Larger requests are assessed through a combination of:

- a bespoke streamlined methodology
- the S&P Global credit rating methodology for SMEs
- information gained through company meetings and/or analyst judgement, particularly when it comes to qualitative factors such as management, environmental and social factors, climate change and corporate governance

Where available, we benchmark the resulting credit ratings against industry peers and other relevant market metrics.

Exposures within this area are monitored through a combination of internal annual reviews, and contractual periodic reporting requirements for the delegation-approved banks and financial institutions.

The banks and financial institutions are also subject to periodic audits of their operations under the delegated authority scheme. As such, the Risk Management Group remains focussed on cash flow generation and capital structure profiles, as well as the transaction structure and protections therein.

Assessing financial counterparty risk

UKEF closely monitors its financial counterparties, including banks, insurance companies, funds, aircraft operating lessors and other non-bank financial institutions (NBFIs). We also work to make sure our risk assessment frameworks are suitable to capture the divergent risk profiles of such institutions.

All UKEF transactions require a bank or NBFi, whether as lender, guarantor, security trustee, or payment and collection agent. We assess all such counterparties to make sure they meet our minimum credit, compliance and climate risk management standards set out in our policies. They can only be approved under specific delegated authority or, where applicable, by ERiCC.

Our portfolio of insurers has been approved to facilitate our active portfolio management programme. We require all insurers, including general insurers and Lloyd's syndicates, to have a minimum A- equivalent credit rating and acceptable IT security arrangements. Exposure limits are established for each individual insurer.

¹² HM Treasury. [G20 Operational Guidelines for Sustainable Financing – UK Self-Assessment 2024](https://www.gov.uk/government/publications/g20-operational-guidelines-for-sustainable-financing-uk-self-assessment-2024). December 2024. [\[gov.uk/government/publications/g20-operational-guidelines-for-sustainable-financing-uk-self-assessment-2024\]](https://www.gov.uk/government/publications/g20-operational-guidelines-for-sustainable-financing-uk-self-assessment-2024)

We remain vigilant to the impact of future events on the industry, particularly climate change. UKEF panel insurers participating in transactions during 2024/25 have made long-term commitments to carbon reduction.

The year's financial risk performance

In 2024/25, our portfolio quality remained satisfactory, with substantial new commitments (indeed, a record year for issued business) and a weighted average credit rating of BB-, which is unchanged from last year.

There has been some support from moderate (albeit below-trend) global economic growth. Some corporate obligors in our portfolio have been able to improve their credit standing – particularly in the airline and defence sectors. Among the sovereigns in our portfolio, the Gulf states (where we still have significant exposure) in particular have seen upward rating migration, given improved fiscal management, structural reforms, and progress on diversifying away from oil

– despite some weakening in oil prices and the ongoing conflict in Gaza.

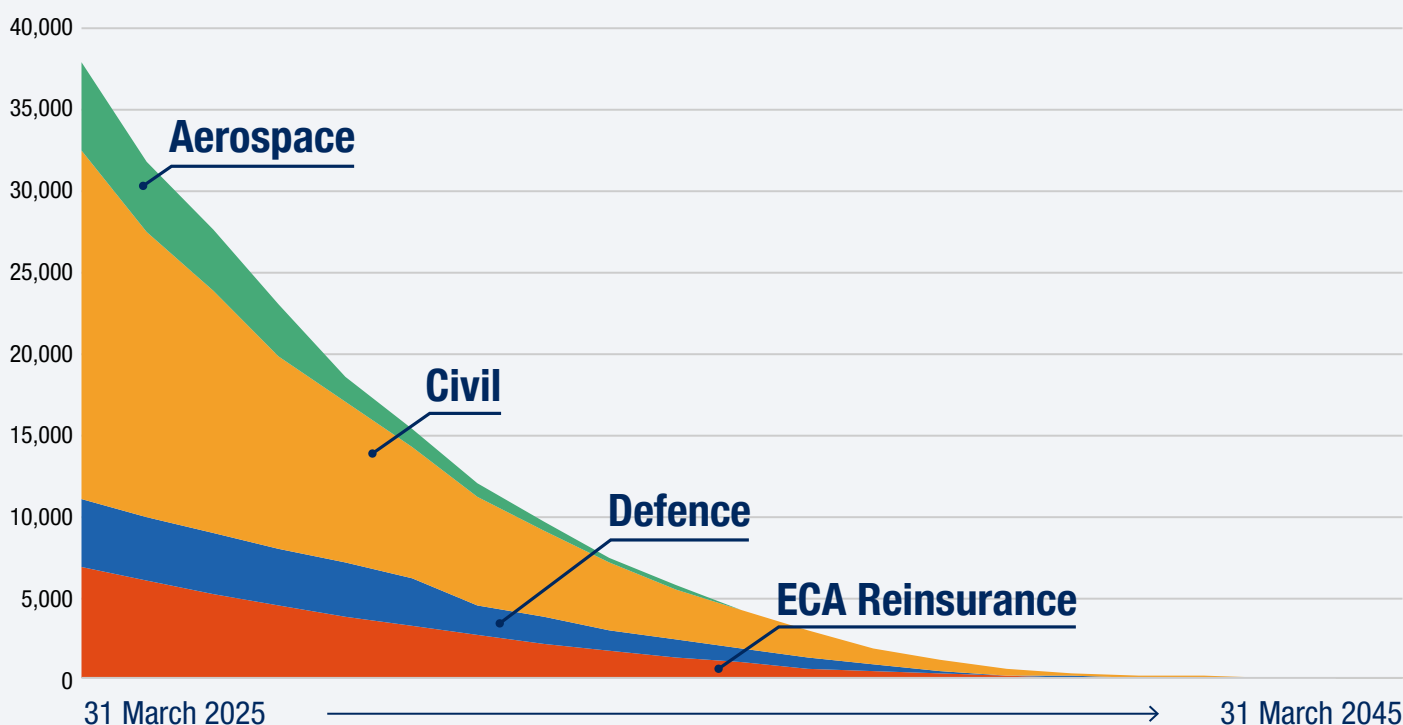
However, many of our corporates and sovereigns continue to struggle with debt accumulated through the pandemic and recession. We see growing signs of stress in our sovereign portfolio, especially in Sub-Saharan Africa – with 5 downgrades in the region and the majority of our obligors now in the B-rated range. There were more sovereign downgrades than last year (18 versus 10 in 2023/24), and we expect pressure on our most indebted sovereign customers to continue.

Portfolio trends

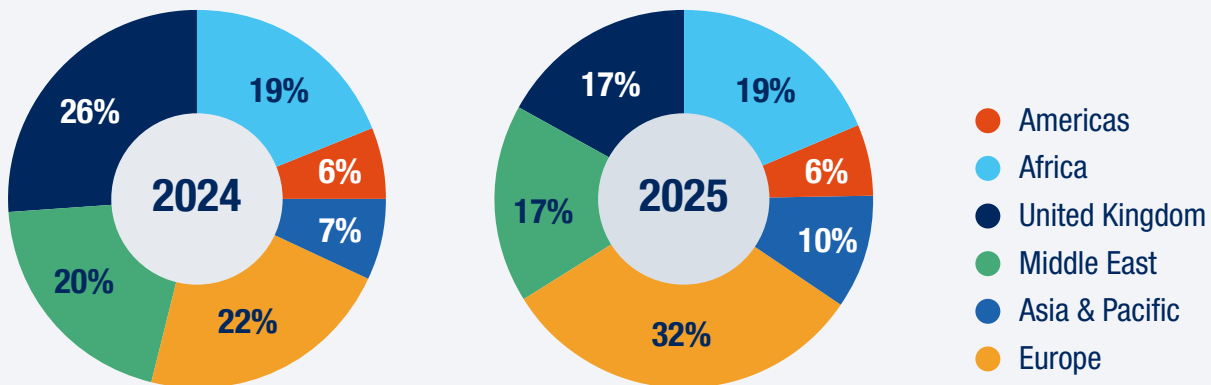
UKEF's record growth in 2024/25, with £14.5 billion of new business issued, has expanded our portfolio further, to over £55 billion of commitments. This means our portfolio has nearly doubled in 6 years.

A bigger portfolio naturally means more exposure to risk, although our average portfolio credit quality has remained relatively stable (barring a moderate deterioration through the pandemic).

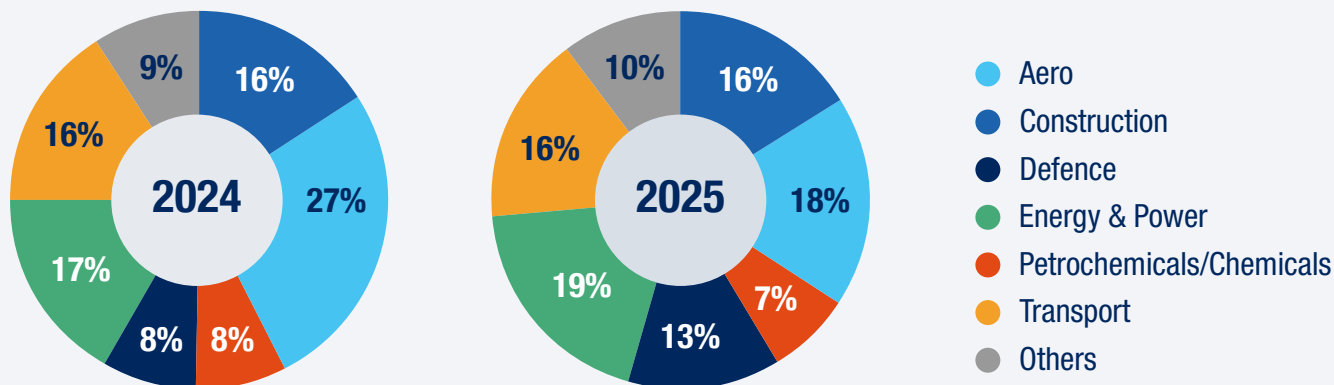
How we expect our portfolio to run-off (excluding National Interest Account)



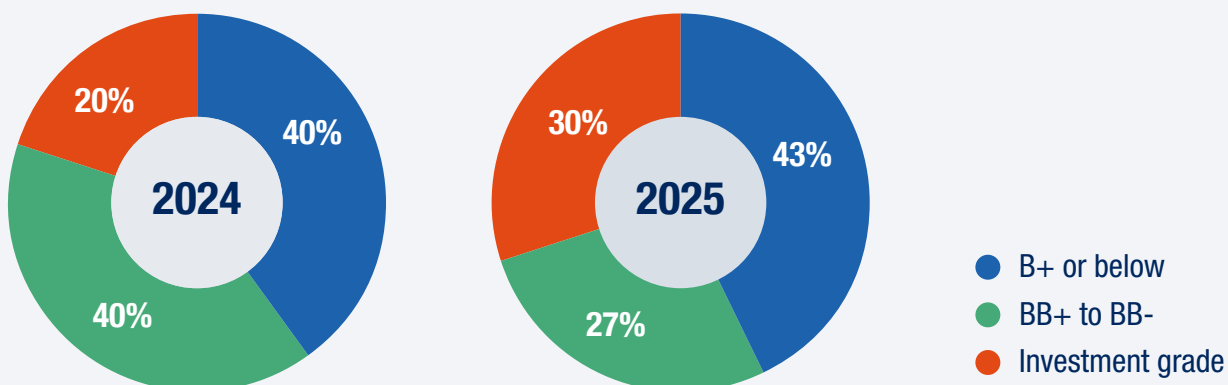
Regional breakdown of net amount at risk



Sector breakdown of net amount at risk



Amount at risk (net of reinsurance) by credit rating



While geopolitical risk is a major concern for the global risk outlook, this has also become a major driver of our portfolio growth. We are seeing growing interest in defence business from sovereigns in Eastern Europe. Many of these sovereigns are well-rated, and from a risk perspective, this will have a positive impact on our portfolio credit quality. In specific cases where our preset risk standards will not allow us to provide cover, we would seek direction from ministers and operate through our National Interest Account (as for Ukraine; see **National Interest Account**).

The large corporate and project finance portfolios remained broadly stable throughout the year, with 25 upgrades, versus 10 downgrades in 2023/24. On the other hand, we saw significant portfolio growth this year in the project finance and renewables area, with new transactions supported in the wind, solar and electric vehicle battery manufacturing sectors.

We are very pleased to be at the heart of the energy transition and renewables growth, in line with objective 4 of our Business Plan, but the new technology involved brings new challenges for risk management and assessment, given greater project complexity and locations in focal points of geopolitical tension (such as Taiwan and, for electric vehicle battery manufacture, US/EU tariff policy). Some of our corporate obligors are directly exposed to US tariff policy action, if not indirectly via supply chains – the automobile sector being particularly vulnerable.

In recent years, our UK portfolio growth has been driven by our Export Development Guarantee (EDG) product (working capital support accessed by mid/large UK corporates). This business slowed in 2024/25.

We do, however, continue to see strong growth in our General Export Facility (GEF) product (working capital support aimed at smaller corporates), which has grown into a portfolio of £1.1 billion and supported 830 customers so far. This is a delegated product: we work through (and on a

risk-sharing basis with) banks and NBFIs, who administer controls on credit quality on our behalf (see **Assessing corporate, SME and project finance risk**). For this product, our counterparts are mostly small businesses, with relatively modest exposures, although we have also recently been able to provide a small number of larger (above £25 million) facilities.

The GEF's growth has enabled us to extend our support across the UK economy and regions, and maximise our contribution to the government's growth agenda.

Small businesses, however, are particularly vulnerable to high interest rates and liquidity pressure, both of which are likely to persist in 2025/26, and we are already seeing increased signs of stress. The number of GEF claims (albeit so far of limited size) are likely to increase significantly in 2025/26 (see **Claims outlook**). Despite the higher risk and increased claim count, the GEF scheme is operating well within UKEF's risk and regulatory frameworks.

Continuing the success of the GEF also means widening the pool of customers with access to our services. We are doing this by looking beyond major banks to new NBFIs partners, including adapting our traditional ways of working while maintaining risk management standards and proportionate control, as required by HM Treasury consent.

There have been some positive trends in our portfolio composition, including continued diversification by geography and sector. Our concentration in the Middle East continues to fall – now to 17%, down from 49% 5 years ago – and strong growth in our defence business, particularly in Poland, has increased portfolio shares in both the defence sector (from 8 to 13%) and Europe (from 22 to 32%).

But the global credit environment has become much more volatile in 2025. The new US administration's policy changes could upend expectations about global financial and demand conditions, upon which the creditworthiness of our current and future

customers depend. US tariff policy will very likely lead to more inflation and slower policy interest rate cuts, which will make plans for necessary balance sheet consolidation harder to achieve.

For stretched sovereigns, this means even tighter fiscal policy, which will have a knock-on effect on political stability – as we are already seeing in areas of our Sub-Saharan Africa portfolio. For corporates growing into new technologies, like electric vehicles and batteries, sudden shifts in US tariffs could quickly undermine currently viable projects. And changes in US foreign policy could have a huge impact on our portfolio, for example:

- directly, via our exposures in Ukraine and the Middle East
- indirectly, via the growth of our defence portfolio (with largely positive impact on portfolio credit quality)

All these factors could lead to more downgrades, more defaults and more claims. However, we will manage these pressures, just as we did through the pandemic, by using the approach set out in our risk management framework (adapting it where necessary) and our teams' skills and understanding of new markets and sectors.

UKEF's Temporary COVID-19 Support Account has continued to reduce as our customers have chosen to repay or refinance their facilities – as was always the intention for this time-limited, counter-cyclical policy, to support UK exporters through the pandemic.

Together with run-off, our aggregate exposure has now fallen to £1.3 billion, from £3.6 billion at 31 March 2024, and nearly £9 billion at its peak. We expect this trend to continue into 2025/26.

Claims and recoveries

UKEF's Restructuring, Claims and Recoveries Division has a wide-ranging remit across all of UKEF's distressed cases, encompassing all of aviation, sovereign, project finance and corporates (including SMEs).

The division monitors those distressed cases through to 1 of 2 outcomes. They either return

to performing (whether by virtue of successful restructuring or otherwise) or they go through the claim and recovery cycle.

The sovereign distressed cycle is dealt with by Sustainable Development and Sovereign Restructuring, one of the Restructuring, Claims and Recoveries Division's specialist teams.

Where it is compliant with legal and policy requirements (including value for money), UKEF will restructure corporate debt to enable obligors to trade out of unexpected difficulties.

By reviewing and responding to restructuring proposals in-house, we have been able to avoid defaults and claims payments, minimise loss, and ultimately return greater value to the UK taxpayer over the longer term. However, given the business we are in, it is inevitable we will pay claims, particularly during tougher economic conditions. We operate in a counter-cyclical manner and support to our exporters carries on through the course of economic cycles, in a risk-contained manner.

We have a strong track record of managing claims and recoveries across our portfolio. Using experience gained from previous downturns, we quickly responded to the heightened claims environment caused by the latent economic consequences of COVID-19, the subsequent economic shocks of the Russian invasion of Ukraine, and localised impacts. These shocks impacted all of our supported sectors.

Claims: the year in numbers

A claim paid refers to a payment disbursed by UKEF to an exporter or financial institution under a UKEF backed insurance policy, guarantee or financial product. This occurs when an exporter or lender incurs a covered loss.

For insurance contracts and guarantees, when a claim is paid, we assess recoverability and apply an appropriate provision to the extent that UKEF believes recovery is not possible. For lending, we assess recoverability and impair loans to the

extent that the value recoverable falls below the book value.

Individual claims paid:

- 2024/25: 138

Outflow (net of reinsurance, and accounting for foreign exchange differences):

- 2024/25: £235.4 million

Outstanding claims paid on Guarantees & Insurance Account:

- 2024/25: £910.1 million
- 2023/24: £727 million

Aviation

We paid 60 repeat claims totalling £81.5 million on airline counterparties that defaulted over the COVID-19 crisis: Air Asia X, Thai Airways, Avianca, Norwegian Air Shuttle and Malaysia Airlines.

Malaysia Airlines claims have now been fully paid out. Air Asia X and Thai Airways claims will be fully paid out in the next financial year, leaving (absent any further defaults) Norwegian Air Shuttle and Avianca as the only aviation claims payable.

The UKEF aero recovery team reduced the number of distressed and defaulted aircraft in its portfolio from 119 in June 2020 to 14.

We continue to make significant progress in mitigating losses with the balance of repossessed aircraft (see **Aviation recoveries**).

Sovereign

As a continuing consequence of the sovereign defaults over the past 2 years, we paid 42 claims totalling £108.2 million across our distressed sovereigns:

- Sri Lanka: £29.2 million
- Ghana: £79 million

We also still hold some outstanding claims, subject to recovery, on business issued and defaulted before 1991:

- 2024/25: £575 million
- 2023/24: £612 million

Almost all of the outstanding claims paid on this business refer to sovereign exposure subject to previous Paris Club restructuring agreements.

Historic sovereign exposure in Zimbabwe still makes up £316 million of this total exposure. The government of Zimbabwe has made some token payments on its official sector debt (which is entirely in arrears).

Corporate (excluding aviation and sovereign)

Corporate claims paid: 36

We have seen a continuing uptick in corporate claims (albeit from a very low historic base), reflecting the challenging economic climate both domestically and internationally.

Of the corporate claims we paid this year, 6 were in respect of defaults by UK SMEs.

In the small deals space overseen by our Strategic Sectors Division (where we support smaller loans to overseas buyers through our Bills and Notes and Standard Buyer Loan Guarantee products), we have paid 24 claims totalling £5.2 million on 9 obligors. Because the portfolio is relatively small, no trends (by obligor, product or market) are apparent as it stands.

Provisions and impairments

Provisions

Overall provisions on claims for Guarantees & Insurance Account business (issued after 1991):

- 2024/25: £477 million
- 2023/24: £403 million

This is mainly on account of new sovereign claims, only in part offset by successful recoveries in the aviation sector.

Overall provision amount for historic business issued before 1991:

- 2024/25: £484 million
- 2023/24: £522 million

Impairments

Excluding unrealised foreign exchange gains or losses on the impairments balance, there was no substantive net change in the balance of impairments on UKEF's direct lending portfolio (which increased year on year by £14 million).

	2023/24 (£m)	2024/25 (£m)	Change (£m)
Claims paid	258	278	20
Provisions for Pre-1991 Guarantees & Insurance Account	522	484	(38)
Provisions for Guarantees & Insurance Account	403	477	74
Impairments	142	156	14
Overall recoveries	145	111	(34)

Where objective evidence exists of an impairment loss arising from UKEF's direct lending portfolio, we perform a calculation to determine if an impairment loss should be recognised.

Claims outlook

The claims outlook presents a mixed picture, with different impacts on different sectors which will be reflected across UKEF's portfolios.

Aviation

We expect claims in the aviation sector to continue to decrease as we see run-off on existing exposure.

We do not expect significant new defaults, although localised stresses do persist in the sector which may require intervention, potential repossession and the payment of claims.

With global airline capacity at 105% of 2019 levels (as of the 3rd quarter of 2024), the airline industry has fully recovered from the pandemic. The result has been a stabilisation in airline defaults. No new defaults occurred in the airline or lessor obligor portfolio this year.

Continuing supply chain and manufacturing issues are likely to restrict growth within the industry and have the potential to cause significant market disruption.

Corporate

On the trade finance (including short-term) business side, UKEF has started to receive more claims under the (still relatively embryonic) GEF. The expectation is that claims associated with this product will increase substantially over the next few years within accepted risk parameters.

At least 49 claims are already under examination. If valid, these will be payable in 2025/26.

To date, these defaults have been modest in both volume and value. The anticipated claims uptick reflects the risk assumption inherent in our Business Plan objective to support 1,000 SMEs by 2029. The combination of increased business and onboarding new NBFI partners in a challenging economic climate will, we think, lead to an uptick in claims in the trade finance sector.

We expect claims on the medium-term corporate and project finance portfolio to remain at low levels. We have seen latent signs of stress in our strategic sectors portfolio (small exposures to overseas buyers). But because it is a small and relatively new data set, consistent themes are difficult to empirically discern at this stage.

Sovereign

We anticipate paying out more sovereign claims for several years because of the debt service suspension announcements by the governments of Sri Lanka and Ghana. The

specific timing and scale of these payments, however, will depend on the ongoing debt restructuring negotiations through the Paris Club and G20 Common Framework.

Sovereign exposure is always subject to geopolitical winds. In some other key markets in which UKEF has substantial exposures, such as Senegal, there is a heightened vulnerability to rating pressure.

Recoveries

The recovery of claims payments is an integral part of UKEF's mission to operate at no net cost to the taxpayer over time.

Our experience is that periods of high claims activity are followed by a long tail of recovery activity. Recoveries are realised in a wide variety of ways depending on the structuring of, and counterparties to, the original transaction. The method of recovery also depends on the type of product under which the claim arose.

For most products, UKEF directs the recovery action. For bank-delegated products, the bank undertakes the recovery action, acting in such a way to make a recovery as if it wasn't insured. We will monitor those trends in our delegated products and adapt our standard documentation where prudent or necessary.

More generally, recoveries on unsecured transactions usually result from a restructuring and an amended repayment profile. Recoveries on secured financings may either follow that consensual pattern or, in the alternative, arise out of the enforcement of security and realisation of proceeds to repay the claims payment.

Sovereign recoveries

Sovereign recoveries (sums paid back to the UK under various Paris Club rescheduling agreements as well as additional recoveries from sovereigns) amount to £34 million.

See **Engagement with the Paris Club and the G20 on sovereign debt sustainability and restructuring** for more details.

Aviation recoveries

When an airline obligor defaults, the most obvious means for recoveries to be made is through the aircraft. The airline's ECA-backed aircraft (which are secured in favour of the financiers, including UKEF) are repossessed, remarketed and then leased or sold to recoup claims payments.

Of the 14 aircraft repossessed on UKEF's direction following the COVID-19 crisis, 10 are currently on operating leases, earning revenue to offset claims payments.

Of the remaining 4 ex-Thai Airways A330 aircraft, we have leases signed for 2 and negotiations for the final 2 are currently under way, with deliveries on lease expected to take place from spring 2025.

Following the completion of claim payments in relation to Malaysian Airlines' payment deferrals, recoveries have commenced. We expect to achieve a full recovery in February 2026.

We believe the cumulative effect of the economics of each of the new leases should provide a full recovery of all claims paid out under the corresponding guarantees when the original airline failed.

The long-term recovery strategy for aviation involves making strategic decisions about when to sell the aircraft (with lease attached) to recoup all losses and ultimately fulfil our mandate. We make these decisions with the aim of making full recoveries in the long term, over the portfolio as a whole. This requires both a recognition of the likely market conditions and a means to achieve that recovery.

Aircraft	Repossessed from	Status at 31 March 2025
6 Boeing 787-9	Norwegian Air Shuttle	2 on lease to Air Premia 4 on lease to LATAM
2 Airbus A330-300	Air Asia X	Leased back to Air Asia X on a restructured operating lease
1 Boeing 787-8	Avianca	Leased back to Avianca on a restructured operating lease
5 Airbus A330-300	Thai Airways	1 on an operating lease to Thai Air Asia X 2 soon to be on lease (leases signed) 2 under negotiation to be leased

We believe we are in a good position here. The cumulative effect of the income generated demonstrates the effectiveness of the leasing strategy, the enhanced attractiveness of the assets as sale propositions, and ultimately UKEF's strong capability to manage airline defaults effectively.

Recoveries are expected to fall in 2025/26 as we move to full recovery on Malaysia Airlines and inflows drop off accordingly.

(£m)	2024/25	Projected for 2025/26
Claims	81.5	46.3
Net recoveries	71.0	52.5

Corporate recoveries

Corporate recoveries (excluding aviation and sovereign):

- 2024/25: £5.5 million

This figure reflects the modest number of claims paid in this sector.

If and when claims increase, we would expect recoveries to increase commensurately, as we implement well established and robust recovery practices.

For the shorter-term corporates, the recovery process is delegated to the banks with which we share risk. As these transactions are both smaller value and (invariably) unsecured deals supporting UK SMEs, we would expect proportionately lower quantum recoveries.

STATUTORY LIMITS

The Export and Investment Guarantees Act (EIGA) 1991 sets limits on our commitments and requires us to report our commitments against these limits annually.

Our statutory limit is expressed in special drawing rights (SDR), an international reserve asset created by the International Monetary Fund.

In December 2024, the EIGA was amended via statutory instruments to increase our

main statutory limit from SDR67.7 billion to SDR82.7 billion.

This lays the foundation for us to accommodate our growing portfolio and allows us to provide more financial support, to both support UK exports and facilitate economic growth.

Operationally, the maximum commitment limit set by HM Treasury determines the maximum size of our portfolio.

	At 31 March 2025				At 31 March 2024			
	Sterling	Foreign currency	Sterling equivalent in SDRs	SDR total	Sterling	Foreign currency	Sterling equivalent in SDRs	SDR total
	£m	SDRm	SDRm	SDRm	£m	SDRm	SDRm	SDRm
Section 6(1) amounts								
Statutory limit		82,700		82,700		67,700		67,700
Total commitments	10,665	47,217	10,386	57,603	10,445	42,060	9,955	52,014
Section 6(3) amounts								
Statutory limit		26,200		26,200		26,200		26,200
Total commitments	–	–	–	–	–	–	–	–
Section 6(1) amounts								
Assets	–	–	–	–	–	–	–	–
Section 6(3) amounts								
Assets	–	–	–	–	–	–	–	–

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

UKEF examines the environmental, social and human rights (ESHR) risks and potential impacts of cases we are asked to support. We monitor ESHR performance in line with our ESHR Policy.¹³

We prioritise active collaboration with other financial institutions and export credit agencies (ECAs) regarding ESHR matters, to establish a level playing field and to promote and share good international industry practice across the finance sector.

Our ESHR and climate change due diligence and monitoring are carried out by our professionally qualified and experienced Environmental and Social (E&S) Division, supported by counterparts in co-financing institutions and external E&S consultants, where appropriate.

Screening

- Transactions screened: 46
- Designated category A (high risk): 8
- Designated category B (medium risk): 13
- Designated NA: 25

The E&S Division screens transactions to identify potential ESHR risks and impacts,

and to determine their classification under the scope of:

- the Organisation for Economic Cooperation and Development (OECD)'s Common Approaches¹⁴
- the Equator Principles (EPs) (2020)

Since April 2020, we consider climate change in all our transactions.

During screening, we determine whether transactions fall within the scope of the OECD Common Approaches and/or EPs.

¹³ UK Export Finance. Environmental, Social and Human Rights Policy. September 2022. [gov.uk/government/publications/uk-export-finance-environmental-social-and-human-rights-policy]

¹⁴ OECD. Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The "Common Approaches"). March 2024. [legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0393]



For those transactions in scope, we designate the transaction as either category A (high risk), category B (medium risk), or category C (low risk).

Transactions out of scope of the OECD Common Approaches or EPs – for example, Export Development Guarantees (EDGs) that support companies’ general working capital or aviation sector transactions – are designated not applicable for categorisation (NA).

Where transactions are designated NA, we determine if ESHR risks warrant further assessment and due diligence in an appropriate and reasonable manner.

Due diligence

Where applicable, we carry out an ESHR review of these transactions. Where needed, we put in place measures to make sure the cases become aligned to international ESHR standards. After providing support, we monitor these transactions in a proportionate manner to make sure they remain aligned.

Where a review of the risks and impacts of a project or existing operation shows it does

not, or is unlikely to, align with international ESHR standards, notwithstanding our efforts and advice, we would normally refuse an application for support – in accordance with the OECD Common Approaches and the EPs.

The ESHR standards that we adopt form the basis of our overall approach to sustainability. We typically take the International Financial Corporation (IFC)’s Performance Standards on Environmental and Social Sustainability as our benchmark.¹⁵

They cover:

- risk management
- labour
- resource efficiency
- community
- land resettlement
- biodiversity
- indigenous people
- cultural heritage

¹⁵ IFC. Performance Standards on Environmental and Social Sustainability. January 2012. [\[ifc.org/content/dam/ifc/doc/2023/ifc-performance-standards-2012-en.pdf\]](https://www.ifc.org/content/dam/ifc/doc/2023/ifc-performance-standards-2012-en.pdf)

These project-related standards are intended to represent good international industry practice. They are considered achievable anywhere in the world, using existing technology and at a reasonable cost, when the parties involved in managing and maintaining the standards demonstrate appropriate levels of commitment, capacity, and capability.

They also require enough time to implement where gaps have been identified. So, in carrying out ESHR reviews, we emphasise early dialogue with exporters and other relevant parties to the transactions. The aim is to make sure that relevant projects and cases made possible by UKEF align with the applicable international ESHR standards, both before we provide our support and throughout the duration of that support.

To achieve this, we work with the relevant parties (borrowers, sponsors and UK exporters, for example) to:

- support capacity building and understanding of our ESHR standards
- establish and clarify which areas of ESHR management may need improving to meet international standards
- help implement robust management systems that mitigate negative impacts and enable positive impacts

In reviewing ESHR matters, UKEF relies on:

- publicly available information
- information supplied directly by the project or relevant corporate entity
- industry and sector initiatives (for example, regarding climate change and human rights risks)
- dialogue with the ESHR and corporate teams at the project and/or exporter

We assess and document these risks, relevant mitigations, and our association with these matters in ESHR documentation (including screenings and reports for category A and B cases) and, where relevant, dedicated climate change and/or human rights reports.

In 2024/25, the E&S Division completed 8 E&S reports for category A or B projects and another 25 assessments on cases designated as NA. The latter included cases where

UKEF's support took the form of EDGs as well as support to the civil aviation or defence sectors, and small or short-term transactions. Each of these cases involved senior review and approval before deciding whether to provide financial support.

As well as ensuring operators reduce negative ESHR and climate change impacts, the E&S Division considers the ESHR benefits inherent to many of the proposed projects we review and monitor. These include:

- low carbon electricity from renewable sources
- enhanced education, health and wellbeing in communities where we have supported hospitals, health centres and schools
- improved availability of clean water and sanitation from water supply and wastewater treatment projects
- access to and support for local economic growth through development of infrastructure

By implementing our benchmark ESHR standards appropriately and effectively, we can encourage operators to enhance these developmental benefits beyond the level that may be provided without UKEF's support.

In 2024/25, we worked with a wide variety of project developers and exporters to help them understand and effectively manage the ESHR risks associated with their activities. The E&S Division also prepared and delivered a workshop with the Ministry of Finance in Uganda, where deeper understanding and additional capacity are expected to facilitate the provision of UKEF support now and in the future.

For details of the ESHR risk and impact categorisation of all cases which required a review under our ESHR policy, and for which we issued support in 2024/25, see our website.¹⁶

For examples of our work in action, see **Our Impact**.

¹⁶ [UKEF ESHR risk and impact categories 2024/25. \[gov.uk/government/publications/eshr-risk-and-impact-categorisations-2024-to-2025\]](https://www.gov.uk/government/publications/eshr-risk-and-impact-categorisations-2024-to-2025)

Monitoring

UKEF continually monitors the ESHR performance of all category A and B projects where support has been issued. This allows us to track the implementation of ESHR commitments and be satisfied that the projects continue to align with the relevant international standards for the duration of our support, including during construction, operation, and potentially decommissioning.

Our monitoring commonly includes:

- reviewing self-monitoring reports produced by project developers
- following up on reported ESHR incidents
- commissioning independent environmental and social consultants to monitor projects on our behalf
- carrying out site visits, directly and with independent consultants

Projects are often complex and the level and frequency of our monitoring varies according to the specific ESHR risks involved.

We seek to positively influence the application of standards throughout the monitoring process, to improve and attain positive, tangible ESHR outcomes. Examples of this include influencing the project developer and associated parties to:

- promote positive health and safety behaviour, minimising accidents, injury and loss of life
- provide appropriate working conditions, mental health awareness and adequate accommodation
- maximise energy efficiency and minimise greenhouse gases and other air emissions
- reestablish the livelihoods of people adversely affected by the project
- promote positive project and community impacts

For a summary of cases where we are carrying out ongoing ESHR post-issue monitoring, see our website.

Policy and international cooperation

In support of our objective to establish a level playing field for all OECD exporters and ensure ECA transactions align with good international industry practice, we work alongside other ECAs at the Environmental and Social Practitioners' Group of the OECD Export Credit Group.

We are actively involved in setting the agenda, sharing experiences, and leading and participating in practitioner meetings and working groups – including leading the Informal OECD Supply Chain Working Group.

We want to achieve consistency in ECAs' approach to ESHR risk management practices under the OECD Common Approaches. This year we actively contributed to the ongoing process to update the Common Approaches.

Throughout the year, we continued providing management support on the Equator Principles Steering Committee. We participated in a training and technical workshop aimed at new joiners to the EPs. We also joined the EPs annual meeting, sharing experiences and presenting to other Equator Principles financial institutions on our approach to managing ESHR risks.

ESHR risks and impacts evolve. We continually review our policies and procedures to account for the rapid evolution of best practices, including the application of ESHR due diligence and monitoring.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board. It was tasked with developing recommendations for disclosing climate-related risks and opportunities through organisations' existing reporting processes.

The 11 recommendations are structured around 4 thematic areas that represent core elements of how organisations operate:

- **governance:** the organisation's governance around climate-related risks and opportunities
- **strategy:** the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning
- **risk management:** the processes the organisation uses to identify, assess and manage climate-related risks
- **metrics and targets:** the metrics and targets the organisation uses to assess and manage relevant climate-related risks and opportunities

Our compliance

UKEF reports on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector.

We have complied with the TCFD recommendations and recommended disclosures:

- **governance:** recommended disclosures (a) and (b)
- **strategy:** recommended disclosures (a) to (c)
- **risk management:** recommended disclosures (a) to (c)
- **metrics and targets:** recommended disclosures (a) to (c)

This is in line with Phase 2 of the government's TCFD-aligned disclosure implementation and ahead of Phase 3 implementation.

Our approach to sustainability disclosures

In 2021, UKEF became the first UK government department to make climate-related financial disclosures using the TCFD recommendations.

UKEF is both an ECA and a government department. We interpret and adapt the TCFD framework in a way that is appropriate for this context.

Sustainability-related disclosure frameworks continue to evolve rapidly. The International Sustainability Standards Board of the International Financial Reporting Standards (IFRS) published its S1 and S2 standards on sustainability and climate-related disclosures in 2023; and other reporting standards and guidance are now available on matters including nature and transition.

The government plans to establish a framework for assessing the sustainability of IFRS S1 and S2 for endorsement in the UK. We will evolve our approach to sustainability reporting in line with the government's expectations.

Progress this year

In this first year of delivery under UKEF's Business Plan and Sustainability Strategy for 2024-29, we:

- provided £2.3 billion of support for clean growth financing, including supporting a record number of renewables deals
- made progress against our decarbonisation target in the power sector, with a 60% reduction in emissions intensity from a 2021 baseline
- launched our cross-UKEF Clean Growth Working Group, which focussed on the floating offshore wind and sustainable aviation fuel sectors this year
- launched a product to enable support for overseas critical minerals projects
- updated our climate stress test model methodology and included two

new climate scenarios: Fragmented World and Low Demand

- piloted a tool to measure our impact against the United Nations' Sustainable Development Goals (SDGs) and started tracking the volume of sustainable infrastructure deals underwritten

Additionally, at COP29 in Baku in November 2024, the Net Zero Export Credit Agencies Alliance (NZECA) launched its first target-setting protocol – a key milestone in the Alliance's first year. This new guidance will support ECAs to set ambitious, credible and consistent decarbonisation targets.

NZECA is the first net zero alliance for public financial institutions and was launched by a coalition of 8 ECAs, including UKEF, at COP28 in December 2023. It is currently chaired by UKEF and has grown to a total of 10 members.

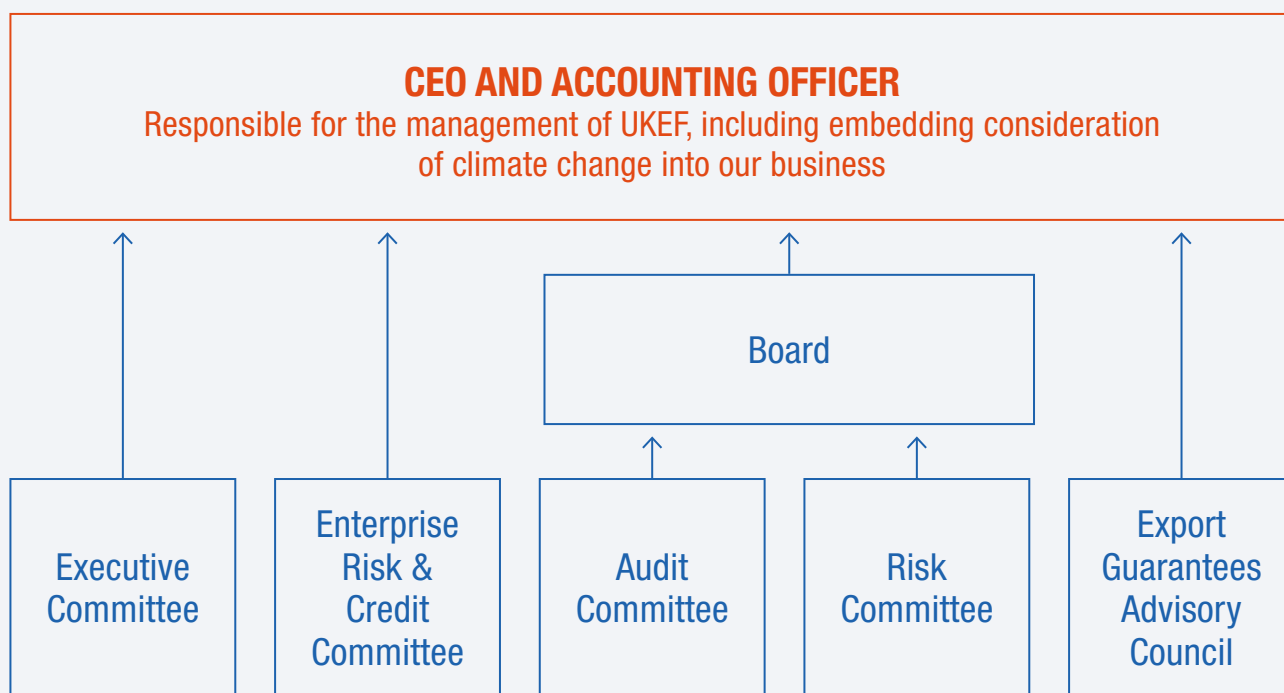
Governance

Our governance around climate-related risks and opportunities

Climate-related risks and opportunities are governed through UKEF's management committees and Board, with input from the Export Guarantees Advisory Council, with overall responsibility for climate-related issues held by our CEO and Accounting Officer.

Climate change is embedded as a consideration across our business. Our governance structure helps us:

- monitor progress against the climate-related objectives in our Business Plan (2024-29)
- manage our exposure to climate-related risk



Board of non-executive directors & committees support the CEO in the management of UKEF, including through advice on its approach to climate change

Governance body	Membership	Climate specific function	Meeting frequency
Board	Chair, 4 non-executive directors, 3 ex-officio members and 3 executive members including the Chief Executive.	Supports the CEO in the management of UKEF, including through advice on its approach to climate change.	At least 10 times a year
Board committees			
Risk Committee	4 non-executive and 1 ex-officio members.	Advises on the adequacy of the strategic processes and framework for risk management, and on the design and operating effectiveness of the risk management framework, including on climate change.	At least 4 times a year
Audit Committee	4 non-executive and 1 ex-officio (Chair of EGAC) members.	Provides advice and oversight of financial accounting and reporting, including on the approach to TCFD reporting.	At least 4 times a year

Committees with responsibilities for climate and sustainability, that support the CEO in decision-making

Governance body	Membership	Climate specific function	Meeting frequency
Executive Committee	Includes the Chief Strategy and Impact Officer , who is responsible for the department's overall approach to climate change and sustainability.	Supports the CEO in the management of UKEF and delivery against the Business Plan, which embeds key sustainability objectives into UKEF's ambition, including objective 4 on climate and clean growth. Each member is responsible for integrating climate into their areas of accountability across the organisation, as appropriate. The Co-Heads of Business Group are responsible for integrating these climate considerations in the execution of business. An element of the Executive Committee's performance is assessed on delivery against the Business Plan, including sustainability and climate objectives.	Weekly
Enterprise Risk and Credit Committee	The Chief Risk Officer is responsible for integrating climate change issues into the department's risk management. The Deputy Director, Climate Change & Sustainability is also a member of ERiCC.	Advises the CEO on the effective management of UKEF's enterprise and credit risk, including the potential the financial and non-financial impacts of environmental, social and governance (ESG) and climate-related risks. ERiCC considers climate and sustainability risk-related issues at both a policy and transactional level.	Weekly

Expert council supports the CEO in advising on the organisation's strategy and approach to climate and sustainability.

Governance body	Membership	Climate specific function	Meeting frequency
Export Guarantees Advisory Council (EGAC)	6 independent members. The Chair is a Member of the UKEF Board.	Advises the Secretary of State for Business & Trade and the CEO on the environmental and social impact of UKEF's operations, including the effectiveness of its policies on climate change and sustainability.	Weekly

Strategy

The actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning

Climate considerations form an integral part of UKEF’s strategy. Our climate change and sustainability ambitions and approach are both embedded within UKEF’s Business Plan and elaborated on in our Sustainability Strategy.

To deliver on our clean growth objectives, we have established a cross-UKEF Clean Growth Working Group. The working group aims to collectively build UKEF’s capacity to do business in emerging sectors such as floating

offshore wind and sustainable aviation fuel. We will continue to explore new sectors to support delivery of the government’s wider Industrial Strategy.

We keep our products, policies and partnerships under review to support delivering our strategic objectives. For example, this year UKEF launched a product enabling support for overseas critical minerals projects to help drive industrial growth and economic resilience and support the UK’s transition to net zero.

We continually test the resilience of our strategy and portfolio through biannual climate-stress testing and scenario analysis.



UKEF’S SUSTAINABILITY STRATEGY 2024-29

WE WILL	BY	MILESTONE	ACTIONS
<p>4 Position UK exporters and suppliers at the heart of the global low-carbon transition</p>	<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>5 Use our finance in developing markets to create positive impact on communities overseas and in the UK</p>	<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

ENABLERS



Engagement



Transparency



Governance

Risk or opportunity	Description	UKEF's measures
Short-term (up to 2 years)		
Climate risks	Differing degrees of physical climate risk, and reputational risk related to climate change (e.g. breaches in the environmental and social standards applicable to transactions)	Transaction due diligence, which takes into account the physical resilience of assets, where relevant, based on international good practice standards Incorporation of environmental and social contractual terms on customers
Climate opportunities	Enable UK exports and drive growth in the green economy	Business Plan and Sustainability Strategy driving progress in increasing clean growth business
Medium-term (2 to 10 years)		
Climate risks	UKEF remains exposed to the short-term risks already identified; and the transactions we support are exposed to increasing transition and physical risk over time	Managing our portfolio against our interim decarbonisation targets to manage risks of exposure in these sectors Integrating climate change into our credit risk management processes (see Risk management) to mitigate the risk of unexpected portfolio losses in the medium term
Climate opportunities	Make a sustained contribution to the UK's growth ambitions in clean growth	Aim to provide £10 billion of clean growth finance by 2029, supporting government climate ambitions and UK green exporters Aim to mobilise £10 billion in finance in low and middle-income countries by 2029, supporting communities abroad and in the UK
Long-term (beyond 10 years)		
Climate risks	Short and medium-term risks persist and failure to address these would threaten UKEF's mission and strategic ambitions; chronic physical climate risks, particularly in emerging market economies, could disrupt our ambition to increase finance mobilised in low and middle-income countries	Increasing the clean growth segment of UKEF's portfolio over time to counterbalance the higher climate risk vulnerable segments of the portfolio Increasing uptake of natural disaster clauses over time helps customers and UKEF build resilience to climate shocks
Climate opportunities	Growing competitiveness of UK exports in a net zero global economy	Working with the UK government on building domestic clean growth supply chains and supporting UK economic growth Delivering impact in the overseas markets where we operate through sustainable infrastructure

Scenario analysis

We currently run climate-driven stress tests on our portfolio twice a year, using 5 climate-related scenarios with a time horizon to 2050. These scenarios are consistent with those of the Network for Greening the Financial System (NGFS)¹⁷ and the approach is consistent with the Bank of England's stress testing exercises.

The scenarios result in significantly different impacts for our portfolio across sovereigns and sectors.

Stress testing has highlighted transition risks in sectors linked to the fossil fuel industry and a mixture of transition and physical risks in many of the countries where UKEF provides support. Our implementation of the government's policy, aligning UK international support for the clean energy transition, as applied to new transactions since 31 March 2021, will continue to reduce the risk related to concentration of fossil fuel-related assets in our portfolio as legacy transactions amortise in the long term. However, in the short term, emissions from pre-2021

transactions are likely to increase before they decline.

As an ECA seeking to complement the private sector to facilitate UK exports, UKEF operates, by definition, in higher-than-average risk sectors and geographies.

The analysis also indicates risks to our development impact ambitions, as many low and middle-income countries are highly vulnerable to physical climate risk, particularly in the NGFS Current Policies scenario. We continue to offer Natural Disaster Clauses (NDCs) as part of our direct lending and restructured debt portfolio offerings, and are working internationally with peers to encourage the adoption of NDCs.

We continue to develop our scenario analysis capability and integrate it into our strategic processes while also working to improve our portfolio stress testing model, exploring the potential use of a dynamic balance sheet approach and assessing the use of short-term scenarios relevant to UKEF.

Scenarios

Orderly transition

- **Description:** The policies needed to transition to net zero emissions are implemented in a coordinated and efficient way, beginning today and further increasing over time.
- **Potential impact on our portfolio:** The transition results in less economic disruption but creates significant initial transition costs for carbon-intensive sovereigns and industries. These economic costs decrease over time as actions to reduce emissions are taken.

Disorderly transition

- **Description:** The transition is delayed to the mid-2030s. There is then an abrupt introduction and acceleration of climate policies aimed at reducing emissions. This results in a sudden, more severe increase in transition risk.
- **Potential impact on our portfolio:** The more compressed and disorderly nature of the transition results in greater economic disruption, and negative impacts on carbon-intensive sovereigns and sectors. For example, rising carbon prices impact emissions-intensive industries more than others.

17 Network for Greening the Financial System. [ngfs.net/en]

Current policies

- **Description:** No further climate policies are enacted over and above those of the present day. Transition risks are based on current policies and physical risks become more severe over time.
- **Potential impact on our portfolio:** Physical risks create economic disruption and fiscal instability, especially in Africa, the Middle East and small island sovereigns. These risks are expected to be more severe in emerging markets, where UKEF has significant exposure.

Fragmented world

- **Description:** Delayed and divergent global climate policy ambition leads to elevated transition risks in some countries and high physical risks due to the overall ineffectiveness of the transition.
- **Potential impact on our portfolio:** The high economic disruption and instability lead to more asymmetrical impacts from physical and transition risks. This leads to the highest level of overall risk for some sovereigns and sectors.

Low demand

- **Description:** There are significant behavioural changes – including reducing energy demand, low carbon travel patterns and faster electrification – that reduce the economic impact of reaching net zero emissions around 2050.
- **Potential impact on our portfolio:** This scenario represents the lowest level of transition risk overall, though this varies among sovereigns and sectors. It features the lowest oil prices among the NGFS scenarios. The assumed behavioural changes affect sectors where UKEF has exposure (e.g. aviation).

We continue to identify and assess the climate-related opportunities and risks to our strategy over the short term (up to 2 years), medium term (2 to 10 years) and long term (beyond 10 years). This has been informed by our use of climate-related scenario analysis

and materiality assessment as set out in our Sustainability Strategy.

Risk management

The processes we use to identify, assess, and manage climate-related risks

Climate change poses financial and non-financial risks to the global economy, UKEF, our portfolio and ultimately the UK taxpayer.

Climate change is integrated into UKEF's risk management approach, including in our governance and policies, as well as our consideration of credit risk in transactions. Climate and sustainability issues are included in ERiCC's remit and integrated into relevant credit risk policies. Climate change is also considered across relevant primary risk taxonomy categories within our enterprise risk management framework.

Physical and transition-related risks are important risk drivers and we are developing our methodologies for quantifying these risk drivers in line with financial sector peers. We are engaging closely with peers and external partners to evolve our approach and understanding of climate-related risks over time. This includes work to integrate unmitigated climate risks into credit ratings and other risk calculations.

For more details, see the **Chief Risk Officer's Commentary**.

Financial risk

Climate change has an impact on UKEF's customers and portfolio by affecting financial risks like insurance underwriting, credit, financial market, and operational risks.

Our climate risk management policy ensures that we identify, assess and manage both physical and transition risks at both the transactional and portfolio level. This is an important part of our risk management, together with environmental, social and governance (ESG) credit risk and value drivers.

Our credit risk policy and dedicated climate change and environmental, social and governance (C&ESG) risk policy governs our management of climate risk. Additionally, our semi-annual climate risk portfolio stress testing exercises and regular climate risk portfolio reviews are reviewed by ERiCC, the Executive Committee, the Risk Committee, and the Export Guarantees Advisory Council.

Identifying, assessing and managing climate and ESG-related credit risk

At the transaction level

1. We review all medium and long-term transactions individually in line with UKEF's policies and procedures, and through regularly reviewed templates with an integrated C&ESG-related financial risk analysis, based on the relevant counterparty. Short-term and delegated transactions are managed through our risk management frameworks.
2. We identify transactions which require an extra C&ESG-related risk assessment, based on established criteria.
3. We collect information, including through customer engagement where appropriate.
4. We do a C&ESG risk assessment and integrate it into the credit risk assessment, with additional internal assurance where needed. This ensures that we consider climate-related financial risks in capital structure, tenor and collateral.
5. The assessment is submitted to our credit committee, where appropriate, and considered by the decision-maker alongside all other relevant factors.

At the portfolio level

1. We implement the government's policy of ending new support for the fossil fuel energy sector overseas to reduce our direct exposure to counterparties who are particularly vulnerable to transition risk.
2. We pursue UKEF's clean growth finance target of £10 billion by 2029, which strengthens the resilience of our portfolio in relation to transition risks.
3. We conduct regular stress testing to identify concentration risks and emerging risks, to inform our risk mitigation and strategy.
4. We continue to consult government entities, academia and best practice in the financial industry about good practice and ways to improve our methodology.
5. We manage portfolio limits and concentration risk and continue to develop the way we manage our climate risk appetite approach and provisioning.

We regularly review our approach to managing credit relevant C&ESG risks, both when assessing transactions and when managing our portfolio.

In the past year, we:

- enhanced our dedicated C&ESG risk governance policies and processes which cover the entire deal cycle
- strengthened our risk identification by supporting our first line of defence (see **Governance Statement**) with knowledge sharing, capacity development and transaction advice
- improved our transactional methodologies and tools for identifying, understanding and managing C&ESG risk in our credit risk assessment
- integrated climate stress testing and scenario analysis results into portfolio risk management processes, reporting and strategy

- enhanced our approach to assessing the financial implications of climate change, keeping up to date with industry best practice
- progressed with integrating our C&ESG risk tools into our decision-making

We plan to continue with improvements we initiated this year, including developing a portfolio-level climate risk appetite framework to identify and manage climate concentration risks. This is particularly important for managing our long-term financial interest, because of the long-term and systemic nature of physical and transition risks. We will work to integrate climate risk considerations into provisioning, making sure we allocate enough resources to mitigate potential climate-related losses.

We informed improvements to our climate risk management by engaging with financial sector peers. While UKEF is not a regulated entity, we are informed by relevant regulation and policy, as well as considering industry best practice, including banks', insurers', other ECAs' and regulators' expectations.

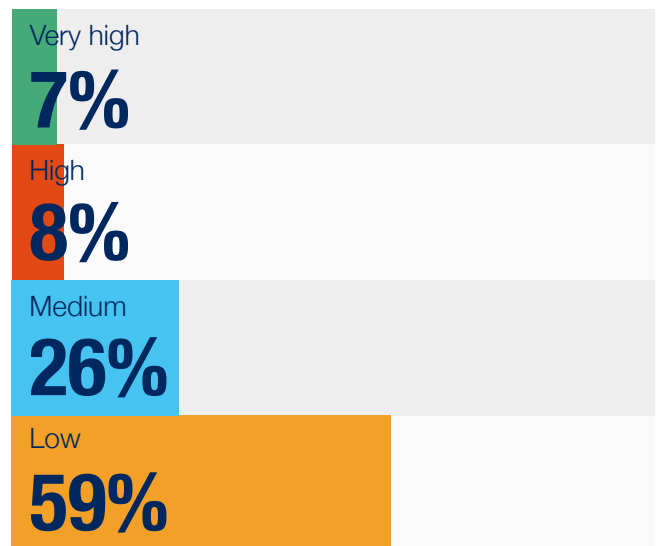
To further strengthen our climate-related portfolio stress testing and enhance its decision usefulness, we added additional climate stress test scenarios that address UKEF's idiosyncratic portfolio and circumstances (see **Strategy**). We increased our model's robustness, geographic and sectoral coverage.

As an organisation that provides financing across multiple sectors, our portfolio is exposed to transition risk. Over half of our transition risk exposure by sectors relates to legacy transactions in the petrochemical and traditional power and energy sectors. We expect our exposure to these sectors to decrease in line with our implementation of the government's policy on aligning UK international support for the clean energy transition, which ends new support for the fossil fuel energy sector overseas. In the short term, however, as the last fossil fuel projects become operational, emissions from these sectors are likely to increase before they reduce. Additionally, we have increasing transition risk exposure within

the aviation sector, which is a key sector for our decarbonisation pathway. See **Metrics and Targets**.

The graph below shows our exposure to transition risk for sovereigns in our portfolio. We use Moody's sovereign and ESG impact reports to assess sovereigns as Low, Medium, High or Very High exposure to transition risk (see chart). Our High and Very High exposure is concentrated in fossil fuel exporting countries, particularly in the Middle East.

CARBON TRANSITION RISK



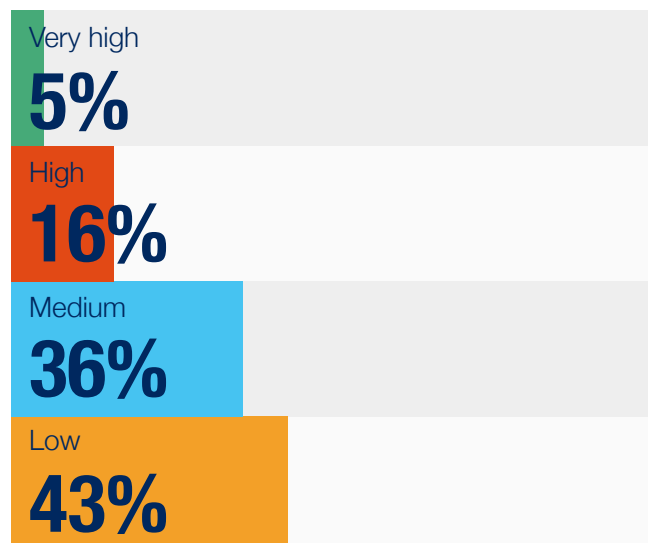
Physical climate risks, such as extreme weather events, can also have an impact on UKEF's portfolio. Data on the geographic distribution of these risks and their potential financial impact helps us understand and mitigate the effects of physical climate risks on our risk exposure.

The chart on the next page shows our exposure to physical climate risk for sovereigns in our portfolio. Geographically, we face Very High and High physical climate risk exposure in Africa and the Middle East. Our sectoral exposure to Very High and High physical climate risk is focussed primarily in the transportation, petrochemical, power and energy sectors.

UKEF's portfolio mostly consists of medium to long-term deals; over 72% of UKEF's portfolio is in deals with a tenor of over 7 years. This is an important consideration for our climate risk management processes,

as climate risk is non-linear. Over a longer timeframe, physical risks can compound, and transition risks become more abrupt and disruptive.

PHYSICAL CLIMATE RISK



Non-financial risk

Climate change is also a source of non-financial risk and impact, both on UKEF directly and the transactions we support.

At a transaction level, we seek to mitigate these risks and impacts primarily by applying our environmental, social, and human rights (ESHR) risk policy and practices, which have evolved over recent years to strengthen our approach to climate change, proportionate to the risk, impact and our exposure.

For more details, see **Environmental and Social Risk Management**.

We recognise that other environmental and social issues can have strong interdependencies with climate change. For example, there is a critical social dimension to the global economic transition. When considering support, we view these factors primarily through the lens of international good practice on social and human rights practices. We work actively with in-country partners to improve understanding and performance on these issues.

We will continue to engage with peers and stakeholders to integrate emerging good practice into our processes as appropriate.

Identifying, assessing and managing non-financial climate-related risks and impacts

1. All transactions are screened for climate change risk and impact either at product level, through delegated financial institutions or directly by UKEF.
2. Where relevant, the Environmental and Social (E&S) Division determines whether more assessment is required and to what extent.
3. If more assessment is required, the E&S Division assesses the relevant aspects of a project, supply or company which may add to global emissions and/or be affected by physical or transition risk.
4. Recommendations may be provided to reduce climate-related risks and impacts.
5. The assessment is internally assured and signed off, with additional external assurance or input where appropriate.
6. The assessment is submitted to ERiCC where appropriate and considered by the decision-maker alongside all other relevant factors.
7. After approval, transactions are monitored for performance against action plans, including emissions reporting commitments.

Metrics and targets

The metrics and targets we use to assess and manage relevant climate-related risks and opportunities

Clean growth

Providing £10 billion of clean growth finance by 2029 is a core objective in our Business Plan. This ambition is crucial to driving progress on decarbonising our portfolio and managing our exposure to climate risk.

This year UKEF provided £2.3 billion of support for clean growth deals – putting us well on our way towards meeting our milestone ambition for 2029. For more information, see **Our Impact**.

Sustainable infrastructure

The UK's economic growth and prosperity are at the heart of our mission.

Our international reach means we also have a wider impact on the markets in which we work. Export credits play an important role in the global trade system which is critical for lifting people out of poverty, and UKEF's finance is an important part of the UK government's toolkit for achieving global prosperity objectives.

We are committed to measuring our impact beyond climate-related outcomes, so this year, we have started to track our support for sustainable infrastructure – including our clean growth and social infrastructure deals (such as roads, railways, and hospital projects) in low- and middle-income countries. Our definitions are aligned with the International Capital Market Association's (ICMA) Social Bond Principles. This year we provided £337.8 million in support for sustainable infrastructure.

Net zero

UKEF's operational emissions stem largely from our office footprint and emissions associated with business travel (see **Sustainability of Our Estate**).

As a financial institution, the emissions associated with the transactions we support (collectively referred to as our financed emissions) are by far the more material.

Understanding our portfolio, or financed, emissions is key to our strategic ambition to reach net zero emissions by 2050.

Tracking our progress towards this goal helps us to understand our management of climate-related risks and opportunities.

Financed emissions

*This section should be read in conjunction with our basis of reporting.*¹⁸

Since 2022, UKEF has published its portfolio-wide financed emissions estimates every year. As the first ECA to publish its financed emissions, and in the absence of a Partnership for Carbon Accounting Financials (PCAF) methodology for ECAs

specifically, we developed a bespoke double disclosure methodology.

UKEF discloses an expected loss estimate, which is based on the dual 'follow the risk' and 'follow the money' principles articulated in the PCAF Standard, reflecting the unique role of ECAs.

- Emissions for guarantees and insurance are attributed on an expected loss basis.
- Emissions for direct lending products are attributed based on the amount at risk outstanding on a loan.

UKEF also discloses an amount at risk estimate, which helps us to understand the carbon intensity of transactions we support and provides a basis for managing the emissions associated with our support over time.

- Emissions are attributed based on the amount at risk outstanding on a loan. This approach does not make any distinction between loans, insurance and guarantees.

The difference in these 2 approaches highlights the uncertainty that exists in financed emissions estimates. Through NZECA, UKEF is exploring the potential to harmonise carbon accounting methodologies for ECAs.

UKEF's financed emissions estimates comprise our customers' Scope 1 and 2 emissions. Since 2024, we disclose modelled estimates of our customers' upstream Scope 3 emissions for all sectors, using the PCAF Database. Customers' modelled Scope 3 emissions are upstream only because of the availability of data and the restrictions of the environmentally extended input-output modelling approach offered by the PCAF Database. Financed emissions are estimated on a calendar year basis because of the practicalities of producing these estimates, and are therefore not consistent with the financial year-based information found elsewhere in the Annual Report and Accounts.

¹⁸ [\[gov.uk/government/publications/ukef-annual-report-and-accounts-2024-to-2025-by-section/uk-export-finance-annual-report-and-accounts-202425-task-force-on-climate-related-financial-disclosures-tcfd\]](https://www.gov.uk/government/publications/ukef-annual-report-and-accounts-2024-to-2025-by-section/uk-export-finance-annual-report-and-accounts-202425-task-force-on-climate-related-financial-disclosures-tcfd)

UKEF has received 3rd-party limited assurance, in accordance with International Standard on Assurance Engagements (ISAE) 3000, on its financed emissions calculations. Assurance has been provided in relation to the total Scope 1 and 2 financed emissions and total Scope 3 financed emissions, calculated under the amount at risk and expected loss approaches.

This continues to strengthen how UKEF measures and reports its emissions, enhancing transparency through our basis of reporting.

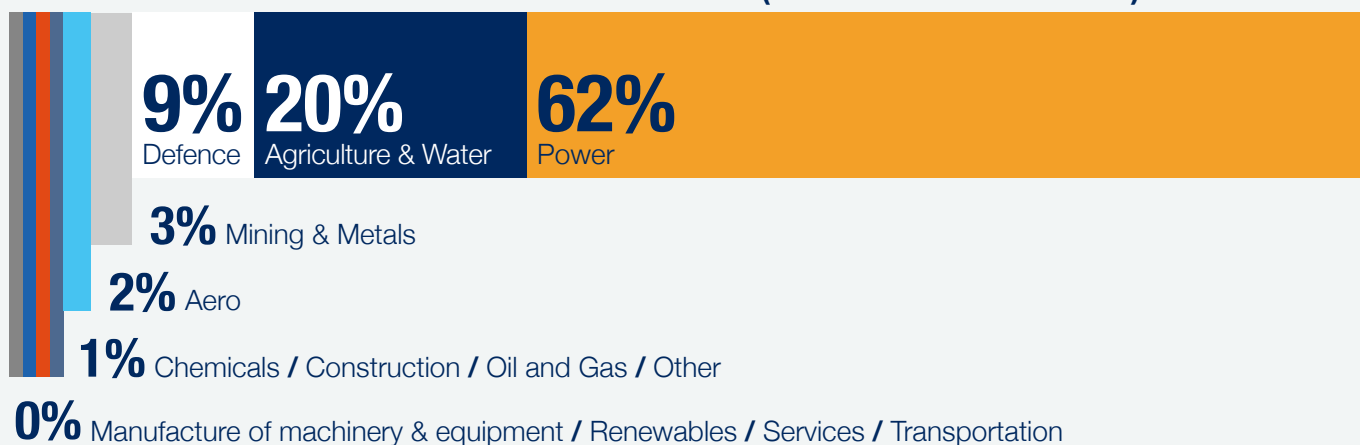
Expected loss estimates

- Absolute Scope 1 and 2 financed emissions on an expected loss basis: 1,425,635 tonnes of carbon dioxide equivalent (tCO₂e) in calendar year 2024 (estimated as at 31 December 2024)
- Absolute Scope 3 financed emissions on an expected loss basis: 1,421,333tCO₂e (estimated as at 31 December 2024)

Amount at risk estimates

- Absolute Scope 1 and 2 financed emissions on an amount at risk basis:

FINANCED SCOPE 1 & 2 EMISSIONS BY SECTOR (EXPECTED LOSS BASIS)



FINANCED SCOPE 3 EMISSIONS BY SECTOR (EXPECTED LOSS BASIS)



Weighted PCAF data quality score: 3.9 out of 5 (with 1 being the highest quality)

7,452,436tCO₂e in 2024 (estimated as at 31 December 2024)

- Absolute Scope 3 financed emissions on an amount at risk basis: 11,020,662tCO₂e (estimated as at 31 December 2024)

- Amount at risk Scope 1 and 2 estimate: 4.0/5.0
- Expected loss Scope 1 and 2 estimate: 3.8/5.0

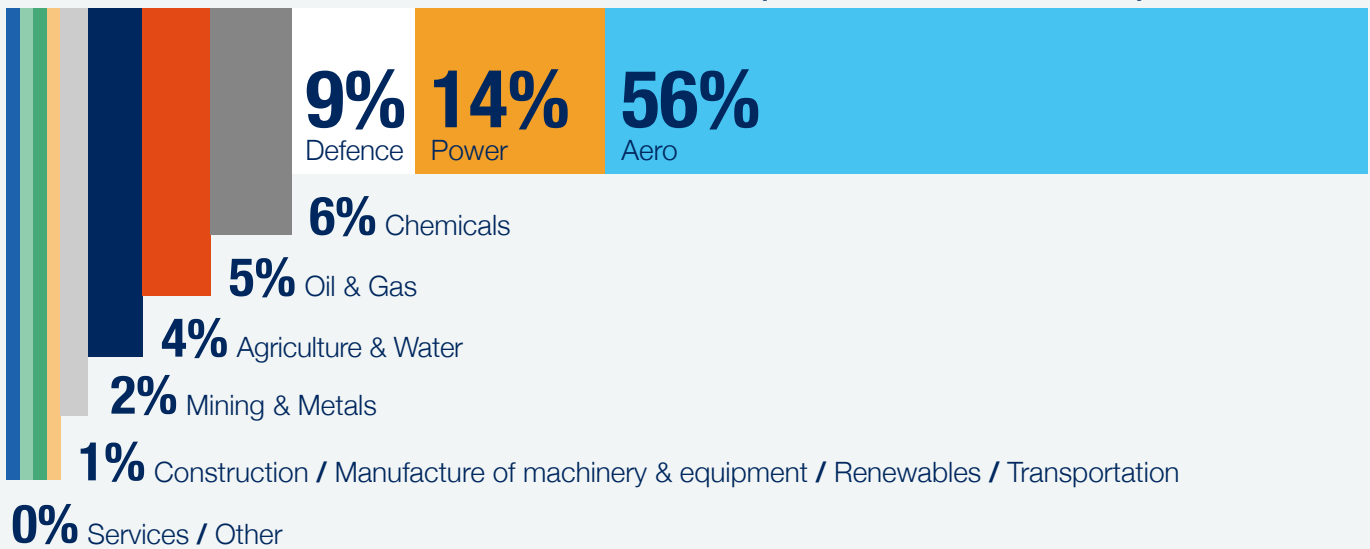
Data quality

Data quality issues are inherent in reporting financed emissions across the market. The issues UKEF has identified with data quality and approach are set out in more detail in our basis of reporting.

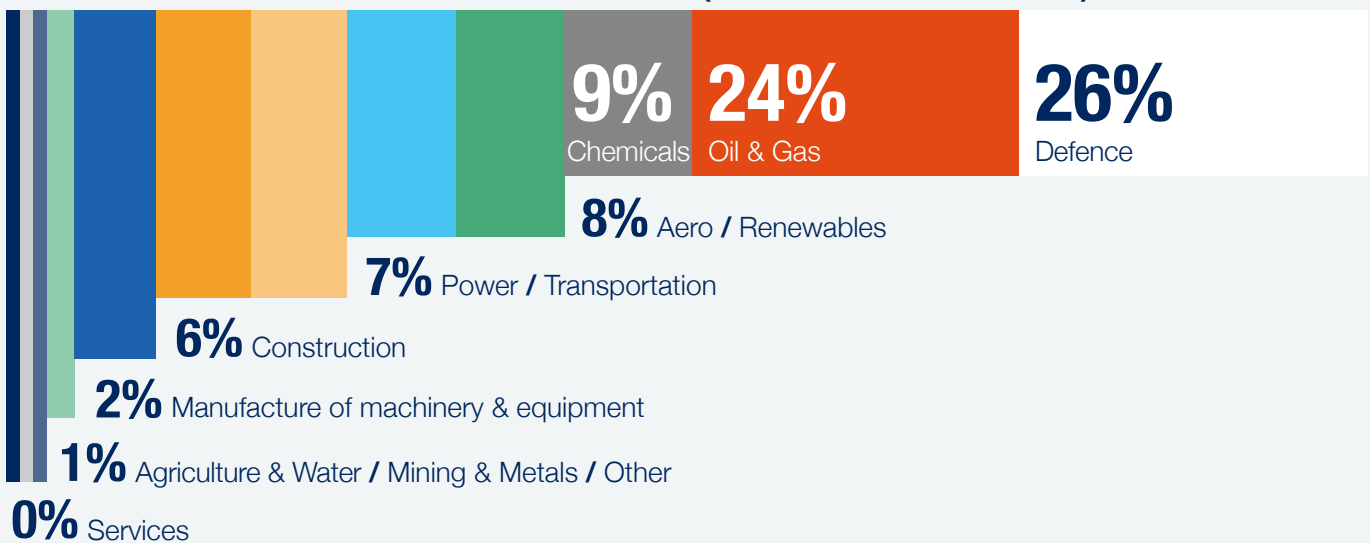
Average data quality is represented by a weighted PCAF data quality score out of 5, with 1 being the highest quality. These scores indicate that estimates consist of a combination of reported and modelled data at varying degrees of verification.

This year, we made minor improvements to our process for reported data, including

FINANCED SCOPE 1 & 2 EMISSIONS BY SECTOR (AMOUNT AT RISK BASIS)



FINANCED SCOPE 3 EMISSIONS BY SECTOR (AMOUNT AT RISK BASIS)



Weighted PCAF data quality score: 4.0 out of 5 (with 1 being the highest quality)

consulting PCAF on our approach to reporting asset values. There has been a small increase in the data quality score for the amount at risk Scope 1 and 2 estimate (2023/24: 3.06), which can be explained by a large number of new transactions entering our portfolio which use modelled data.

Currently, our Scope 3 estimates are made entirely using the PCAF Database, which uses environmentally extended input-output modelling to produce broad estimates based on the upstream emissions associated with the relevant sector and region. These modelled estimates are best understood as a high-level approximation of emissions associated with a broad economic activity, not an accurate representation of the specific activity or operation that UKEF has supported.

Our year-on-year Scope 3 estimates have exhibited significant volatility annually. This year, our Scope 3 emissions estimates have increased significantly, driven by the financing of new defence-related transactions, which carry high estimated Scope 3 emissions. Furthermore, legacy oil and gas transactions becoming operational this year, which have led to an increase in oil and gas sector emissions, also have significantly high Scope 3 emissions estimates.

Our customers' Scope 3 emissions remain outside of UKEF's financed emissions reduction targets for sectors other than oil and gas. We endeavour, over time, to improve our understanding of customers' Scope 3 emissions on a deal by deal basis – but anticipate not being able to factor these into financed emissions estimates until there is more consistency, both across our own portfolio and in industry practice.

UKEF has committed to reduce our financed emissions to net zero by 2050. We are committed to supporting UK exporters through the global low-carbon transition.

Our total financed emissions have decreased by 31% between 2023 and 2024 on an amount at risk basis. This decrease is mainly explained by the run-off of several aviation

Export Development Guarantees (EDGs) from our portfolio.

In addition, the financed emissions of existing deals in our portfolio have decreased. This year these reductions are also heavily influenced by changes in the financial factors underlying the financed emissions attributions.

In comparison, on an expected loss basis, our total financed emissions have increased by 66% between 2023 and 2024. This is predominantly because of the proportionate significance that loans and guarantees have within the expected loss methodology. Changes in loans have proportionately more impact on the expected loss methodology than changes in guarantees or insurance. Hence the factors driving the decreases in the amount at risk methodology, which relate to guarantees, have less influence on the expected loss methodology.

In parallel, new loans in our portfolio and existing loans now being included in the estimate, either because the underlying projects have become operational or we have identified reported construction-phase emissions, explain the majority of the emissions increase in the expected loss methodology.

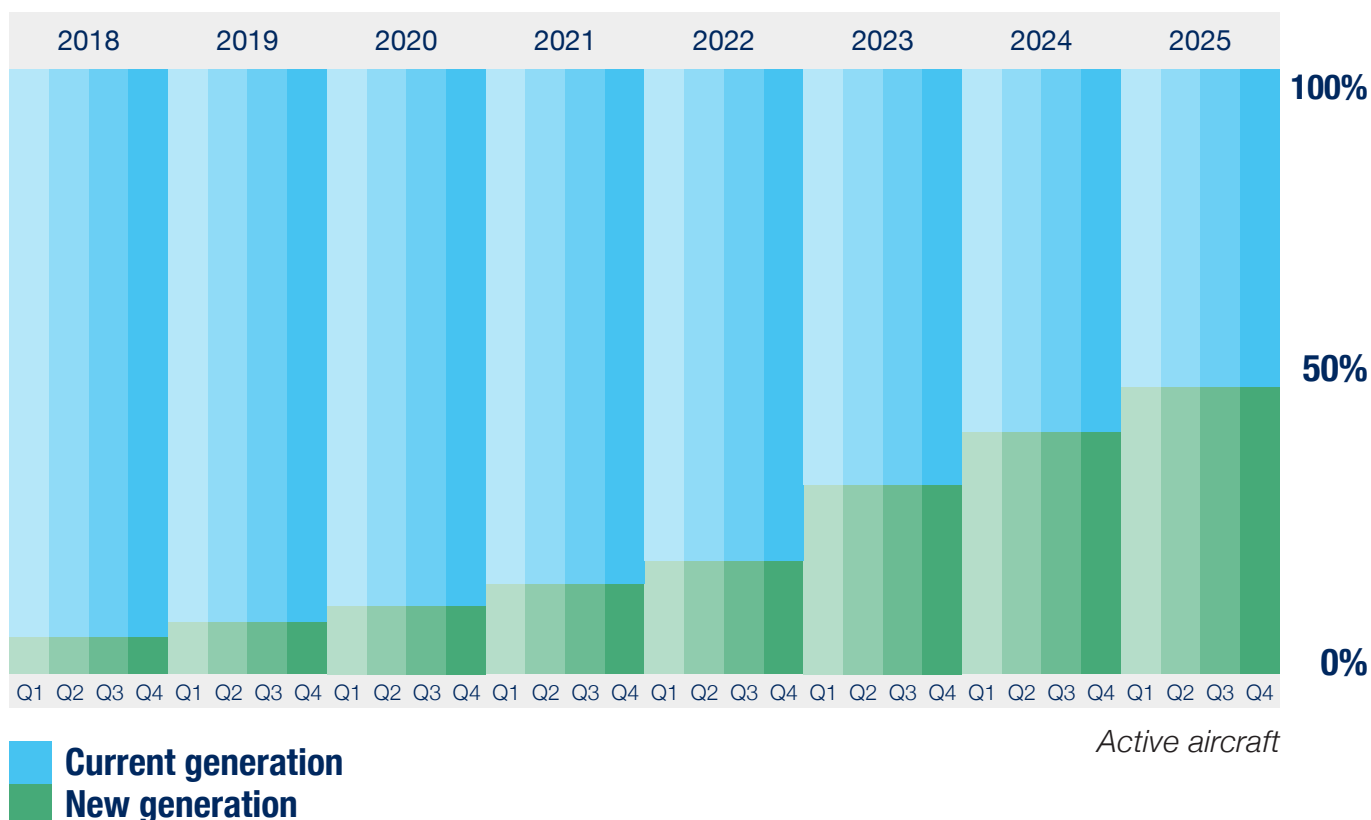
Our oil and gas portfolio absolute financed emissions have increased by 64% from the 2021 baseline. This is caused by legacy transactions moving into their operational phase. This aligns with our expectations, where the emissions from our oil and gas exposure increase as legacy transactions move into operation.

Most of the increase in our oil and gas emissions are from our customers' Scope 3 emissions which, as noted above, are modelled and amount to a high-level approximation of emissions associated with a broad economic activity. We expect these emissions to decrease in the medium to long term as these transactions amortise fully.

Portfolio decarbonisation and sector pathways

	Target	2021	2022	2023	2024	Change 2023/24	Change from baseline
Total Scope 1 & 2 absolute financed emissions – expected loss basis (tCO ₂ e)	Net zero by 2050	453,402	1,023,313	861,112	1,425,635	66%	214%
Total Scope 1 & 2 absolute financed emissions – amount at risk basis (tCO ₂ e)	Net zero by 2050	5,239,168	9,072,834	10,816,920	7,452,436	-31%	42%
Oil & gas Scope 1, 2 & 3 absolute financed emissions – amount at risk basis (tCO ₂ e)	Reduce 75% tCO ₂ e by 2030, from 2021	1,878,764	2,017,999	1,151,953	3,087,671	168%	64%
Power, including renewables, financed emissions intensity – amount at risk basis (tCO ₂ e/£)	Reduce 58% tCO ₂ e/£ by 2030, from 2021	0.00103	0.00071	0.00072	0.00041	-43%	-60%
Aviation financed emissions intensity – amount at risk basis (tCO ₂ e/£)	Reduce 35% tCO ₂ e/£ by 2035, from 2022	Baseline set in 2022.	0.0005	0.0009	0.00075	-21%	39%

NEW GENERATION VS CURRENT GENERATION SPLIT



Our transition away from the fossil fuel energy sector overseas will continue to be driven by our implementation of the government’s policy on aligning UK international support for the clean energy transition, which prohibits new support for transactions in the fossil fuel energy sector overseas, outside of certain specified exemptions.

This year we have underwritten 1 new transaction in the oil and gas sector: a decommissioning project, in line with the government’s specified exemption.

Restructurings or project development delays in our existing oil and gas exposure will affect our decarbonisation pathway. We will need to keep our targets under review as our portfolio evolves.

The financed emissions intensity of our power portfolio has decreased by 60% from the 2021 baseline. Our power portfolio has become less emissions-intensive because of strong progress in increasing our support for renewables within the power portfolio,

guided by UKEF’s Business Plan and Sustainability Strategy.

While we are making good progress toward our power sector target, we expect that financed emissions intensity may increase in future years, as and when we support non-renewables projects within the power sector value chain – financing for transmission and distribution.

The financed emissions intensity of our aviation portfolio has increased by 39% from the 2022 baseline, but decreased by 21% compared to last year. This decrease can be explained by the run-off of several aviation EDGs from our portfolio, more efficient aircraft entering our portfolio and changes in the financial factors underlying financed emissions attributions.

EDGs were a critical tool UKEF provided to the aviation sector in response to the COVID-19 pandemic. However, given the product is less targeted to specific activities or aircraft, applying instead at a group level,

EDGs are more emissions intensive than the other support that UKEF provides to the sector. By the end of December 2024, new generation aircraft made up about half of our portfolio, compared to only 28% of the global fleet.

Continued support for the aviation industry is core to delivering UKEF's statutory role and purpose. Achieving UKEF's decarbonisation ambitions in this sector will depend on progress towards decarbonising aviation activity in the real world, not on reducing UKEF's own aviation sector exposure. The use of sustainable aviation fuel, efficiency improvements and zero emissions technologies will play a key role.

UKEF is focussing efforts to support the decarbonisation of real world aviation activity around 3 pillars:

1. Supporting the development of a low-carbon UK aviation sector for exporting
2. Engaging our customers to accelerate the transition and managing our portfolio
3. Driving partnerships within our portfolio and beyond to collaborate on solutions

UKEF's increased support for the defence sector this year has led to the sector becoming a larger part of our financed emissions, on both an amount at risk and an expected loss basis. We expect this trend to continue as UKEF's support for the defence sector increases.

Because of the nature of defence-related activities, there are greater emissions data quality and availability challenges for the sector. We are therefore working with stakeholders to better understand the scope to improve understanding of the sector's emissions.

We will continue to review our approach to reporting defence sector financed emissions and aim to update it as better data and methodologies become available.

We do not expect progress towards our decarbonisation targets to be linear. Emissions from our exposure will continue

to exhibit significant year-on-year volatility as our deal-flow fluctuates and as legacy transactions move into operations before amortising. Financed emissions estimates are heavily influenced by factors other than actual emissions in the transactions we support, such as changes in the enterprise value of companies supported, customer activity levels, portfolio composition and sectoral shifts. These fluctuations highlight the dynamic nature of financed emissions and underscore the importance of a long-term strategic approach to decarbonisation. Medium- to longer-term performance trends will be a more useful measure of our progress towards decarbonisation.

Our statutory role and purpose guide our approach to decarbonisation. UKEF's purpose is to support UK exporters and suppliers. UKEF steps in to enable UK exports, sustainably and at no net cost to the taxpayer, where the private sector alone cannot provide support. The business that we do is determined by our demand-led mandate and dependent on the economic context in which we operate, including the wider government policy landscape. We are a UK government department with a statutory mandate to support exports and a mission to drive prosperity by contributing to economic growth. The growth in UKEF's business is therefore driven both by our policy mission and by the behaviour of our private sector market peers, including their appetite for risk and the global regulatory environment.

EXPORT GUARANTEES ADVISORY COUNCIL'S COMMENTARY

The Export Guarantees Advisory Council is established under Section 13 of the Export and Investment Guarantees Act 1991 as amended by the Small Business, Enterprise and Employment Act 2015.

The Council is an expert committee whose statutory purpose is to advise the Secretary of State, at his or her request, about anything related to the exercise of his or her functions under the Act.

We advise on the policies that UKEF applies when doing business – particularly good business policies established by international agreements that relate to export credit agencies (ECAs).

The Council does not perform executive functions or make decisions about UKEF's activities.

The Council advises ministers and senior officials about the potential environmental, social and human rights (ESHR) risks associated with projects that UKEF supports, as well as debt sustainability, anti-bribery and corruption and, more recently, wider financial crime procedures. We also consider transparency issues (including freedom of information).

Senior officials from UKEF attend each of the Council's meetings. They brief the Council on

issues and developments over the year, and on individual export transactions UKEF has supported, although the Council does not provide advice on individual transactions.

The Export Guarantees Advisory Council met 4 times during 2024/25.

Membership

Members of the Council are appointed by ministers. The members during 2024/25 were:

Chair: Ms Vanessa Havard-Williams OBE, Consultant to Linklaters and specialist in sustainability law and policy, sustainable finance and governance

Dr Roseline Wanjiru (term ended 30 November 2024), Associate Professor (Reader) of International Business and Economic Development at Newcastle Business School

Dr Ben Caldecott, Director, Oxford Sustainable Finance Group and Lombard Odier Associate Professor, University of Oxford

Mr John Morrison, Chief Executive Officer, Institute for Human Rights and Business

Mr Stephen Prior (term ended 31 March 2025), Partner, Prinia Consulting LLP and an experienced sales director in emerging markets, with expertise in approaches to anti-bribery and corruption

Mr Harold Freeman, Independent economist, public sector board member, international economic and development expert

Ms Sarah Steele, Senior Legal Advisor, North Sea Transition Authority

Ms Belinda Howell, Founder and Managing Director, Decarbonize Limited

Matters considered this year

Aviation sector decarbonisation

We were consulted and gave advice on UKEF's strategy for seeking to reduce financed emissions from the aviation sector. Because this sector's emissions are significant to UKEF's overall portfolio financed emissions, we challenged UKEF on how it will track and engage in relation to the sector's work on decarbonisation, recognising the limits of its capacity to drive sectoral change.

We shared our expertise and experience in designing levers that tackle real-world emissions reductions, including incentives, government policy levers and client engagement. The Council also discussed UKEF's potential to participate in developing UK expertise in sustainable aviation fuels. And we reflected on the interdependency between UKEF's aviation sector target and overall 2050 net zero target.

Based on our discussions, an updated strategy for decarbonising UKEF's aviation sector emissions was presented to the Council. The Council will continue to advise on how UKEF can integrate climate change assessments into decision-making.

Business plan ambitions and UKEF's offer

The Council was updated on the measurement of sustainability objectives in

the Business Plan. Members considered how delivering the Business Plan and operational plan is reflected in the Executive Committee's performance objectives.

We also considered the use of industry standard definitions, such as the International Capital Market Association's Green Bond Principles, and reflected on the strategic approaches of other ECAs.

We discussed UKEF's offer against its sustainability objectives on clean growth and development and reflected on UKEF's positioning within the government's broader offer for development and transition finance. Members advised on the use of UKEF's existing product offering in these markets and the need for a coordinated international development offer from UK public finance institutions.

Environmental and social risk management

The Council discussed 3 different aspects of ESHR considerations and processes. We shared our experiences and views about working on projects with complex human rights considerations in different jurisdictions and the approach UKEF could take to such situations.

UKEF outlined the common challenges when monitoring projects post-issue. We considered the underlying reasons for such challenges and the available levers to make sure projects are delivered as agreed, between transactions being underwritten and coming to fruition. Members advised on the system-level approaches UKEF might adopt to try to make sure that relevant parties understand their legal obligations from the outset.

The UKEF team also presented on the Equator Principles and grievance mechanisms. The Council noted that effective individual grievance mechanisms at the project level are an appropriate approach.

These policies and processes help UKEF to consider ESHR-related project risks and impacts in accordance with relevant international standards. This often requires UKEF to work and engage in challenging and

complex security and human rights conditions and complex stakeholder expectations.

We noted that the ESHR policies that guide UKEF decision-making for major projects reflect relevant international best practice standards.

Climate stress testing

The UKEF team updated the Council on the progress of the climate risk stress test model, the recent test results and progress on climate, social and governance risk management.

The Council noted that results are currently used for information and understanding rather than decision-making. We welcome the steps the team have taken to progress work on decision-making on climate risk. We also reflected on the interaction of climate risk with other social and environmental risks, particularly in developing economies, and the significant transition challenges that many countries face.

UKEF's approach to nature

The UKEF team presented their approach to nature and biodiversity, including drivers for action. Members shared their knowledge of activity in this area, including work by other organisations. The Council also reflected on the market, noting that it is less mature, smaller and has limited overlap with UKEF's traditional sectors of comparative advantage – although it could grow quickly.

We encouraged the approach the team has taken, noting that UKEF should prioritise action as opposed to meeting disclosure and reporting requirements.

COP29 and international engagement

We discussed plans for UKEF's involvement in COP29 and the outcomes of this, including a look ahead to COP30. The Council reflected on the COP process and other international engagement by UKEF through the Net Zero Export Credit Agencies Alliance, noting that, as a member, UKEF ought to play a

leadership role in setting expectations around action and disclosure.

International negotiations

We reviewed the ongoing negotiations and discussions about international agreements, including the Organisation for Economic Cooperation and Development (OECD) Arrangements. These negotiations aim to get the best terms and conditions for UKEF customers in agreement with other ECAs within the OECD. The members discussed how far the proposed solutions, if agreed, will address existing and emerging market failures to support an evolving global economy.

Risk appetites

The Council reviewed the financial crime risk appetite statement and noted that it is clear and functional.

We also reviewed the sustainability risk appetite statement, considering ownership and responsibility, the definitions of risks, and the intent to provide an accurate description of the inherent risks without loosening existing controls. We were satisfied that UKEF is approaching these issues appropriately and is managing those risks responsibly and proportionately.

For details about the Council's responsibilities, priorities, and membership, together with our contact details, terms of reference, register of members' interests and minutes of meetings, see the government's website.¹⁹

The cost of operating the Council in 2024/25 was £48,333, which covers the annual remuneration to members and the Chair, and reimbursement of travel and meeting expenses. For more information about the work of the Council, please contact the Council Secretariat: EGAC@ukexportfinance.gov.uk

¹⁹ [Export Guarantees Advisory Council. About Us. \[gov.uk/government/organisations/export-guarantees-advisory-council/about\]](https://www.gov.uk/government/organisations/export-guarantees-advisory-council/about)